



# Interim Auditor's Annual Report on Wiltshire Council

2023/24

July 2024



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

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



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

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# Executive summary



## Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place. Your previous external auditor is yet to issue Auditor's Annual Reports for 2020/21 to 2022/23 inclusive. Therefore, we have had to produce our commentary without knowledge of the outcome of VFM work for prior periods. We will be mindful of any findings from your previous external auditor once they report and may need to revisit our findings as a result.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

The National Audit Office, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report.

In addition, when we complete our work on the Council's 2023/24 financial statements, we will consider the Statutory Recommendation made by your previous external auditor as issued in February 2024 and update our final Auditor's Annual Report as necessary.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements
Financial sustainability	One risk of significant weakness identified regarding the Council's Dedicated Schools Grant (DSG) High Needs Block deficit.	R Significant weakness in arrangements as a result of the increasing DSG deficit with one key recommendation raised. Six improvement recommendations have been made in respect of the wider financial sustainability criteria.
Governance	One risk of significant weakness noted related to the predecessor auditor's Statutory Recommendation in respect of the 2019/20 financial statements issued in February 2024.	A The work we have undertaken to date has not identified any significant weaknesses in governance arrangements, however, to conclude on this risk of significant weakness we need to undertake work on the 2023/24 financial statements audit and hence we will need to revisit our reporting in this area. No significant weaknesses in arrangements identified at this stage and four improvement recommendations identified in respect of governance.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, five improvement recommendations made.

**G** No significant weaknesses in arrangements identified or improvement recommendation made.

**A** No significant weaknesses in arrangements identified, but improvement recommendations made.

**R** Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary (continued)



## Financial sustainability

The Council is receiving Government funding related to its DSG deficit in six tranches to the value of £76m, as part of the Safety Valve programme. The cumulative deficit as at 31 March 2024 has reduced from £56.2m to £29.4m (£26.8m Safety Valve funding received in 2023/24, tranche one). If the actions agreed within the plan with the Department for Education prevent costs escalating further, the cumulative deficit should be £70m by 2028/29. The Council's intention is that this remaining deficit will then be met by the Council's own high needs earmarked reserve. The Council projects to have £11.5m in this reserve at the end of 2023/24 and £18.4m by the end of 2024/25.

There is currently a statutory override in place nationally which permits the Council's DSG deficit to be ring fenced, with no requirement for it to be backed by cash balances. If this statutory override is not renewed past 2025/26, which is when the current legislation is due to end, the Council's reserve would not be sufficient to meet the projected DSG deficit of £92.9m at 31 March 2026, as the Council estimates that its total reserves would be £86.4m at the end of 2025/26. Management are of the view that the legislation must be extended given the potential impact on the sector, however at the point of our work this has not been done and therefore there remains a risk to the Council's finances.

It should be noted that the level of reserves quoted above is not based upon audited financial statements, as the audit opinion for the 2019/20 financial statements remains outstanding and we note the previous external auditor intends to issue a disclaimer opinion, having reported pervasive weaknesses in controls and a significant volume of errors that they identified through their 2019/20 audit. We also expect that the 2020/21 to 2022/23 audit opinions will be subject to a "backstop" disclaimer, and we currently await Government guidance on this. Therefore, less assurance can be placed upon the projected balances than if they had been audited.

Whilst DSG funding is not an issue specific to Wiltshire Council, the significant deficit at the Council, including the projected deficit that will need to be met by Council reserves should its forecast plan be met, does currently represent a significant risk to the Council's longer-term financial sustainability. This is also acknowledged and clearly reported by management in their budget reports. Due to the significance of this matter and the circumstances at 31 March 2024 we have raised a key recommendation related to this significant weakness which has been accepted by Management. See page 5 for more detail.

Further, we have identified six improvement recommendations as a result of our work on financial sustainability, including that the Council should:

- review its processes to both approve and profile individual capital projects, taking into account the expected spend in the last quarter of the year;
- strengthen financial planning by introducing scenario and sensitivity analysis within the budget and Medium Term Financial Strategy (MTFS);
- refresh and report progress against the actions set out within its workforce strategy;
- monitor and report on the amount of non-recurrent savings planned and delivered each year;
- continue to standardise and monitor the benefits and savings delivered through transformation and embed the savings within the MTFS; and
- consult with residents as part of the budget setting process.

# Executive summary (continued)



## Governance

We have not identified any significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified four improvement recommendations, including that the Council should:

- improve its risk management arrangements as previously set out in Internal Audit's 2023 report;
- ensure that the arrangements for monitoring the implementation of internal audit recommendations are embedded, and also ensure that the process leads to timely implementation of internal audit recommendations;
- undertake a self-assessment exercise of the effectiveness of the Audit and Governance Committee; and
- consider introducing annual declarations of interest including nil returns where appropriate for key officers.

We have not yet undertaken work on the risk of significant weakness identified in respect the predecessor auditor's Statutory Recommendation on the 2019/20 financial statements issued in February 2024. To conclude this work, the Council will need to produce financial statements and make them available for audit.



## Improving economy, efficiency and effectiveness

The Council had arrangements in place to manage its performance, administer its contracts appropriately and work effectively with partners. Our work has not identified any significant weaknesses in arrangements to improve economy, efficiency and effectiveness.

We have identified areas where the Council could improve arrangements and as such, have raised five improvement recommendations. The Council should:

- develop a data quality policy;
- develop a corporate approach to benchmarking and service review;
- undertake a risk assessment to understand the risks posed by being a shareholder of the Stone Circle Group (SCG) and ensure that any potential conflicts of interest resulting from having employees on the SCG Board are effectively managed and mitigated;
- report on the performance of key partnerships to the Audit and Governance Committee; and
- progress work to address the requirements of the 2023 Procurement Act and report waivers to members on a regular basis.



## Financial Statements opinion

We have begun our financial statement audit planning for 2023/24, however at the time of writing the predecessor auditor's audit opinions for 2019/20 to 2022/23 have yet to be issued and the Council is yet to publish draft financial statements for 2021/22 and 2022/23.

The deadline for publication of draft 2023/24 financial statements is 31 May 2024 and this was also missed.

More information can be found on page 43.

