

Auditor's Annual Report on Rutland County Council

2021/22 and 2022/23

March 2024

Provisional Report



Contents

Section	Page
Executive summary	03
Financial sustainability	06
Governance	12
Improving economy, efficiency and effectiveness	18
Follow-up of previous recommendations	25
Opinion on the financial statements	26
Appendices	
Appendix A – Responsibilities of the Council	29
Appendix B – Risks of significant weaknesses, our procedures and findings	30
Appendix C – An explanatory note on recommendations	31
Appendix D – Use of auditor’s powers	32



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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.

Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 for this reason. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Overall, we have identified a small number of improvement recommendations to further improve the Council's governance and performance arrangements.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but an improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations made	No significant weaknesses in arrangements identified, but improvement recommendations made

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

Executive summary



Financial sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning for the short and medium term is on a sound footing based on prudent financial assumptions. The Council will need to continue to take a structured and disciplined approach to managing finances and reserves. We note that the outturn for 2021/22 was a surplus of £3.062m and for 2022/23 was a £0.4m surplus which indicates that the Council has managed its finances within budget for the years under review.

At the time of writing this report, the audit of the 2021/22 financial statements is not yet complete. In addition, while the Council published draft financial statements for the 2022/23 year on 30 May 2023 in line with the national deadline, the audit of these statements has been subject to significant delays.

We assessed the arrangements concerning Financial Sustainability and found no indication of potential significant weakness. However, we have made a recommendation relating to the Council's Medium Term Financial Strategy which needs to reduce the current reliance on use of reserves and to rebuild them where necessary to strengthen financial sustainability beyond 2023-24. Alongside this we have recommended the development of longer-term savings plans to address the forecast financial challenges beyond 2024/25. The impact of carbon reduction is also recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change.



Governance

The Council's governance arrangements are on a sound footing. We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses. However, we have made improvement recommendations to review of the corporate risk register and to develop arrangements to monitor and comply with any legislative changes relating to climate change/net zero.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. We assessed the arrangements concerning economy, efficiency and effectiveness and found no indications of significant weaknesses. We have raised two improvement recommendations. Firstly, the Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements. In addition, increased corporate oversight is needed over the maintenance and record-keeping of the contracts register to enhance the Council's ability to monitor compliance, breaches and waivers, in anticipation of the new procurement bill requirements in October 2024.



2021/22

We have substantially completed our audit of your financial statements and plan to issue an unqualified audit opinion during April 2024.

2022/23

Our audit of your financial statements is ongoing at the time of issuing this report. We currently anticipate issuing an unqualified audit opinion following the Audit & Risk Committee meeting on 27 March 2024.



Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



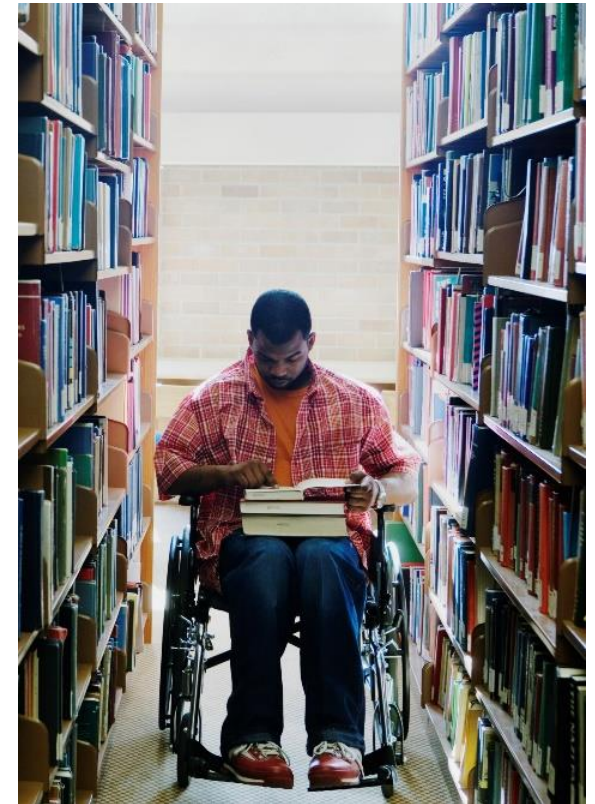
Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 25. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

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

Financial Planning and Managing Pressures

The years 2021-22 and 2022-23 have represented a challenging period for the Council in terms of its medium-term financial planning. During 2021-22 the Council continued to experience the financial impact of Covid, most significantly a loss of income due to suspended or significantly reduced services. In 2022-23 a number of new financial pressures have arisen, because of, a sharp downturn in economic conditions in both in the UK and globally, that significantly increased the scale of inflationary pressures from the early part of 2021-22, beyond what had been projected when the budget was set.

The budget-setting process each year involves the SLT and heads of service ensuring that their budgets align with current staff structures. The Workforce strategy, however, needs to be formally updated as the previous version pre-dates COVID-19 and a lot has changed in terms of ways of working, working environments and protocols.

Improvement recommendation: The Workforce strategy should be formally updated to reflect the post-COVID-19 ways of working, working environments and protocols.

Assumptions underpinning revenue budgets for 2022-23 and over the medium term, which were agreed in February 2022, had to be revised following the significant economic challenges and cost increases affecting the global economy. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices. Some of the most significant levels of inflation were experienced in construction on other costs and this has impacted the capital programme.

In our discussions with the senior finance team, it has become clear that they are aware of these pressures and have responded well to manage them. The Council positioned itself to manage the financial pressures by taking steps to control in year expenditure in 2022-23 and identify within its medium term planning an approach to managing future funding challenges.

Inflation and other factors led to significant increases in the Council's projected medium-term funding gaps for 2023/24 and beyond. The Council submitted its initial 2023-24 budget proposal and revised its MTFP in the light of the Local government funding settlement in December 2022 with the final version approved in February 2023. The budget was balanced via the use of £0.589m of General Fund reserves to balance the main budget and £0.900m to meet future liabilities for the Local Plan, High Needs and Leisure.

This position takes into account the reserves consumed to support the position in 2022-23. The MTFP is kept under regular review and the latest position is shown in the table below.

5 YEAR MTFP (23/24 – 27/28)						
		23/24	24/25	25/26	26/27	27/28
General Fund	Opening value of General Fund Balances* (provisional subject to 22/23 outturn)	(14,611)	(13,172)	(11,791)	(11,310)	(11,045)
Net Service expenditure	Service expenditure, borrowing costs and contingencies	46,549	50,645	53,215	55,733	58,474
Less: Additional Savings	Additional savings to achieve the FSS	0	(1,485)	(1,820)	(2,877)	(4,000)
Equals: Net Expenditure		46,549	49,160	51,395	52,856	54,474
Less: Government funding	Social care grants, Share of Business rates, Other grants	(13,698)	(13,896)	(15,086)	(14,708)	(14,273)
Less: Council tax	Council tax	(32,074)	(33,882)	(35,828)	(37,883)	(40,054)
Less: Earmarked reserves	Use of set aside funds to offset expenditure	(188)	0	0	0	0
Equals: (Surplus)/deficit	Deficit means Council is not living within its means	589	1,381	482	265	148
Add: Transfer to Reserves	Additional transfer to reserves (see 7.1.4)	900	0	0	0	0
General Fund	Closing value of General Fund Balances	(13,172)	(11,791)	(11,310)	(11,045)	(10,900)
Local Government Settlement (4.2)	The Government funding settlement and value of other Government grants drive Government funding figures.					
Risk/uncertainties (5)	Issues that can influence the level of income, expenditure and funding but not all are built into MTFP e.g. Council receives extra funding.					
Reserves (7)	Planned use of earmarked reserves sustain expenditure and offset costs.					
Assumptions (4.3)	Variables built into MTFP that influence the level of income, expenditure and funding. Some are known and some are not.					
Savings (6)	Savings reduce expenditure or increase income.					
Council Tax (8)	Assumed increases in Council Tax impact the future level of funding. The Government maximum limit is 4.99%.					