# Key recommendations

## Key Recommendation 1

The Council should:

- drive forward its Safety Valve management plan to ensure actions are delivered as planned and at pace;
- effectively monitor progress against its plan to ensure that progress is understood, and corrective action can be taken if required; and
- keep under review its governance arrangements to ensure they remain effective and are developed and improved as required.

## Identified significant weakness in arrangements

The Council does not have adequate arrangements in place to prevent a significant increase in the DSG deficit.

## Summary findings

The Council was invited to take part in the Department for Education's Safety Valve programme in July 2023. Following a range of consultation the Council's Safety Valve management plan (High Needs Sustainability Programme) was submitted to the Department for Education in December 2023. This plan and subsequent funding of £67m from 2023/24 to 2028/29 was agreed on 12 March 2024. The Council as part of this agreement received £26.8m in March 2024.

The Safety Valve funding will be paid in six tranches and, should the agreed actions prevent costs escalating, the cumulative deficit should be reduced to £70m by 2028/29. The Council's intention is that this remaining deficit will then be met by the Council's own high needs earmarked reserve. The Council projects to have £11.5m in this reserve at the end of 2023/24 and £18.4m by the end of 2024/25. However, if the statutory override currently in place is removed in 2025/26, this reserve would not be sufficient to meet the projected DSG deficit at that time of £92.9m. Total reserves are projected to be £86.4m at the end of 2025/26, noting that these numbers are not supported by audited financial statements since 2018/19.

## Criteria impacted by the significant weakness



Financial sustainability

## Auditor judgement

Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements.

## Management comments

The Council recognises the significant risk of the High Needs DSG deficit and is committed to taking all opportunities to set funding aside to meet its obligations under the Safety Valve agreement to meet any residual cumulative deficit not covered by the funding from the Department for Education (DfE). The Council recognise that although this is an increasing national issue [and many councils are facing increasing deficits] and we are confident that the current statutory override will be extended past the current date of 31 March 2026 we are still committed to setting monies aside to mitigate and manage the deficit. The Council during 2023/24 received £26.8m from the DfE as a contribution towards the cumulative deficit and as a result at the end of 2023/24 the cumulative DSG deficit balance was just less than £29m.

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

# Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p><b>Statutory recommendations</b></p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p><b>Public Interest Report</b></p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p><b>Application to the Court</b></p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p><b>Advisory notice</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>• 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</li> <li>• is about to enter an item of account, the entry of which is unlawful.</li> </ul>	<p>We did not issue any advisory notices.</p>
<p><b>Judicial review</b></p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 42.



# The current Local Government landscape



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- nine councils issuing eleven section 114 notices, effectively signalling bankruptcy, between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018;
- an increasing number of other councils publicly warning of a section 114 risk;
- nineteen councils being set to receive exceptional financial support for 2024/25, needing around £1.5 billion. Only six of the nineteen councils had previously issued a section 114 notice. There was no prior public anticipation of exceptional need for the other thirteen councils; and
- the Local Government Association warning that councils in England face a funding gap of £4 billion over the course of 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funds. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. It seems likely that councils will be asked to develop and share productivity plans, showing how they will improve service performance and reduce wasteful spend. The approach to producing the plans is not yet agreed but the need for a new focus on performance in general is clear. The Institute for Government estimates that performance was worse on the eve of the pandemic than it had been ten years before for adult social care and children's social care and neighbourhood services. It estimates that performance has at best stayed the same but more often deteriorated even further since the pandemic.

Financial and workforce issues together place pressure on governance for the local government sector. Recent years have seen a rise in the instance of auditors issuing statutory recommendations around the need for improved governance, whilst at the same time an audit backlog has been growing since 2019. The government is now taking steps to end the backlog, consulting, for example, on backstop measures. Whilst prompter audit won't solve the financial crisis faced by the sector or enhance performance, it may help with delivering earlier warnings, allowing for swifter action and perhaps stronger mitigation. Although recruitment and retention is problematic in the current environment, there are new staff in post at many councils now, often valiantly working to resolve issues that had their origin in decisions taken years ago. With a renewed focus on training, technology and good governance, the outlook for the sector may still be positive despite the many challenges it faces.

# The current LG landscape (continued)



## Local context

Wiltshire Council is a unitary council set in the southwest of England. The area is landlocked and borders the following councils of Dorset, Somerset, Hampshire and Gloucestershire with the unitary local authorities of Swindon and West Berkshire to the east. The main Council offices are based in Trowbridge. Wiltshire is a rural Council with a high proportion of high downland and wide valleys, including Salisbury Plain. It includes Stonehenge and Avebury stone circles (which together are a UNESCO Cultural and World Heritage site) and other ancient landmarks within its locality. The latest Census 2021 shows Wiltshire to have a total population of 510,300, an increase of 8.4% from 470,981 in 2011.

The Council was formed in 2009 as part of local government reorganisation from the four previous Wiltshire districts (Kennet, North Wiltshire, Salisbury, and West Wiltshire). Their functions were taken over by Wiltshire County Council as from 1 April 2009, at which point the Council renamed itself Wiltshire Council.

During 2023/24, the Council comprised of 98 Councillors, each representing a separate ward. Elections are undertaken every four years. Following the May 2021 elections the Council is made up of 61 Conservative Councillors, 27 Liberal Democrat Councillors, 7 Independent Councillors and 3 Labour Councillors. Wiltshire Council operates under executive arrangements, also known as the 'Leader and Cabinet' model. The Full Council elects the Leader and the Leader appoints their Cabinet from amongst the Councillors.

The Council works on a model of Area Boards which seek to bring local decision making to the communities of Wiltshire. There are 18 Area Boards across Wiltshire, with each one holding delegated powers and devolved budgets to facilitate community action at a local level. Residents and local organisations are encouraged to engage with their local Area Board by contacting their local Councillor or Strategic Engagement and Partnership Manager, or by attending one of the local business meetings, community events, working groups or activities.

The Wiltshire economy benefits from the "M4 corridor effect", which attracts business, and the attractiveness of its countryside, towns and villages. Wiltshire's employment structure is distinctive in having a significantly higher number of people in various forms of manufacturing than the national average. In addition, there is higher than average employment in public administration and defence, due to the military establishments around the county, particularly around Amesbury and Corsham. There are sizeable Army barracks at Tidworth, Bulford and Warminster, and further north RAF Lyneham is home to the RAF's Hercules C130 fleet. Wiltshire is also distinctive in having a high proportion of its working age population who are economically active and its low unemployment rates.

The Council's Business Plan 2022 to 2032 outlines the Council's mission to ensure:

- the people of Wiltshire are empowered to live full, healthy and enriched lives;
- our communities continue to be beautiful and exciting places to live;
- our local economy thrives and is supported by a skilled workforce; and
- we lead the way in how councils and counties mitigate the climate challenges ahead.

# 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 performance 2023/24

The following forecast financial performances were based on quarter three financial information provided by the Council. The most recent draft financial statements available were 2020/21. It should be noted that audit of the 2019/20 financial statements remains outstanding and the auditors have noted their intention to issue a disclaimer opinion due to the pervasive weaknesses in the controls and the significant volume of errors that they identified.

### Revenue position

In February 2024, based on quarter three data, the Council reported to Cabinet a forecast year-end underspend of £0.634m against a net revenue budget of £465.874m. This was an improved financial position from quarter one (£0.311m overspend) and quarter two (£0.402m overspend).

### Capital position

Full Council approved a net capital programme budget for 2023/24 of £199.127m. Following year-end adjustments for 2022/23 (for approved slippage), the 2023/24 capital programme was increased to £228.255m. The Council's capital processes enable projects to be added and removed during the year. As a result at quarter three the revised capital budget stood at £194.962m and forecast spend of £168.943m. External borrowing was £47.86m.

This is an ambitious capital programme and the largest to date for the Council. If the forecast level of spend is to be achieved the Council would have had to spend £76.165m in the last three months of the year. The Council needs to better understand the processes to both approve and profile individual capital projects, taking into account the expected spend in the last quarter of the year. The Council should also consider if it has the capacity and sufficiently skilled resources to progress a capital programme of this magnitude. **An improvement recommendation has been raised in respect of this. See improvement recommendation 1.**

### Housing Revenue Account (HRA)

The quarter three position for the HRA is a forecast overspend of £0.578m, against a budget of £26.401m. This budget included a planned contribution to reserves of £2.100m, which taking into account the forecast overspend would reduce to £1.522m.

The HRA reserves balance is forecast to be £3.740m at the end of 2023/24.

### Dedicated Schools Grant (DSG)

The DSG deficit is expected to reach £56.247m by the year end, an increase of £18.583m during 2023/24 and is clearly identified as a significant risk within the Council's 2024/25 budget papers.

	2023/24
Planned revenue expenditure	£465.874m
Actual revenue expenditure	£465.240m
Forecast outturn/underspend	£0.634m
Planned capital spend	£194.962m
Forecast capital spend	£168.943m
Forecast capital yearend position/underspend	£26.019m
Planned savings target	£26.099m
Forecast savings delivered (includes those fully achieved and those assessed as green)	£22.352m

# Financial sustainability (continued)



## Dedicated Schools Grant Deficits

On 12<sup>th</sup> December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023/24 to 2025/26. By the time this period elapses, the statutory override will have been in place for six years.

Whilst the statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits.

Within the DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result are a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

## Dedicated Schools Grant (DSG)

The DSG is a budget allocated in four blocks, including schools, early years, high needs, and central school services. However, since 2019/20, the Council has been spending more than the funding provided and has been in a deficit position, attributable to the High Needs Block (HNB). This is an issue replicated at a number of other councils across England.

The increasing DSG deficit as a result of escalating costs within the high need block was considered a risk of significant weakness as part of our audit planning. Having completed our detailed work in this area we consider this to be a significant weakness in arrangements for 2023/24. The Council has taken action to agree a Safety Value management plan with the Department for Education (DfE) and is setting aside reserves to meet the expected deficit in 2028/29. The amount to be met by Council funds is significant and the Council does not have the available funds at 31 March 2024 to meet this requirement should it have been required. The level of reserves is also unlikely to be sufficient to meet the forecast deficit should the statutory override be removed in 2025/26. If this were the case, the Council would need to consider issuing a Section 114 Notice.

In addition, the level of reserves reported is not based upon audited financial statements, as the audit opinion for the 2019/20 financial statements remains outstanding and we note the auditor's intention to issue a disclaimer opinion due to the pervasive weaknesses in the controls and the significant volume of errors that they have identified in their 2019/20 audit. The Council has yet to produce draft financial statements for 2021/22 and 2022/23, and expects to deliver the draft 2023/24 financial statements after the national deadline of 31 May 2024. We have raised the following key recommendation:

The Council should:

- drive forward its Safety Valve management plan to ensure actions are delivered as planned and at pace;
- effectively monitor progress against its plan to ensure that progress is understood and corrective action can be taken if required; and
- keep under review its governance arrangements to ensure they remain effective and are developed and improved as required.

The DfE has established two programmes to support councils who have large deficits within their DSG high needs block; the Safety Valve (SV) and the Delivering Better Value (DBV) programmes. Both programmes work with local authorities to develop recovery plans to achieve financial sustainability.