The Council has been able to balance its 2023-24 budget mainly through using a small amount of its general reserve. In our view the Council has demonstrated via its financial planning that it is aware to all the prevailing pressures on its finances and has regularly updated its planning accordingly. However, the Council needs to quickly put in place plans to balance this longer-term position which indicates that it will need to use a further £2.865m of reserves to balance its finances (as shown in the table above). This also assumes it will achieve its challenging savings target rising to £4m by 2027/28 in addition to £0.9m already delivered for 2023/24.

Financial sustainability

The Council's unallocated general fund balance is sufficient to cover this without dropping below its risk assessed £3m minimum balance over the period. However, there remains a need to balance the cost of services against recurrent funding. While the use of reserves to bridge the gap while transformation takes place is a legitimate use of financial resources, it can become problematic if it starts to detract from or delay the Council's ongoing focus on driving efficiency in its services or diminishes the Council's ability to spend reserves more constructively. For example, funding short term community investment projects and/or capital programmes, or to reduce borrowing costs.

Savings plans

The Council has approved a Financial Sustainability Strategy (FSS) which it is implementing. The strategy is geared around three principles:

- raising council tax to maximise yield – this is the biggest income source
- delivering a transformation programme and an “affordable service offer” and any other savings required
- using up to £2m of reserves to subsidise the budget to allow savings to be delivered.

To support the delivery of the challenging savings targets the Council has set itself it has established a Transformation programme which aims to identify a wide range of potential savings opportunities. The areas of focus are:

Area	Mission statement
Operating Framework	To design a new operating framework that makes decision making lean and strips out unnecessary bureaucracy making it easier to deliver services for customers.
Customer	We will simplify access to customer services and look for opportunities to enhance customers lives and lived experience by reviewing how customer access works and our model for customer services.
Community Offer	To have an integrated all-age community offer including the Voluntary Community Sector (VCS) that allows individuals and communities to help themselves, provides preventative support and targeted intervention to prevent escalation of needs.
Commissioning and Contracting	The Council manages fragile marketplaces, effectively supports services to source and secure commercially viable contracts and ensures there are skilled contract managers in place to maximise value from contract arrangements in place.
Digital, Data and Technology	Customers are able to self-serve through online interactions and integrated systems create efficiencies and give better access to data and insight, meaning evidence-led decision making is easier.
Enabling Services	The Council's support services function is reviewed, with clear consideration given to a centralised or decentralised model for each support function which will maximise the value offered by service delivery units.
Public Realm	To reorganise public realm services, rescale our revenue commitment whilst maintaining a safe public realm and develop a standardised and affordable offer across the County that is clear on the role and remit of the Council and partner organisations and who pays.

Area	Mission statement
Cultural Services	To develop an enabling cultural offer that enhances the visitor economy for reduced financial impact to the Council.
Asset Management	To optimise our estate, reduce cost and maximise revenues.
Special Educational Needs	To identify sustainable changes that can drive high quality outcomes for children and young people with SEND (within their locality) and secure a more efficient and cost effective model.
Integrated Care Organisation	To redesign and integrate health and adult social care services, utilising shared resources to secure a more efficient and cost effective model and one that improves the customer experience.
Transport	To design and implement a demand led public transport model which is sustainable and costs less and drives up passenger use and improves accessibility to services including health and education.

Managing financial risk and the use of reserves

CIPFA has commented that councils should be particularly wary about using reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium-term financial plan and should also take account of the expected need for reserves in the longer term. As noted previously, 2022-23 has been a particularly difficult year in which to plan Council finances. The Council's relatively strong opening reserves position have been used to smooth the budgeted overspend for 2022-23. Going into the 2022-23 financial year, the Council carried comparatively high levels of reserves, and this provided the main contingency against slippage on future savings plans. The Council's 2022/23 outturn reserves position is shown in the table below:

Statement of Accounts	Reserve Name	March 2023 £'000
General Fund	General Fund Minimum Balance	3,000
	Financial Sustainability Strategy Reserve	2,865
Earmarked Reserves	Departmental Reserves	4,786
	Risk Reserve	2,530
	Innovation Fund	2,500
	Process Improvement Fund	9,000
	Total	24,861

Despite the challenges and the fact that they are forecasting use of £2.865m reserves over the period of the MTFP the Council's forecast reserves position remains positive. The unallocated general fund reserves position at the end of the 2022/23 year is still within generally accepted practice in terms of a % of net revenue spend (£13.2m unallocated reserves on net 2023/24 budget of £46.5m = 29%). It is likely the Council will continue to need to use its reserves balances to help it manage the expected significant funding pressures over the medium term and the Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience. It is therefore important that the Council develops plans to rebuild those reserves back such that they are able to manage future financial challenges. We note that the Council has very clearly analysed and articulated its reserves strategy which was approved by Cabinet in August 2023.

Financial sustainability

Improvement recommendation: It is important that the Council should focus its Medium-Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them where necessary to strengthen financial sustainability beyond 2023-24. The development of detailed savings plans will form a key part of this strategy, and this should lead to a plan to replenish the reserves used up in smoothing the financial position over the period of the MTFP.

Financial statements

At the time of writing this report, the audit of the 2021/22 financial statements is not yet complete. In addition, while the Council published draft financial statements for the 2022/23 year on 30 May 2023 in line with the national deadline, the audit of these statements has been subject to significant delays.

Improvement recommendation: The Council needs to work to ensure that its finance team is sufficiently resourced so that the issues delaying completion of the outstanding financial statements audits can be resolved, and do not reoccur during the 2023/24 accounts and audit process.

Financial Performance in 2021/22

The Outturn was a surplus position of £3.062m compared to a budgeted deficit position of £320k. This represents an under spend of £3.382m. The overall position represents a combination of factors.

- c£1.081m of planned savings. With savings already built into the 2022/23 based on 'underspends' to be achieved in 2021/22, it was imperative that the Council delivered these planned savings of just over £1m.
- £1.5m of unexpected income – the Council received many grants and has been either been able to deliver priorities without spending them in full by using existing staff (this was often unintended but difficulties in recruitment meant it was necessary). The Council also benefited from winning a social care ordinary residence case which meant it received £551k from Cambridgeshire County Council.
- £1m of unplanned net savings – the most significant savings were from unplanned vacancy savings. Staff under spends of nearly £1m were significant and reflect the council's own local recruitment challenges mirroring the picture nationally.

Financial Performance 2022/23

The outturn, presented in July 2023, detailed a surplus position of £0.4m. Despite the surplus, the Council experienced significant additional cost pressures but these were offset by staffing vacancies, other underspends including better than expected returns on investments and income received in advance of the service activity being undertaken. We recognise that in line with councils across the UK, the economic and inflationary pressures exceeded what could reasonably have been projected when the budget was set in February 2022, so the fact that the Council delivered an underspend and contribute to reserves to help set a balanced budget for 2023/34 is indicative of robust financial management arrangements. The Council will need to continue to adapt and strengthen its financial planning processes to address the heightened level of financial challenge expected to persist over the medium term.

Financial Performance 2023/24 to date

As at Quarter 2 2023/24, the Council was forecasting a surplus of £1.6m on budget. This is attributed to higher-than-expected investment income receipts (£1.3m) due to a national context of rising interest rates to combat inflationary pressures by the Bank of England. This supports the Council's continuing track record of sound budgetary control. However, this should not detract from the need to address the MTFP deficit and reduce the planned reliance on reserves.

Borrowing Position

The Council's historic borrowing position as presented in the Treasury Management annual report (presented to cabinet in July 2023) is stable and on a declining trajectory over 2021/22 and 2022/23. There were no plans to borrow additional resources in 2022/23. The Council has no commercial activities so has not separately identified the CFR relating to commercial expenditure. We note that investment income in 2022/23 was higher than expected with surpluses contributing to the underspend on budget in year, this was attributed to the benefit of higher-than-expected interest rates.