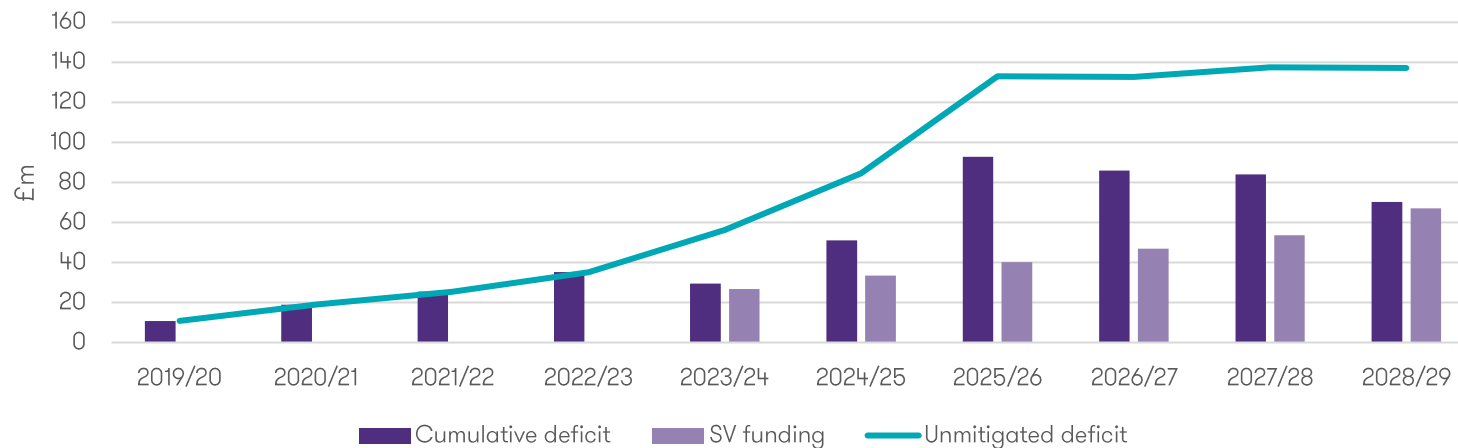
The Council began working with the DfE in early 2023 as part of the DBV programme and was in the process of analysing its data when it was then invited in July 2023 to take part in the SV programme. Following a range of consultation with schools, parent/carer groups and stakeholder surveys, the Council's High Needs Sustainability Programme, including the management plan, was submitted to the DfE in December 2023. This plan and subsequent funding of £67m from 2023/24 to 2028/29 was agreed on 12 March 2024. As part of this agreement the Council received £26.8m in March 2024.

The Council recognised the DSG deficit and the possible removal of the statutory override as a significant financial risk and this was clearly documented and set out within the Council's MTFs and the Section 151's officers Section 25 report as part of the 2024/25 budget setting papers.

# Financial sustainability (continued)

Figure 1 below illustrates that the Council will receive the SV funding in six tranches and, should the agreed actions prevent costs escalating, the cumulative deficit will first increase before it should reduce to £70m by 2028/29. The Council's intention is that this deficit will then be met by the Council from its high needs reserve. The Council projects to have £11.4m in this reserve at the end of 2023/24 and £18.4m by the end of 2024/25. Should the Council be required to meet the deficit in 2025/26 when the statutory override is currently scheduled to end, this reserve would not be sufficient to meet the projected DSG deficit of £92.9m. The total reserves would not be sufficient as they are projected to be £86.4m at the end of 2025/26 (illustrated in figure 2 on the next page).

Figure 1 DSG unmitigated cumulative deficit



The Council recognises that its plan is ambitious and will be a significant challenge requiring effective governance to ensure activity as well as the financial position is monitored. The plan consists of five workstreams and 2023/24 is the base year, with financial benefits not expected until year three, so the monitoring of activity and Education, Health and Care Plans (EHCPs) is essential. It is the Council's intention to be flexible and to respond and adjust as the plan develops.

The Council intends to monitor progress against its High Needs Sustainability Programme through a number of governance boards, as follows:

- High Needs Sustainability Board (HNSB), this is a chief officer group and members also attend. Its key purpose is to monitor progress of the SV plan and to ensure that a balanced position is achieved by 2028/29;
- SEND Transformation Delivery Group, whose purpose is to review and co-ordinate change and will report to the HNSB;
- Project groups, set up to deliver individual projects; and
- regular reports will also be presented to the Children's Scrutiny Committee.

The governance arrangements are complex and are likely to require review and changes as the High Needs Sustainability Programme develops and begins to deliver.

# Financial sustainability (continued)

## Reserves

The purpose of the unearmarked general fund reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. These reserves also act as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Earmarked reserves are set aside for specific purposes.

The Council, as identified on page 15, has set aside reserves to mitigate risks, including the risk of savings not being delivered. The level of the general fund balance has been set at £34m in line with its quantifiable level of risk.

The table opposite illustrates the level and movement of general fund reserves (both earmarked and unearmarked) from 2021/22 and projected from 2024/25 onwards, as set out within the Council's MTFS. The reduction in earmarked reserves is attributable to reserves having been utilised in the following areas; homes for Ukraine, transformation, Public Health and accommodation need.

**Based upon the current level of reserves and the Council's approach to set the general fund reserve based on a risk assessment, we consider that the Council has proper arrangements in place in respect of its level and management of reserves. However, it does not have sufficient reserves should the statutory override for the DSG be removed in 2025/26. This significant weakness in arrangements was raised on page 12 and the key recommendation is on page 6.**

In addition, as we previously note, the values are based upon unaudited financial information since 2018/19 which represents a risk to the accuracy of the values.

Figure 2 level of reserves, excluding the schools balances and DSG deficit



# Financial sustainability (continued)

## Budget planning and Medium-Term Financial Strategy (MTFS)

The Council presented and agreed its three-year MTFS along with its annual budget in February 2024.

For 2023/24 the Council agreed a balance budget not just for the year but also for the three years of the MTFS, this approach has continued and been agreed for the 2024/25 budget and the first two years of the MTFS for 2025/26 to 2026/27. The plan was developed using the best available estimates following the recent Spending Review announcements and provisional settlement data received in December 2023.

This longer-term approach to financial planning and the identification of solutions to funding gaps over a three-year period as opposed to just one-year has resulted in a more resilient approach. Savings have been identified over a three-year period and the 2024/25 budget is not reliant on contributions from reserves to meet financial pressures. This approach should also enable a contribution to be made to a DSG (high needs) reserve. This longer-term approach takes account of changes in assumptions and saving shortfalls each year and improves the Council's financial resilience.

The Council has made assumptions about the expected level of income and costs and the Council has taken steps to manage the risk should these assumptions differ from plan. Within the 2024/25 budget the Council has considered the risks within the budget and allocated a monetary amount designed to mitigate these risks and uncertainties. This financial assessment included a weighted likely impact and identified nineteen risks with a total value of £33.990m. This is an increase from 2023/24 when the risks were quantified at £31.900m. The risks included are wide ranging and include those risks we would expect such as non-delivery of savings and volatility of the collection fund.

The budget does not include scenario and sensitivity analysis, but instead the Council has taken account of volatility by considering risk, as identified above. The Council might benefit from introducing scenario and sensitivity analysis and an **improvement recommendation has been raised in respect of this. See improvement recommendation 2**

The 2024/25 budget clearly states that it will resource the delivery of the Council's Business Plan and its priorities. The budget includes a section on its relevance to the Council's Business Plan and includes examples of investments to date. A core focus for the Council is to protect and invest in preventative and early help services. A Business Plan reserve has been established to fund some of these one-off initiatives.

The 2024/25 MTFS also takes account of changes in workforce and budget assumptions around its workforce. The Council agreed its corporate workforce strategy in 2022. This strategy is supported by a corporate action plan, but due to capacity constraints within 2023/24 the Council has not been able to monitor progress at a corporate level. Services areas are required to develop their own workforce action plans. The Council recognise that the corporate plan requires further work and plans to address this in 2024/25 having recently recruited a Head of Strategic HR. **An improvement recommendation has been raised to this effect. See improvement recommendation 3.**

**We consider that the Council had proper arrangements in place in 2023/24 to set its 2024/25 budget and agree its MTFS. Arrangements could be strengthened by the inclusion of sensitivity and scenario analysis and refreshing and reporting progress against the actions set out within its workforce strategy.**



# Financial sustainability (continued)

## Delivery of planned savings

Savings for 2023/24 to 2025/26 were agreed as part of the budget setting process which enabled the Council to agree a balanced budget for longer than one year. As part of the 2023/24 budget setting process the Council agreed savings totalling £51.22m as follows:

- 2023/24 - £26.099m - the Council is forecasting delivery of £22.35mm (86%) by the year-end;
- 2024/25 - £14.424m; and
- 2025/26 - £10.697m.

The table below provides a summary of progress to date on the planned savings.

Looking at the level of savings required over a longer term as opposed to on an annual basis should improve the likelihood of delivery, as the Council can ensure that actions are undertaken in a timely manner. The Council recognises that it needs to assess if the level of savings agreed previously remains appropriate, and as part of the 2024/25 budget setting process the savings required in 2024/25 were increased to £19.67m. This included increases due to savings not being delivered in 2023/24, cost containment and additional savings to ensure evolving financial pressures would be met in 2024/25.

Figure 3 progress on planned savings from 2023/24 to 2025/26 as agreed in the 2023/24 budget setting process.

Year	Fully achieved £m		On track £m		Some issues		Significant issues	
2023/24	7.8	29.9%	14.55	55.8%	1.34	5.1%	2.41	9.2%
2024/25	0.68	4.7%	11.43	79.3%	0.91	6.3%	1.4	9.7%
2025/26	0.11	1.1%	9.2	86%	1.1	10.2%	0.29	2.7%
	<b>8.59</b>	<b>16.8%</b>	<b>35.18</b>	<b>68.7%</b>	<b>3.35</b>	<b>6.5%</b>	<b>4.1</b>	<b>8%</b>

The quarterly revenue budget monitoring reports were presented to Cabinet in year and these reports included progress on the savings plans by Directorate. The narrative within these reports is detailed and should enable the reader to understand which individual savings schemes are not progressing as planned. The approach taken by the Council has been that any savings which are not delivered should be met by other savings or cost reduction measures in year. This is documented within the budget monitoring reports.

The 2023/24 planned savings include an element of non-recurrent savings and included holding vacancies temporarily to deliver a vacancy factor of 6.5%. In addition, the Council agreed in 2022/23 a freeze on incremental pay progression and this was continued in 2023/24.

In our view staff vacancies are non-recurrent savings as staff posts are held vacant with the intention to fill the post at a later stage, or just held vacant for a short period of time. However, if the Council continues to apply this method it does suggest that this is a recurrent approach, although the Council needs to ensure that this is sustainable. If staff posts were permanently removed from the establishment, such as through a staff restructure, then the saving would be a recurrent saving. There is also a risk that the freeze on incremental progression may not be compatible with staff recruitment and retention.

The Council did not clearly identify the amount of non-recurrent savings planned and delivered through its reporting. Non-delivery of recurrent savings and reliance on non-recurrent savings increases the amount of savings required the following year. **An improvement recommendation has been raised. See improvement recommendation 4.**

**The Council had proper arrangements in place to identify and deliver savings in 2023/24, including identifying savings for more than one year. These arrangements could be strengthened by monitoring and reporting on the amount of non-recurrent savings planned and delivered each year.**



# Financial sustainability (continued)

## Transformation

The Council established its Business Transformation Directorate (BTD) in 2023, with its aim being to deliver the Council's Business Plan objectives through transformation. This Directorate brought together systems and functions which were already in place, such as the Programme Management Office (PMO) as well as establishing a corporate resource and approach.

The BTD provide support to the other Directorates to enable them to deliver transformation. Money to fund this Directorate and funds required by the individual transformation projects have been set aside within the transformation reserve. Bids are required for new schemes and are approved by the Transformation Board.

The Council is currently exploring transformation across a number of areas such as:

- Adult Social Care: the largest transformation programme and covers ten workstreams;
- Families and Children: multi-partnership approach for improving the outcomes of children;
- Community Conversations: aims to openly engage with communities in the five most deprived areas, to empower and build community resilience;
- Residential Children's Homes: increasing sufficiency;
- Staying Close: Department for Education pilot to improve the transition for young people in residential care to adulthood;
- Waste Depot: to develop strategic depots in order to improve efficiency but also to meet standards and meet carbon-neutral objectives; and
- Waste: to bring together waste services and consider the options for delivery.

The transformation being undertaken is varied and includes improving outcomes as well as savings delivery.

**Additional information was requested from the Director of Transformation. This information remains outstanding and may have an impact on the improvement recommendation we have currently made.**

Governance arrangements have been set up and include a Transformation Board (decision making Board) and the Transformation Planning Group. Currently the documentation to monitor progress of each project and programme is not standardised. The Council is currently developing standardised documentation. These arrangements are developing and monitoring arrangements through a programme wide dashboard is not yet fully operational. **An improvement recommendation has been raised in respect of this area. See improvement recommendation 5.**

Going forward the Council should ensure it takes advantage of the various transformation programmes in operation and continue to standardise and monitor the benefits and savings delivered through transformation and embed the savings within the MTFS.