Financial sustainability

Capital investment

In 2021/22 we note that overall, the Council underspent on its original planned capital budget of £20m by £115k. This is a significant achievement given the challenging conditions to deliver capital projects in the prevailing economic climate in the period following the COVID-19 pandemic.

The 2022/23 capital programme was agreed in February 2022, at a level of £18.3m. This comprised a mixture of approved continuing projects which spanned more than one financial year, approved projects delivered with ring fenced funding and projects in the pipeline awaiting approval. The 2022/23 capital outturn detailed an underspend of £543k which was mainly due to the Digital Rutland project to provide superfast broadband, which is now completed.

The 2023/24 budget proposal and MTFS includes a capital programme for 2023/24 of £16.4m. The programme comprises four strands:

- Approved projects: capital projects already approved that will span across more than one financial year (any projects already approved which are not yet completed will continue into 2023/24);
- Ring Fenced Grants: These grants can be awarded following a successful application process or passported by Government to support objectives. Projects will automatically be included in the existing capital programme (e.g. disabled facilities grants) if there is a project to spend the funding;
- Non-Ring-Fenced Grants: New projects to be approved in the budget or in-year;
- Funding available but not yet allocated

The ongoing implications for the revenue budget strategy are fully considered before any capital funding decisions are confirmed.

The capital programme has since increased by £27.1m, from £16.4m, to a revised capital programme of £43.5m. The majority of this increase relates to the inclusion of the Levelling Up Fund programme of £24.2m.

The key projects, exceeding £500k are summarised below:

- Highways Capital Programme (Budget £2.6m - Report 52/2022 & 110/2022) - the highways capital programme is grant funded from the Department for Transport (DfT).
- Integrated Transport Capital Programme (Budget £1.3m) - the integrated transport programme is grant funded from the DfT.

- Catmose School Expansion Project (Budget £5.4m) - The capital programme commissioned Catmose college to deliver 30 additional places through development of an 8 Form Entry secondary school.
- Digital Rutland - The original project was funded by Building Digital UK (BDUK) and Rutland County Council (RCC) based on a ratio split. The funding from BDUK was paid in full during the early stages of the Project.
- Levelling Up Fund - In January 2023, it was confirmed that Rutland and Melton had successfully secured a joint Levelling Up Fund (LUF) bid of £23m to support the economic development in both Rutland and Melton. This was approved by Council in March 2023. Rutland's Levelling Up projects focus on health innovation, a new sustainable transport scheme, and growing the County's visitor's economy.

Climate Change & Net Zero

The Council do not have a carbon reduction budget. The Corporate Strategy aspires to move to 'net-zero Carbon' but this has not progressed to date, given the current economic climate.

Please see the 'Climate Change & Net Zero' section later in this report for background information and Rutland County Council's progress.

Improvement recommendation: The financial implications of carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change.

Conclusion on Financial Sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning for the short and medium term is on a sound footing based on prudent financial assumptions. The Council will need to continue to take a structured and disciplined approach to managing finances and reserves. We note that the outturn for 2021/22 was a surplus of £3.062m and for 2022/23 was a £0.4m surplus which indicates that the Council is managed its finances within budget for the years under review. We assessed the arrangements concerning Financial Sustainability and found no indication of potential significant weakness. We have made two recommendations for improvement.

Improvement recommendation 1



Financial sustainability

Recommendation	The Workforce strategy should be formally updated to reflect the post-COVID-19 ways of working, working environments and protocols.
Audit year	2022/23
Why/impact	The body's financial plans should be aligned to the expectations set out in the workforce plan.
Auditor judgement	The Workforce strategy should be formally updated to reflect the post-COVID-19 ways of working, working environments and protocols.
Summary findings	The budget-setting process each year involves the SLT and heads of service ensuring that their budgets align with current staff structures. The Workforce strategy, however, needs to be formally updated as the previous version pre-dates COVID-19 and a lot has changed in terms of ways of working, working environments and protocols.
Management Comments	<p>Agreed. A new Head of Human Resources and Organisation Development is due to start with the Council in March 2024, following the retirement of the previous post holder in December 2023. Whilst a draft Workforce Strategy has been developed, the new post holder will have their views as to how best the strategy can be developed following their own assessment of the strengths and weaknesses of the current Council position. The Council recognises that Recruitment and Retention of its workforce is a key strategic risk (risk ID 73). The aim is to have a finished draft strategy by the end of the Summer 2024 in order to feed into the 2025/26 budget setting process as outlined in this recommendation.</p> <p>However, it is worth noting that the Council adopted an enhanced budget setting process for 2024/25 – 2027/28 whereby service provision was placed at the heart of the building of the budget. Heads of Service were provided with a cash limit to develop Service Ambitions for their service delivery against the Corporate Strategy priorities. This revised budget setting methodology meant that budgets and required staff structures were inherent in the formation of affordable Service Ambitions. The Service Ambitions are contained in Appendices C of the Integrated Budget Plan & Medium Term Financial Strategy, approved by Full Council 26 February 2024, and include a breakdown of expenditure and income of which employee budget costs are disclosed.</p>

Improvement recommendation 2



Financial sustainability

Recommendation

The Council needs to work to ensure that its finance team is sufficiently resourced that the issues delaying completion of the outstanding financial statements audits can be resolved, and do not reoccur during the 2023/24 accounts and audit process.

Audit year

2021/22 and 2022/23

Why/impact

Delays in the financial statements audits have meant that both officers and auditors have been engaged in significant additional work. For officers this means that they have had to choose between focussing on the audits and focussing on other financial matters.

Auditor judgement

High quality, timely financial statements underpin good governance and provide stakeholders with assurance that Council finances are being managed appropriately. Delays and significant errors undermines that confidence.

Summary findings

At the time of writing this report, the audit of the 2021/22 financial statements is not yet complete. In addition, while the Council published draft financial statements for the 2022/23 year on 30 May 2023 in line with the national deadline, the audit of these statements has been subject to significant delays.

Management Comments

Management notes that the delays experienced in the audits have been a combination of auditors and finance capacity demands, and therefore not completely within the gift of Council officers to resolve. The Council's finance team were 1 of only 43 upper tier councils to publish the 2022/23 accounts by the statutory deadline. Usually, the external audit would commence in the summer months, instead the original plan was to commence the audit in October, and this was further delayed until November 2023. Unfortunately, this time coincided with the detailed budget build of an enhanced budget setting process which supports the Council's number one priority of achievement financial sustainability. The delayed audit activity, extended through national issues of infrastructure valuations and triennial pension valuations, further compounded workloads for the auditors and Council finance team alike. Officers have kept the Audit & Risk Committee updated on progress throughout the period.

During the summer of 2023 a review of the finance team structure was undertaken by the Head of Finance, following the start of a new S151 officer in March 2023. This review resulted in the introduction of two new deputy head of finance roles, and permanent recruitment to some senior accountant roles following vacancies in the team and the ending of temporary agency placements. Interviews were held in November 2023 with posts being filled from February to April 2024. The Council's finance team will be in a stronger position to complete the statutory finance tasks alongside delivery of, and support to the transformation agenda across within the Resources directorate and across the Council.

Improvement recommendation 3



Financial sustainability

Recommendation

It is important that the Council should focus its Medium-Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them where necessary to strengthen financial sustainability beyond 2023-24. The development of detailed savings plans will form a key part of this strategy, and this should lead to a plan to replenish the reserves used up in smoothing the financial position over the period of the MTFP.

Audit year

2022/23

Why/impact

The reserves position at the end of the current MTFP cycle is still within CIPFA guidelines in terms of a % of net revenue spend (£) though the Council is aware that reserves used up in managing funding shortfalls over the next 3 years will need to be built back up so they can retain that financial resilience.

Auditor judgement

Although the Council has a moderate level of reserves, they are finite, and they will not afford the Council much protection if there were to be significant future cost pressures.