# Financial governance

## Budget setting and monitoring

The 2024/25 annual budget setting process began with a challenge session with Directors and Cabinet which considered individual service areas and included:

- the base budget and any increases required to cover demand and inflation; and
- savings required (for 2024/25 this was limited to the additional savings required as the majority had been agreed to provide a three-year position).

Following these changes the budget was amalgamated to provide the overall financial position.

The 2024/25 budget was circulated and discussed in the following meetings, prior to agreement by Full Council in February 2024:

- all member budget briefing, 17 January 2024
- Financial Planning Task Group, 19 January 2024
- meetings with the three select committees, January 2024
- Overview and Scrutiny Management Committee public meeting, 25 January 2024.

This allowed for adequate engagement from members during the budget setting process and evidence available confirms that appropriate levels of engagement were shown.

**We understand that consultation was undertaken with the business community, however evidence of this remains outstanding.**


Public consultation with residents was not undertaken. We have made an improvement recommendation that the Council should ensure that it consults with residents as part of the budget process. In our experience there are a number of councils which undertake both focused meetings and online surveys to better understand the views of local residents and allow these to be considered as part of the production of the budget and MTFs. **An improvement recommendation has been raised in respect of this. See improvement recommendation 6.**

Budget monitoring was carried out by the finance team and budget reports were provided to budget holders on a quarterly basis during 2023/24. The most recent information is based on quarter 3 and at the time of writing the outturn position has yet to be published. This quarterly information was provided to Cabinet and at these meetings quarterly capital monitoring reports were also provided. The reports provide an appropriate level of detail and information to allow understanding and to enable appropriate challenge.

During the year Cabinet also received information on treasury management, including the mid-year report and the Treasury Management Strategy Statement for 2024/25 for approval.

**Overall, we identified no significant weaknesses in the Council's approach to budget setting and monitoring.**

# Improvement recommendations

<b>Improvement Recommendation 1</b>	The Council should review its processes to both approve and profile individual capital projects, taking into account the expected spend in the last quarter of the year. The Council should also consider whether it has the capacity and sufficient skilled resources to progress a capital programme of the magnitude currently set out.
<b>Improvement opportunity identified</b>	More accurate capital budgets should enable officers to more effectively manage capital spend and resources.
<b>Summary findings</b>	Full Council approved a net capital programme budget for 2023/24 of £199.127m. Following year-end adjustments for 2022/23, the 2023/24 capital programme was increased to £228.255m. At quarter three of 2023/24 the capital budget stood at £194.962m with a forecast spend of £168.943m. This is an ambitious capital programme and the Council's largest to date. If the forecast level of spending is to be met, the Council will have needed to spend £76.165m in the last three months of the year, which is significant.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Management comments</b>	Management have implemented additional governance arrangements for the oversight of the Capital Programme and improvements are being seen in profiling and forecasting on the programme. This improvement will continue over the next financial year. The final year end spend in 2023/24 was higher than previous years due to some specific schemes and additional spend.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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

# Improvement recommendations

## Improvement Recommendation 2

The Council should consider strengthening its financial planning by introducing scenario and sensitivity analysis within the budget and MTFS.

## Improvement opportunity identified

The use of scenarios and sensitivity analysis can provide decision makers with additional information to understand the possible impact of financial risks and make better informed decisions.

## Summary findings

The 2024/25 budget does not include scenario and sensitivity analysis, but instead the Council has taken account of volatility by considering the likelihood of the risk and allocated a monetary amount required to meet these risks and uncertainty.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

When considering growth and inflation assumptions and demand (both cost and income) services will model differing scenarios so they understand the impact of likely and possible scenarios. As part of the Oracle ERP implementation a modelling tool has been designed and implemented to allow the Council to undertake scenario modelling and sensitivity analysis at all levels across the Council to provide more rigor to the final assumptions and financial plans.

# Improvement recommendations

## Improvement Recommendation 3

The Council should deliver its commitment to report progress and review actions (as appropriate) to deliver the workforce strategy.

## Improvement opportunity identified

Monitoring of progress will ensure that progress is understood, and that action can be taken as necessary to ensure delivery against the workforce strategy.

## Summary findings

The Council agreed its corporate workforce strategy in 2022. This strategy is supported by a corporate action plan, but due to capacity constraints within 2023/24 the Council has not been able to monitor progress at a corporate level. Service areas are required to develop their own workforce action plans to address their specific workforce needs beyond that of the corporate action plan. The Council recognise that the corporate plan requires further work and plans to address this in 2024/25 having recently recruited a Head of Strategic HR.

## Criteria impacted



Financial sustainability

## Auditor judgement

During the course of our work management made us aware of this issue, with work in progress to address the action albeit not yet complete. For this reason we do not consider it to be significant, but have raised a recommendation to support management in making the planned improvements.

## Management comments

The Council has confirmed that the action plan to deliver the workforce strategy has now been finalised and work is underway to align KPI's to the actions to allow for monitoring of progress and impact, and identification of other actions that may be required to ensure delivery of the workforce strategy.

# Improvement recommendations

## Improvement Recommendation 4

The Council should monitor and report on the amount of non-recurrent savings planned and delivered each year. This information could be included in the budget monitoring reports.

## Improvement opportunity identified

Providing information on the non-recurrent savings should enable the Council to understand its reliance on non-recurrent savings.

## Summary findings

The 2023/24 planned savings included an element of non-recurrent savings, such as holding vacancies temporarily to deliver a vacancy factor of 6.5% and a freeze on incremental pay progression. The Council does not report the amount of non-recurrent savings on which it is reliant, nor the total that were subsequently delivered.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Council's financial plans include non-recurrent savings and these are reversed in future years so as to not cause an unknown financial pressure. The vacancy factor is a recurring saving and managers are expected to deliver savings to meet this requirement. The freeze on incremental progression was agreed for a 2 year period and has been unwound in the budget for 2024/25 and this assumption was included in the original financial planning assumptions, again so as not to cause any unknown financial pressure. Management do not agree that additional reporting on non-recurrent savings will add any additional control or improvement.