Summary findings

Whilst the council's reserves position is currently relatively strong, future pressures indicate that they will come under pressure, and they need to be refreshed to ensure continuing financial resilience.

Management Comments

As noted in the previous management responses the Council undertook an enhanced budget setting process for 2024/25 – 2027/28 whereby service provision was placed at the heart of the building of the, Integrated Budget Plan & Medium Term Financial Strategy (IBP & MTFP), which was unanimously approved by Full Council 26 February 2024. The revised MTFP uses less reserves than set out in the November 2022 Financial Sustainability Strategy of £900k compared to £2.9m forecast.

In September 2023 Council approved its Reserves Strategy and Policy to provide the context of use of the reserve balances to support the delivery of a sustainable financial position for the Council. Balances were identified in order to mitigate risk and provide investment opportunities for future savings proposals and / or enhanced service. This Strategy and Policy were reviewed and updated as part of the IBP and MTFP approved by Council in February 2024. The reserve balances have been assessed with regards to the achievement of saving plans and risks inherent in the Council's budget using the 10 CIPFA factors (as described in the S151 Robustness (S75) Statement).

As part of the IBP & MTFP the Council also considered a series of Financial Health Indicators to assess the Council's financial resilience. These 14 indicators are spread across revenue based financial sustainability indicators, fiscal indicators based on the balance sheet, and capital investment indicators. The revenue-based indicators are shown to be the greatest risk to the Council's financial sustainability and relate to income and expenditure plans which reflect reducing income from government compared to increasing pressures on expenditure from demand and inflation.

Governance



We considered how the Council:

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

Risk management

Risk management is operating in the same manner as previously reported in our 2020/21 VfM report. Each risk includes a risk owner, an inherent risk score, a residual risk score, the impact, proposed treatment (prevent/improve), key controls, action plan to manage the risk. We note that the latest Strategic risk register we reviewed (June 2023) does not include any reference to how the risks impact on the delivery of corporate objectives. In our 2020/21 Auditor's Annual Report we made a recommendation to include reference to appropriate corporate objectives against each risk and we re-iterate that we feel that this would add value to the process.

The Council manages risk through its Corporate Risk Strategy/Risk Management Policy and the Audit and Risk Committee provides oversight of the process. The Corporate risk register is to be reviewed at least twice annually by this Committee. However, despite the register being presented to the recent June 2023 Committee, prior to that it was last presented in September 2022. We also note that Cabinet should review the risks especially some of the more significant, but we noted that there hasn't been any review of the risk register by the Cabinet since April 2022.

The Council's policy states that: 'The strategic risk register is presented to Cabinet at least twice annually as part of corporate performance reporting' this does not appear to have been complied with. We would encourage the Council to schedule a review of the risk register by Cabinet at least twice annually, to provide assurance that risks are being identified and appropriately managed. These arrangements are in place to enable the Cabinet to focus on the key corporate risks.

Improvement recommendation: Cabinet and Audit & Risk Committee should be presented with the strategic risk register at least twice-annually as part of corporate performance reporting, as stated in the Risk Management Policy. This policy has not been complied with. **See Improvement Recommendation 3, later in this report.**

Budget Setting

The Council has effective budget setting arrangements in place which has supported the delivery of budget surpluses over the past two financial years. Budgets are discussed with budget managers, heads of services, the Leadership team and other relevant stakeholders before Committee approval on an annual basis. The Council implemented their Financial Sustainability Strategy (FSS) which was presented to Cabinet in October 2022. This was in response to the turbulent macroeconomic environment which has prevailed over the previous twelve months.

The FSS detailed how the Council predicted that they are likely to have a financial gap of around £2.8m in 2023/24, but one that grows over the period of the strategy. The growth in the gap reflects the fact that projected increases in funding cannot keep pace with the inflation applied to existing spending plans. The increase in the gap is such that balances (non-ringfenced earmarked reserves and general fund) are projected to go below the minimum level by the end of 2026/27. This being the case, a strategy has been approved to move the Council forward with the ambition of setting a break-even budget by 2027/28.

This strategy has provided a good framework for the development of the 2023/24 budget and medium-term financial plan (MTFP) and gives it the best chance of meeting its dual objectives of a) being financially sustainable (i.e. ensuring it can live 'within its means', only spending the funding it receives and balancing the budget in any given year without using General Fund reserves) and b) maintaining reserves above the current recommended minimum limit of £3m as approved by Council.

Governance

Budgetary Control

The Council have a sufficient level of scrutiny over the budget through quarterly financial reports to cabinet. In addition, finance reports on Treasury management via a mid-year report and an end of year report. Both are comprehensive in covering the performance of the Council's treasury management and investment performance. There is also a treasury Management strategy against which performance is measured.

Quarterly revenue monitoring reports provide good evidence of variance explanations. The reports include the impact of service demand changes on the budget position as well as other non-financial factors. The reports also set out the potential financial risks that may impact on delivery to budget during the year and the measures in place to manage these risks. The budget outturn reports also set out performance against budget and action being taken to address any variances. These reports also include performance against the Council's priorities.

The Finance team produce these monitoring reports, together with a 'Mid-year Finance Review'. The 'Mid-year Finance Review' is a particularly informative document which summarises the budget performance to date in a helpful Question and Answer format making it clear to readers of the report exactly what the financial position is and what the implications of variances are. The Strategic Overview and Scrutiny committee also receives a mid-year Finances report (November 2022) as well as the proposed budget (January 2023).

All reporting is well presented in a way which those not familiar with Finance can understand. Capital monitoring reports are also shared twice per year, and these are similarly well presented.

Leadership and Committee Effectiveness & Informed Decision Making

Within the Governance theme we look at the mechanisms within the organisation that are in place to hold staff to account for performing their respective roles and responsibilities.

The Council operates a Leader and Cabinet governance model. Governance arrangements include a Strategic Overview and Scrutiny Committee (which hold the Cabinet to account) and the work of the Committees is governed by the Constitution. The Constitution is regularly reviewed and updated; the last version being reviewed in July 2023.

The culture around decision making and 'tone from the top' in the Council appears to be positive and constructive. Committee members have demonstrated their keenness to be informed through high rates of meeting attendance and thorough discussion of decisions reflected in the minutes.

The decision-making process allows for stakeholders to be properly informed and allows for challenge and transparency. As per the Constitution, the Strategic Overview and Scrutiny Committee is given the space to be properly informed before making decisions through professional advice from qualified consultants and public engagement as needed.

The Council's decision-making process is transparent and there is evidence of engagement with stakeholders, including the public, as part of the consultation on key decisions. A good example of this the public consultation concerning the Market Overton Neighbourhood Plan, details of which were presented to the June 2022 Cabinet meeting. Moreover, the format of Committee meetings allow space for check and challenge. The discussion of any decisions that need to be made stand as distinct agenda items and opinions are captured in the meeting minutes. In addition to this, the Strategic Overview & Scrutiny Committee hold the power to scrutinise any decision made by committees and hold decision-makers to account. We note that the 'report template' for Committee decisions facilitates consideration and input from key stakeholders necessary for informed decision-making.

Legislative and Regulatory Standards

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to decide. The Constitution is divided into 15 Articles which set out the basic rules governing the Council's business.

The Council has clear mechanisms in place to meet necessary standards including cultural, legislative and regulatory. In reference to cultural standards, the Council's Code of Conduct sets out the behaviours expected of staff members, including openness, transparency, personal ownership and engagement, which are aligned to the public sector Nolan principles. In reference to legislative and regulatory, the Constitution outlines the framework for monitoring compliance with legislation, and the Council has a Monitoring Officer who is responsible for upholding and reporting on the compliance of the Council's activities.

The Constitution also contains clear policy for staff around gifts and hospitality and guidance on what does and does not need to be disclosed or registered. Staff are responsible for their own declarations and are free to seek guidance from the Monitoring Officer. Councillor declarations are publicly available via the council website.