# Improvement recommendations

## Improvement Recommendation 5

The Council should continue to standardise and monitor the benefits and savings delivered through transformation and embed the savings within the MTFS.

## Improvement opportunity identified

These changes should ensure that the Council is clear on what it is trying to achieve and delivering through its transformation programme.

## Summary findings

The Council has established a Business Transformation Directorate (BTD) to deliver the Council's Business Plan objectives through transformation. This Directorate brought together systems and functions which were already in place, such as the Programme Management Office (PMO), as well as establishing a corporate resource and approach.

Resources have been set aside to deliver transformation and governance arrangements introduced to monitor progress. A standardised approach is not yet in place across all the projects.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

**No management response has been provided**

# Improvement recommendations

## Improvement Recommendation 6

The Council should ensure that it consults with residents as part of the budget setting process.

## Improvement opportunity identified

Public consultation would enable the Council to consider the views of residents in setting the budget.

## Summary findings

The Council did not consult residents when it set the 2023/24 and 2024/25 budget.

## Criteria impacted



Financial sustainability

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Leader of the Council holds 'Meet the Leader' roadshow events across Wiltshire as part of public engagement. Senior councillors and officer conduct budget consultation with the business across Wiltshire and Unions as part of the budget setting governance processes and will consider additional consultation opportunities.



# Governance



## We considered how the Council:

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

## Risk management

The Council has been working in 2023/24 to improve its approach to risk management. It has a Risk Policy that was updated and taken to Audit and Governance Committee in February 2024. Risk guidance was issued in 2020 and this is also being updated to tie in with the new policy. The Policy defines risk, roles and responsibilities, describes how risks are identified, provides a risk scoring matrix (the council now use a 5x5 matrix having previously used a 4x4 matrix) and defines the Council's risk appetite, as we would expect such a policy to do. The risk management team are planning to provide one-to-one training to risk owners on the new approach to risk management and are also preparing "how to" guides, with the longer-term ambition to roll out risk management training to all staff. We are pleased to note the policy refers to the three lines of defence model promoted by the institute of internal auditors.

The policy also refers to the strategic risk working group. This group will be chaired by the Director of Legal and Governance, and also attended by the Head of the Executive Office and the Executive Support Manager responsible for risk. A director and risk lead from each directorate will also attend. The first meeting is planned for April 2024 and meetings will be quarterly thereafter, with responsibility to oversee the risk management process and the Council's risk registers.

All strategic risks are reported to Corporate Leadership Team (CLT), Cabinet, and the Overview and Scrutiny Management Committee on a quarterly basis as part of the Performance and Risk Report. During 2023/24 and at the date of writing, risk was reported to Cabinet in September 2023 (Quarter 1), November 2023 (Quarter 2) and February 2024 (Quarter 3). This is reported alongside financial performance, both revenue and capital, and key performance indicators. This gives members a rounded view of council performance and the risks that the Council faces.

The risk register reported in February 2024 includes twelve risks. We would consider this an appropriate number, allowing for sufficient focus and scrutiny. The risks included special needs education provision and funding, social care, housing, cyber, climate change, financial and health and safety risks, and the risks included appeared to be appropriate based upon our knowledge of the Council and the wider sector. Risks are "RAG" rated and only one risk, related to special educational needs provision and funding, is currently rated red. The risk register reports the risk, the causes of risk, the risk owner, mitigating actions, the original and current risk scores, direction of travel as well as other matters. The register does not, however, indicate some things we would expect such as the target risk score or planned additional action required to mitigate risk. Risks are mapped to risk categories in two stages, but not to the Council's Corporate Objectives.

Risk Management arrangements were reviewed by internal audit in 2023 and were given limited assurance. The report raised three priority 1 recommendations, relating to an out of date policy (now being updated as above), incomplete risk registers and poor access controls over risk registers. This review and the recommendations will be followed up by internal audit in 2024. Some recommendations have not reached their implementation date at the time of our review, but we feel implementation of internal audit recommendations is key to improving process at the Council. **An improvement recommendation has been raised. See improvement recommendation 7.**

**We have found no significant weaknesses in the Council's arrangement for managing risk**

# Governance (continued)

## Internal Audit and Counter fraud arrangements

Internal audit services are provided by the South West Audit Partnership (SWAP), an established provider of internal audit services used by several of our other audit bodies. For 2023/24 SWAP has not provided an internal audit plan but work is allocated on a rolling risk-based plan. A paper explaining this approach was presented to Audit and Governance Committee in April 2023. Progress on internal audit work was reported to Audit and Governance Committee in July 2023, November 2023 and February 2024. Each progress report includes an update on implementation of outstanding Internal Audit recommendations. At February 2024 there were 16 actions overdue, but the report does not detail what priority these are, what the issues are and why they remain outstanding. We also note that updates on progress in areas provided with limited assurance reports are provided to Audit and Governance Committee. **An improvement recommendation has been raised – see improvement recommendation 8.**

The 2023/24 Head of Audit Opinion provided reasonable assurance. In the 2023/24 year, SWAP completed 24 audit reviews on which an audit opinion was provided. 7 were provided with substantial assurance, 14 were provided with reasonable assurance and 3 had limited assurance. The limited assurance reports related to s106 agreements, risk management and procurement cards, and none were reported as significant risks. Work undertaken was spread over all Council services ensuring appropriate coverage. Internal audit also provided advisory reviews, continuous assurance, follow up work and grant certification work.

Counter fraud services are also provided by SWAP. The team undertake both reactive and proactive work, and work included areas such as procurement cards and direct payments. Fraud awareness training has been provided to finance staff. SWAP is developing Computer Based Training (CBT) on fraud to roll out to all its clients which will allow all Council employees to undertake fraud training. A fraud update was presented to Audit and Governance Committee in November 2023 and there were no significant issues noted.

Counter fraud operations are underpinned by Member and Staff codes of conduct (last updated in October 2023 and November 2023 respectively). The Council also has an Anti-Fraud, Bribery and Corruption Policy (last updated in 2022), a whistleblowing policy (last updated in 2022) and a money laundering policy (updated in 2022) to ensure all officers and Members understand their roles.