Governance

Assurance over the effective operation of internal controls

In developing its 2021/22 Annual Governance Statement (AGS), the Council formally reviewed its corporate governance arrangements against its governance framework.

The Council carried out a review of the effectiveness of its governance framework including its system of internal control. The review of the effectiveness of the system of internal control was informed by:

- the work of the internal auditors and the Head of Audit and Governance's Annual Report,
- senior managers within the Council who have responsibility for the development and maintenance of the governance environment; and
- comments made by the external auditors and other review agencies and inspectorates.

Assurance statements were received from the Leader and Chief Executive and Directors setting out their confirmation that a system of internal control is maintained. They confirmed that there were appropriate plans in place to address any significant governance issues and in particular that changes made to planning procedures should minimise the risk of a similar problem reoccurring.

This exercise provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021/22 year. This was corroborated by the 2021/22 financial statements audit and review of the 2021/22 Annual Governance Statement.

We note that the 2022/23 AGS had not yet been drafted at the date of writing this report but there is no evidence of pervasive and significant weaknesses in internal controls to date. We note that the Head of Internal Audit Opinion for 2022/23 did not raise any significant concerns over the system of internal control.

Internal Audit

For both 2021-22 and 2022-23 the 'Internal Audit Report & Opinions' concluded that 'Satisfactory Assurance' can be given over the adequacy and effectiveness of the Council's control environment. This control environment comprises the system of internal control, governance arrangements and risk management. There have been no incidences during 2022/23 where the internal audit team have highlighted a fundamental risk or weakness.

Over the two years, IA concluded that controls relating to the key financial systems which were reviewed were all concluded to be operating at a level of Satisfactory Assurance or above, with 100% receiving opinions of Good or Substantial Assurance.

The Council's structures and processes for identifying, assessing and managing risk were developed in 2021/22 and have remained generally consistent during 2022/23. An audit of Risk Management was delivered in 2021/22 and resulted in an opinion of Good Assurance for compliance. Following this audit, the Council refreshed its directorate level risk register coverage and reviewed the content and format of risk management updates for Audit and Risk Committee. Risk management training was delivered during 2021/22, for both officers and Members, to further develop and embed good practice in this area and ensure effective risk management arrangements. In 2022/23, directorate level risk registers were reviewed, with support from the Council's insurance provider, and the Strategic Risk Register was reported to the Audit and Risk Committee in June 2023. Rolling risk register reviews were introduced by Internal Audit in 2022/23 and have received positive feedback from the Audit and Risk Committee on the value of this work, in giving assurance over the effectiveness of risk management arrangements.

For the audits completed in 2021/22, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. In 2022/23, 94% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance. There were a couple of limited assurance opinions given but actions resulting from these reports have received appropriate management consideration and have been progressed and are due to be followed up by IA in 2023/24.

Internal Audit did not report any further governance, risk or internal control issues which would reduce the overall opinion for 2022/23.

The Internal Audit service also assists with counter fraud work for the Council. Internal Audit lead on investigating whistleblowing referrals relating to fraud and corruption, and financial impropriety.

Governance

Climate Change and Net Zero

The Council's Corporate Strategy includes the commitment to net zero carbon and details the challenge of climate change, reducing high levels of waste and the carbon footprint but these challenges have not yet been fully developed into operational activity.

The 2022-23 annual report also details how 'net zero carbon' is a Commitment of the Council. The Council has been successful as part of a joint consortium bid for Local Electric Vehicle Infrastructure (LEVI) funding. An award of £940k to the partnership will result in the installation of 30 additional electric charging points in the County, providing greater access and options in support of increases in electrical vehicle use in the County. The Council have introduced a performance indicator on 'Net Zero Carbon' and have set the baseline in 2022/23, so performance will be measured in future years.

Improvement recommendation: The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero.

Conclusion on governance

The Council's governance arrangements are on a sound footing. We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses. However, we have made improvement recommendations to review of the corporate risk register and to develop arrangements to monitor and comply with any legislative changes relating to climate change/net zero.



Improvement recommendation 4



Governance

Recommendation

Cabinet and Audit & Risk Committee should be presented with the strategic risk register for review, at least twice-annually as part of corporate performance reporting, as stated in the Risk Management Policy

Audit year

2021/22 and 2022/23

Why/impact

The Council manages risk through its Corporate Risk Strategy/Risk Management Policy and the Audit and Risk Committee provides oversight of the process. The Corporate risk register is to be reviewed regularly by this committee, together with Cabinet. Cabinet need to regularly review the corporate risk register, to provide assurance that risks are being identified and appropriately managed. This enables Cabinet to focus on the key corporate risks.

Auditor judgement

Cabinet should review the key corporate risks regularly throughout the year.

Summary findings

The risk register had not been reviewed by either the Audit and Risk Committee or the Cabinet for a period of twelve months. This has recently been addressed and the risk register was presented to the June 2023 Audit Committee. April 2022 was the last time Cabinet were presented with the register and Audit and Risk Committee reviewed it back in September 2022. We would encourage the Council to schedule review of the risk register by both Audit and Risk Committee and Cabinet, at least twice annually, as detailed in the risk management policy.

Management Comments

Agreed. For future Cabinet meetings the assessment of risks to the delivery of the Corporate Strategy will be considered alongside performance reports. Following recommendations made from the Audit & Risk Committee, Cabinet are due to consider the strategic risk register.

As the Corporate Strategy refresh was approved at Full Council on 26 February 2024 Officers are undertaking a review of the risks to its delivery and will be reported to member governance forums in due course. Activity will be in line and support the implementation of this recommendation.

Improvement recommendation 5



Governance

Recommendation

The financial implications of carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change. The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero

Audit year

2022/23

Why/impact

In December 2022, the UK Government set new legally binding targets to protect the environment and in January 2023 the UK Government published the Environmental Improvement Plan 2023, making a commitment to improved mitigations for climate change. With major landowners, planning authorities and waste authorities in the LG sector, the legislation is relevant to numerous LG protocols and processes.

Climate change issues impact on consideration of decision-making, medium term financial planning, risk management, performance reporting, and (with an integrated approach) any new financial reporting factors.

Auditor judgement

Carbon reduction is recommended to be included within the MTFP and budgets, along with consideration of sensitivities and changes to estimates of expected credit loss or insurance provision linked to climate change. The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero

Summary findings

The Council do not have a carbon reduction budget. The Corporate Strategy aspires to move to 'net-zero Carbon' but this has not progressed to date, given the current economic climate. The Council's Corporate Strategy includes the commitment to net zero carbon and details the challenge of climate change, reducing high levels of waste and the carbon footprint but these challenges have not yet been fully developed into operational activity.

Management Comments

The Council's refreshed Corporate Strategy includes a core priority of 'Tackling Climate Change'. In the IBP & MTFS the Council has agreed to an investment of £150k to develop a Carbon baseline for Rutland which will include a range of activities that the Council can consider and action where appropriate. The Council also plans to invest £200k into S19 Flooding Reviews, £75k in education programme for waste prevention for residents, £420k to fund a biodiversity net gain officer and a further £184k as part of the lead local flood authority.

Appendix K of the IBP & MTFS details the Capital Programme and shows those schemes linked with the corporate priority of Tackling Climate Change. Schemes include £257k for electric vehicle infrastructure, £92k for Active Travel, £3.0m for the Integrated Transport scheme as part of the Levelling Up Programme, along with an indication of pipeline schemes relating to Waste collection and disposal and investment in public transport.

The Council has therefore planned to invest over £4.4m for activities linked to climate change and net zero – see Integrated Budget Plan & Medium Term Financial Strategy (IBP & MTFS).

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Performance review, monitoring and assessment

The Council has a 5-year Corporate Plan running from 2022-27. The purpose of the plan is to establish a clear vision, priorities, strategic aims and objectives of the Council within the context of a robust Medium Term Financial Plan for the period. The main aim is to *"Improve lives by focusing quality services and expertise where they are needed most, helping the County to grow and thrive whilst remaining the special place our residents know and love"*.

As the plan covers five years, the context and actions change over time and as such the plan is reviewed annually to ensure it remains appropriate. As part of the annual cycle, the Council reports on the delivery of the key targets identified in the 5-Year Plan as part of its performance framework.

As the plan covers five years, the context and actions change over time and as such the plan is reviewed annually to ensure it remains appropriate. As part of the annual cycle, the Council reports on the delivery of the key targets identified in the 5-Year Plan as part of its performance framework.

The Council's approach to performance reporting is similar to others in the sector in that Cabinet and Scrutiny Committees receive six-monthly performance reports.

The performance reports include a summary and an Appendix with every KPI under the Council's strategic priorities. Each KPI is colour coded for an easy visual presentation of performance, whether it is being achieved or not and the trajectory of the indicator. The report also sets out overall performance and provides details for those KPIs not achieved along with a narrative on the reasons for not achieving the target as well as remedial actions being taken by Directorates.

The Council liaises regularly with other local authorities in Leicestershire and has a good knowledge of what others are doing, where good practice is in place.

An audit of the Council's performance management arrangements took place between October and November 2022. The findings of the audit highlighted that, overall, an effective control environment is in place to support performance management and assist the Council to achieve its strategic objectives.

The audit found good compliance generally with both the key principles of best practice laid down in the Local Government Association Performance Management Guide and the Council's expectations in the new draft Performance Management Framework. Actions to strengthen this area further include further benchmarking of performance indicators, embedding a new performance management framework and progressing work to develop the Council's business intelligence through data warehousing.

Actions are in place to address the development areas outlined within the audit. This includes the development of a new performance management framework, supporting training being scheduled and the continuation of a pilot project looking at data warehousing and use of PowerBI to enhance reporting.

The Business Intelligence Team (BIT) attend the quarterly DMT meetings and ensure that Finance and performance data is considered together

In addition, service directors regularly meet with Finance to review financial performance of services within their remit. Where there are changes within the service (e.g. legislative or staffing) these meeting involves challenging the way the service is delivered. This may involve reviewing the service to determine whether the focus should be on reducing costs or identifying opportunities to invest to improve or increase efficiency in service delivery.

Improving economy, efficiency and effectiveness

Partnership working

The nature of the services provided by the Council means it is required to work closely with a range of partners and partnership working is a key theme running through the Corporate Plan. Significant partners are set out in the Corporate Strategy, on the Council website (transparency code) and Annual Governance Statement, so there is transparency.

The Council has a number of strong partnerships these being:

- **The Local Strategic Partnership:** A new partnership we are looking to introduce which will bring together a range of public, private, voluntary and community groups providing collaborative leadership in the strategic development of services within the County, supporting the realisation of the Future Rutland Vision.
- **Health and Wellbeing Board:** Supports the Government's vision to increase integration between health and social care services. A formal committee of Rutland County Council the board brings together Children and Adult Social Care, NHS England, Public Health, Healthwatch, elected representatives and voluntary groups to plan how best to meet the needs of the population and tackle local health inequalities.
- **Integrated Delivery Group:** Is a sub-group of Rutland's Health and Wellbeing Board and leads on delivery of Rutland's Joint Health and Wellbeing Strategy (2022-27). Consisting of local health and wellbeing partners, the group provides leadership, direction and assurance to help to bring about the shared vision for health and wellbeing in Rutland.
- **Integrated Care Board and Partnership:** A statutory partnership which includes NHS England, Local Authority Public Health and GPs, responsible for developing strategy and managing resources to improve the health of residents in the County by preventing illness, tackling inequalities, variations in care, and delivering seamless services.
- **Children and Young People's Partnership:** Rutland Children's services, early years and education providers, voluntary and community groups working together to develop services which improve the lives of children and young people in the County.
- **Safer Rutland Partnership:** A statutory partnership made up of the Local Authority, Police, Probation, Health and Fire and Rescue authorities working together to prevent and tackle crime and anti-social behaviour, helping all residents to feel safe.
- **The Leicestershire and Rutland Safeguarding Children Partnership:** Brings together organisations from across the two counties to oversee the multi-agency safeguarding children's arrangements as required by the government guidance Working Together 2018.

- **Leicestershire and Rutland Safeguarding Adults Board:** Brings together organisations across Leicestershire and Rutland to oversee the multi-agency approach to safeguarding adults with care and support needs.
- **Town and Parish Council Forum:** Bring together all Parish Councils and Rutland County Council to discuss key issues and matters for the County.

The Council has a key partnership with the health sector in Leicester, Leicestershire and Rutland (LLR). The health partnership performance is monitored as part of the quarterly performance reports and is based upon the four strategic priorities set out in the Council Plan. Performance against the Corporate Plan is reported to Cabinet and the Rutland Health and Wellbeing Board, along with oversight from the LLR Health Overview and Scrutiny Committee. Reports and minutes of these meetings are available on the Council website.

The Council is being recognised nationally on their Special Education Needs and Disabilities (SEND) alternative provision. Rutland has become one of only four areas in the country to receive the highest possible inspection outcome for children's SEND services. Rutland County Council and Leicester, Leicestershire and Rutland Integrated Care Board (ICB) are jointly responsible for the planning and commissioning of services for children and young people with SEND. This Local Area Partnership was inspected by Ofsted and the Care Quality Commission (CQC) in May 2023. The purpose of the inspection was to evaluate the effectiveness of arrangements for children and young people with SEND and recommend where any improvements could be made across all education, social care and health services working in the Rutland area.

Stakeholder Engagement

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council carries out a wide range of public consultation. The Council has an Employment Committee. Senior managers are engaged through regular meetings of the Leadership Team and management development conferences. The budget is published every year on the Council's website. This lists budget holders and directorates responsible for the budgeted figures. Finance officers, budget holders and portfolio holders have been consulted on draft budgets and integrated saving plans.

Improving economy, efficiency and effectiveness

Climate Change & Net Zero

In June 2019, the UK government amended the Climate Change Act 2008 to enforce a target of 100% reduction in greenhouse gas emissions (compared with 1990 levels) in the UK by 2050. Carbon budgets set by the UK government specified seven sectors for investment and carbon reduction, none of which specifically included Local Government (LG) and the NHS but many of which were directly relevant to LG (and NHS) operations.

The NAO's July 2021 'Local government and net zero in England' report identified serious weaknesses in central government's approach to working with local authorities on decarbonisation, citing that they stemmed from a lack of clarity over roles; piecemeal funding; and diffuse accountabilities. In August 2021, the NAO published a report on Climate change risk providing a good practice guide for Audit and Risk Assurance Committees, including a complete list of questions Audit Committees should be asking. By June 2022, more than 250 Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets.

In December 2022, the UK Government set new legally binding targets to protect the environment and in January 2023 the UK Government published the Environmental Improvement Plan 2023, making a commitment to improved mitigations for climate change. With major landowners, planning authorities and waste authorities in the LG sector, the legislation is relevant to numerous LG protocols and processes.

Climate change issues impact on consideration of decision-making, medium term financial planning, risk management, performance reporting, and (with an integrated approach) any new financial reporting factors.

Following the legal changes that have occurred since June 2022, new VfM considerations have been identified, as follows:

- Are there significant changes to estimates of expected credit loss or insurance provision/arrangements linked to climate change? Are there other significant new costs or provisions or income changes disclosed?
- Is the impact of the climate change/net zero decision reflected in the medium-term financial plan?
- How are legislative changes relating to climate change/net zero monitored and complied with?

Progress at the Council

The Council do not have a carbon reduction budget. The Corporate Strategy aspires to move to 'net-zero Carbon' but this has not progressed to date, given the current economic climate.

A Climate Change Action Motion was presented to Full Council on 14 October 2019. This was followed by an Ecological Emergency in November 2021. Among the measures put forward for the first motion, were commitments to:

- Make sure the Council's activities achieve a net-zero carbon footprint before 2050
- Achieve 100% clean energy across all council functions by 2050 or earlier
- Provide a climate change impact assessment on all relevant council decisions
- Request that scrutiny panels consider the impact of climate change and the environment when reviewing council policies and strategies
- Review council activities to take account of production and consumption emissions
- Set up a Climate Change Partnership Group involving councillors, residents, young people, climate experts, businesses, and other relevant groups

There was no detailed plan to support the Climate Change motion or what the Council's support for the Climate and Ecological Emergency Bill meant so the financial impact couldn't be assessed. Work however, started during 2022/23 on a baseline carbon assessment which would provide a launch point for any plans.

The 2022/23 budget made provision for a 'Climate Change Officer' but then the 2023/24 budget lists the post as a saving. This continues to explain that no proactive work will be done on Carbon Reduction plan/strategy over and above what services are already indirectly contributing through existing activities or can do through embedding environmental strategic thinking in the Local Plan, key procurement activity such as waste management, highways and transport. Community led initiatives will have to be self-managed and organised without support or co-ordination from the Council.

The Council did not have a Climate change action plan in place when there was a national scorecard exercise in September 2021. This would be a good exercise to take part in going forward, as it gives benchmarking data of how your own plan performs in comparison to plans of other councils across the UK.

Improvement recommendations have been made within the 'Financial Sustainability' and 'Governance' sections of this report.

Improving economy, efficiency and effectiveness

Benchmarking

An audit of the Councils performance management arrangements took place between October and November 2022. The findings of the audit highlighted that, overall, an effective control environment is in place to support performance management and assist the Council to achieve its strategic objectives.

The audit found good compliance generally with both the key principles of best practice laid down in the Local Government Association Performance Management Guide and the Council's expectations in the new draft Performance Management Framework. Actions to strengthen this area further include further benchmarking of performance indicators, embedding a new performance management framework and progressing work to develop the Councils business intelligence through data warehousing.

Actions are in place to address the development areas outlined within the audit. This includes the development of a new performance management framework with management training for scheduled and they continued to progress the pilot project on data warehousing and PowerBI.

The Business Intelligence Team (BIT) attend the quarterly DMT meetings and ensure that Finance and performance data is considered together.

Review of the Council's Strategic Performance monitoring reports indicates that currently the Council does not measure its performance with reference to national benchmarks. The Council has access to benchmarking information which covers financial sustainability and other service areas through the NAO Financial Sustainability and CIPFA's Financial Resilience index tools.

Improvement recommendation: The Council should ensure it is taking full advantage of the benchmarking information it has available to measure performance.

Procurement

The Council have a small, dedicated commissioning team, together with a shared procurement service, operating across other authorities.

The management and monitoring of performance is devolved to the service where the contract is held. The onus is on the service managers to monitor performance of service providers and contracts in their department. This is applicable to waivers or 'exemptions' too.

There is central support, when required, to support service managers dealing with issues that may arise (although there is no significant instances of this occurring in 21/22 and 22/23). Finance also liaise with service managers to monitor financial performance as part of the regular budget meetings.

The Council does not have a specific procurement strategy, but they operate an equivalent via their Contract Procurement Rules within the Constitution (Part 10) which are set out on the Council's website for transparency. These are reviewed and approved on an annual basis as part of the constitution review.

For contracts over £50k the Council use an external tendering website, 'Welland Procurement', to advertise and oversee the tendering process. This is to ensure that it meets legislative and regulatory standards where it procures or commissions services. Payments exceeding £500 to suppliers or via procurement card are listed on the Council's website for transparency.

We note that during the Covid-19 pandemic, the Council approved delegation to officers (in conjunction with Portfolio Holders) to extend contracts that would normally require Council or Cabinet approval (up to £500k), these arrangements are still in place.

Our discussions with officers indicate that the Council do not hold a central contracts register that is monitored at corporate level. The management and monitoring of contract performance is devolved to the service where the contract is held. New contracts are recorded on a 'live', up-to-date database which can be logged onto via the Council's website. This is maintained by Welland Procurement. Historic contracts are not listed, and the Council confirmed that the Council does not maintain back copies of the contracts register.

Improvement recommendation: We recommend that corporate Council oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

Central Procurement Rules are in the process of being reviewed in readiness for the new procurement bill, which is anticipated to 'go-live' in October 2024.

The Council does not undertake significant commercial ventures. Where there is outsourcing, this is managed entirely at a service level. All major contracts e.g. highways, waste management etc have contract managers whose role is focused on the oversight of that contract. Where issues are identified in terms of cost or service delivery, these appear to be reported to the relevant committee on an exception basis.

The Council do not partake in any highly complex or unusual activities. Link Treasury Services are used as treasury management advisers. This approach is considered to be more cost effective than employing such staff directly and ensures resilience and that the Council has access to knowledge and skills commensurate with its risk appetite.

We found no evidence that inappropriate procurement processes were followed during 2021/22 or 2022/23.

Improving economy, efficiency and effectiveness

Leisure Centre contract procurement

We note that the Council is in the process of identifying a operator to take forward part of its Leisure service following the expiry of the existing operator's contract. A procurement exercise to secure an operator for the Catmose Sports site was undertaken in Summer and Autumn 2022 during the peak of the energy price crisis. No tenders were received that complied with the requirements of the tender invitation, which envisaged all of the utility price risk to be borne by the Operator.

A report summarising the position was provided to Cabinet on 12th January 2023. Cabinet decided not to proceed with a re-tender exercise at this meeting. However, it later emerged that there was potential market interest in operating the centre which had not been identified through the procurement process. Cabinet therefore agreed on 14th February 2023 to extend the existing operator's contract and conduct a new tender exercise.

A refreshed procurement exercise was launched with Welland Procurement on 18th May 2023. Bidding against an initial tender closed on Friday 14th July 2023. Cabinet may decide not to proceed with Stage 2 of the procurement process. Alternatively, Cabinet may authorise the Strategic Director for Places, in consultation with the Leader of the Council and the Portfolio Holder with responsibility for Finance, to issue a Final Tender for the operation of the site based on an agreed operating model to address the risk of increased utility costs. Subject to final bids being submitted that comply with the terms set out by the procurement, the Council will appoint an operator to run Catmose Sports Centre from July 2024. The award of the final contract will be a decision for Cabinet or Council in line with the Council's contract procedure rules.

We conclude that this procurement has followed due process and there has been transparent communication to Members and Cabinet of the difficulties that were encountered with the initial procurement exercise.

Conclusion

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

The Council should ensure it is taking full advantage of the benchmarking information it has available to identify potential areas for savings and service improvements; this has been raised as an improvement recommendation.

Central oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

The Council should ensure that it develops arrangements to monitor and comply with any legislative changes relating to climate change/net zero.



Improvement recommendation 6



Improving economy, efficiency and effectiveness

Recommendation	The Council should ensure it is taking full advantage of the benchmarking information it has available to measure performance.
Audit year	2021/22 and 2022/23
Why/impact	To identify potential areas for savings and service improvements
Auditor judgement	Benchmarking could be used to measure cost efficiency as part of the Council's reporting and financial planning agenda (e.g., benchmarked unit costs to help identify areas of high cost within the services, with the potential to make savings).
Summary findings	Review of the Council's Strategic Performance monitoring reports indicates that currently the Council does not measure its performance with reference to national benchmarks. The Council has access to benchmarking information which covers financial sustainability and other service areas through the NAO Financial Sustainability and CIPFA's Financial Resilience index tools.
Management Comments	<p>As noted in Recommendation 3 above, as part of the IBP & MTFS the Council considered a series of Financial Health Indicators to assess the Council's financial resilience. These 14 indicators are spread across revenue based financial sustainability indicators, fiscal indicators based on the balance sheet, and capital investment indicators. The revenue-based indicators are shown to be the greatest risk to the Council's financial sustainability and relate to income and expenditure plans which reflect reducing income from government compared to increasing pressures on expenditure from demand and inflation. The Council has also used benchmarking to assess its Debt to Reserves ratio as contained in the Robustness Statement and Reserves Strategy, as well as how it compares on its Core Spending Power against other Councils, Unitary Authorities, and CIPFA nearest neighbours.</p> <p>Council Officers will look to further expand on its use of benchmarking data for further development of service provision.</p>

Improvement recommendation 7



Improving economy, efficiency and effectiveness

Recommendation

We recommend that corporate Council oversight is needed over the maintenance and record-keeping of the contracts register for the Council to monitor compliance, breaches and waivers.

Audit year

2021/22 or 2022/23

Why/impact

This would help the Council to:

- Keep registers of waivers and breaches up to date to monitor compliance.
- To ensure that roles and responsibilities between contract managers and service line staff are clear.
- To align contracts with priorities and the procurement strategy and include relevant performance indicators so that the corporate plan and procurement strategy can be measured and monitored.
- To Maintain high level controls over the whole life of a contract, including supplier health checks and internal management resilience checks.

Auditor judgement

The Council should consider implementing monitoring of the contracts register at corporate level.

Summary findings

It is acknowledged that the Council outsource commissioning to Welland Procurement, who maintain a current contract register. However, central Council oversight is needed over the maintenance and record-keeping of the contracts register to monitor compliance, breaches and waivers, especially in preparedness for the requirements of the new procurement bill in October 2024.

Management Comments

Agreed.

- Council Officers have recently introduced an approach that embeds identification of needs against strategic priorities into the commissioning cycle. This ensures specifications are aligned to and developed to deliver against these priorities.
- Officers are developing a Contract Management Project that will capture existing best practice across the council and identify training needs. This will culminate in development of a corporate approach to contract management that will be rolled out across council teams.
- Officers will develop and agree an effective approach to monitoring the contract register at the corporate level.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Within the Strategic Risk Register, we recommend that each risk is mapped to the relevant corporate objectives	Improvement Recommendation	April 2022	Management Comments: The Council reviewed the Risk Management Policy in January 2022. The nature of the risks included in the Strategic Risk Register map across the corporate objectives. Therefore, mapping these risks doesn't add any value to member's scrutiny of the risks.	No	We note that the Council review took place before our recommendation was raised. We re-iterate our recommendation from 2020-21 to include reference to appropriate corporate objectives for each risk. This is covered in page 12 of this report.

Opinion on the financial statements for 2021/22 and 2022/23



Audit opinion on the financial statements

We intend to give an unqualified opinion on the Council's financial statements for the 2021/22 year during April 2024.

We currently anticipate giving an unqualified opinion on the Council's financial statements for the 2022/23 year following the Audit & Risk Committee meeting on 27 March 2024.

Audit Findings Report

More detailed findings can be found in our Audit Findings Reports, which were published and reported to the Council's Audit & Risk Committee on 31 October 2023 and 27 March 2024 respectively.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council.

We are not required to undertake detailed work at the council as the expenditure is below the de minimus level set by the NAO.

Preparation of the accounts

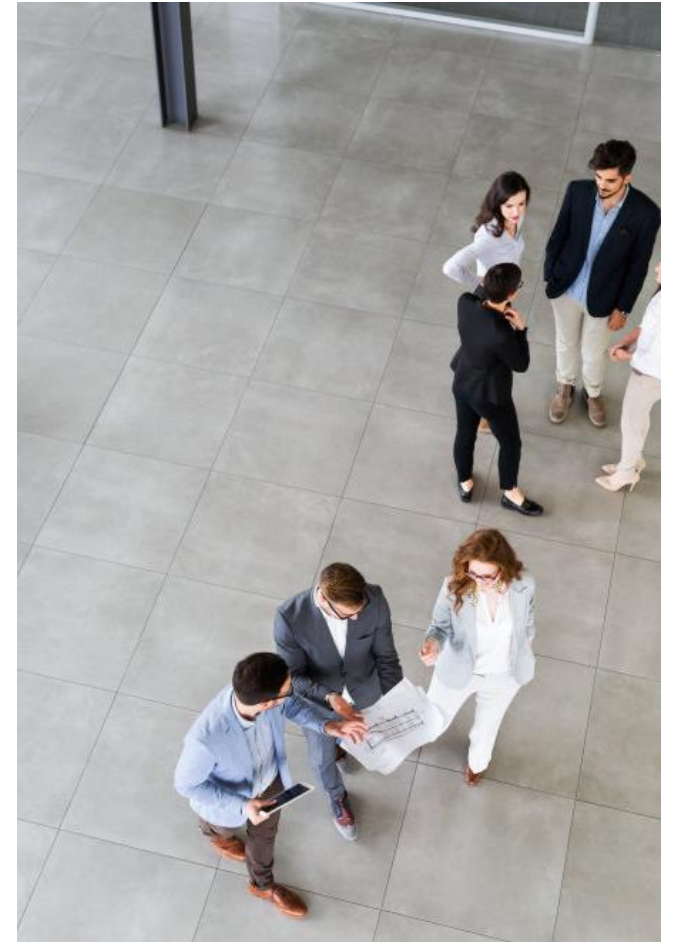
The Council provided draft accounts and supporting working papers in line with the agreed timetable for each year.

Issues arising from the accounts:

There were no significant matters arising from the audits.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



Appendices

Appendix A – Responsibilities of the Council

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

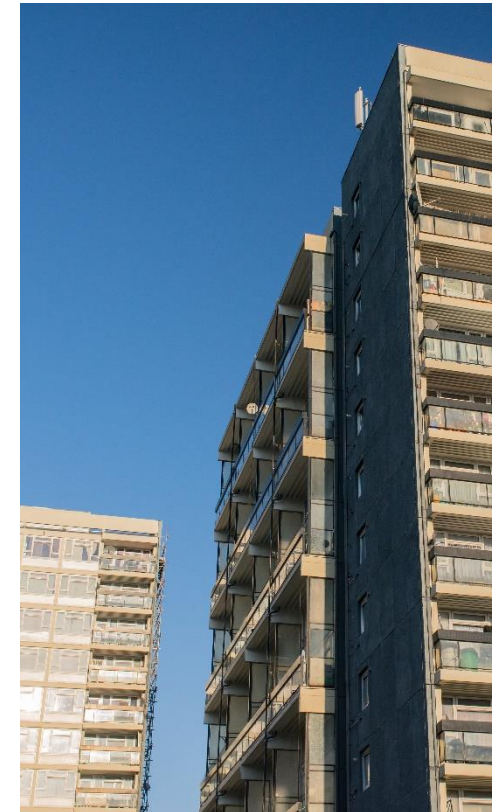
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and 2022/23	Financial sustainability was not identified as a potential significant weakness.	Standard work-programme completed	Detailed in this report	Appropriate arrangements in place two improvement recommendations raised.
2021/22 and 2022/23	Governance was not identified as a potential significant weakness.	Standard work-programme completed	Detailed in this report	Appropriate arrangements in place two improvement recommendations raised.
2021/22 and 2022/23	Improving economy, efficiency and effectiveness was not identified as a significant weakness.	Standard work-programme completed	Detailed in this report	Appropriate arrangements in place two improvement recommendations raised.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Financial Sustainability: Pages 10, 11, 12 Governance: 17, 18 Improving 3Es: 24, 25

Appendix D – Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not issue statutory recommendations in 2021/22 or 2022/23

Public Interest Report

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

We did not issue a public interest report in 2021/22 or 2022/23

Application to the Court

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

We did not make an application to the Court in 2021/22 or 2022/23

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:

We did not issue an advisory notice in 2021/22 or 2022/23

- 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.

Judicial review

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

We did not apply for a judicial review in 2021/22 or 2022/23