**We have found no significant weaknesses in the Council's arrangements for internal audit and counter fraud.**



	2023/24	2022/23
Annual Governance Statement (control deficiencies)	Not yet available	Substantial level of assurance that good governance is in place
Head of Internal Audit opinion	Reasonable assurance	Reasonable Assurance
Ofsted inspection rating	Outstanding	Good

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

# Governance (continued)

## External Audit

We are aware of delays in the audit of the Council's accounts going back several years. Your previous external auditor is yet to issue Auditor's Annual Reports for 2020/21 to 2022/23 inclusive, and therefore this interim 2023/24 report is presented without any commentary on prior periods. We also note that your previous auditor raised statutory recommendations around the reasonableness of accounts and internal controls processes related to the 2019/20 year but only raised in February 2024. We have raised this as a risk of significant weakness in our initial planning and will consider when we undertake our audit of the 2023/24 financial statements.

In addition to this we will be mindful of any further findings from your previous external auditor once they report and may need to revisit our findings as a result.

## Informed decision making including the Audit and Governance Committee

There are adequate arrangements on decision making. The Council maintains a Cabinet tracker which helps ensure appropriate oversight, consideration by relevant officers across the Council and sign off of all Cabinet reports. This has been flagged by the Local Government Association as notable practice. The tracker helps reduce ambiguity about who is reviewing each report and the timescales for doing so. Planning is always two to three months ahead to provide appropriate time.

Initial discussions are held with the Leader one month in advance then there will be a meeting with the Cabinet member. This ensures there are no surprises and no last-minute decisions. There is an informal call every Monday morning with Cabinet to discuss the week's business. This helps ensure decisions are taken at the right level. All reports to Cabinet are cleared by CLT first. The Constitution shows that the Cabinet is the primary decision-making Committee. We note the Monitoring Officer is on CLT and has visibility on all key decisions.

Review of a sample of committee papers indicate that they are comprehensive and provide members with sufficient information to make informed decisions. All papers include considerations on safeguarding, procurement, public health, equalities and environment and climate change, risk, financial, legal and workforce implications of the matter in hand.

The Audit and Governance Committee consists of 11 members. In 2023/24, the Committee had five meetings. We reviewed attendance and found this to be appropriate, with all meetings quorate.

Audit and Governance Committee Terms of Reference (TOR) are set out in the Council's Constitution. The TOR, the membership, the frequency of meetings and the nature of items appearing on agenda are all in line with expectations for a local authority. Review of minutes and discussions with officers indicate the Audit and Risk Committee provide appropriate challenge of officers.

We have seen no evidence of a self-assessment or committee effectiveness review. **An improvement recommendation has been raised – see Improvement recommendation 9.**

## Standards and behaviours

The Annual Governance Statement (AGS) 2022/23 describes how the Council ensures it is "Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law". This control framework includes the constitution, codes of conduct and the complaints procedure.

Early indications are that there is an adequate tone from the top, and we will continue to consider this as our work on the financial statements audit continues.

We have seen no evidence of significant non-compliance with the Council's constitution. There have not been any breaches of legislation or regulatory standards during the year that have led to an investigation by any legal or regulatory body. There is no evidence of significant or repeated departure from key regulatory and statutory requirements or professional standards.

Members' declarations of interest are published on the Council's website and additional declarations are requested at the start of Committee meetings. Officers have to register interests with Human Resources, although such declarations are ad-hoc and officers are not required to submit an annual return, which we have seen at some of our other local authorities. **An improvement recommendation has been raised – see Improvement Recommendation 10.**

**Overall, we identified no significant weaknesses in the Council's Governance arrangements during 2023/24 at this time, but will reconsider when we undertake our audit of the 2023/24 financial statements.**

# Improvement recommendations

## Improvement Recommendation 7

The Council should embed the improvements in risk management required as set out in the 2023 internal audit report.

As part of the review of risk registers, the Council may wish to consider the enhancements to the risk register, such as target risk score or planned additional action required to mitigate the risk and mapping the risks to the Council's Corporate Objectives.

## Improvement opportunity identified

Improvements in risk management will assist in the making of appropriate decisions.

## Summary findings

Risk Management arrangements were reviewed by internal audit in 2023 and were given limited assurance. The report raises three priority 1 recommendations which relate to an out-of-date policy (which is now being updated), incomplete risk registers and poor access controls over risk registers. These recommendations will be followed up by internal audit in 2024. Some recommendations have not reached their implementation date at the time of our review, but we feel implementation of internal audit recommendations is key to improving process at the Council.

The register does not, however, indicate some things we would expect such as the target risk score or planned additional action required to mitigate risk. Risks are mapped to risk categories in two stages, but not to the Council's Corporate Objectives.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

We are pleased with the progress we have made in improving our risk management processes. Implementation of the SWAP Internal Audit Action Plan is almost complete, and we would welcome a reassessment to confirm that what was a limited assurance opinion would now be beyond reasonable. We are already in discussions with SWAP to arrange this.

## Management comments

The updated Risk Management Policy was approved by Cabinet on 7 May (Item 66) and has been published on an updated risk management page on the Epic Hub, alongside 10 new 'How to' guides and template risk registers. We have had strong engagement from Directorates in implementing the new policy and transition of risks to the new 5x5 scoring matrix, including refocused attention on planned mitigations and monitoring of their effectiveness.

Risk registers already contain improved access and data controls, are mapped to the Business Plan missions, and capture target risk scores and dates. This information will be included on a reformatted Strategic Risk Summary for Cabinet. The Strategic Risk Working Group has started to meet and is overseeing completion of the Internal Audit Action Plan, as well as a review of strategic risks.

# Improvement recommendations

## Improvement Recommendation 8

The Audit and Governance Committee should ensure that arrangements for monitoring the implementation of internal audit recommendations are embedded and also ensure that the process leads to timely implementation of internal audit recommendations.

Consideration should be given to providing some narrative in internal audit progress reports to explain the priority of recommendations outstanding and why some recommendations are overdue for implementation.

## Improvement opportunity identified

Improved control processes through timely implementation of internal audit recommendations.

## Summary findings

Each internal audit progress report includes an update on implementation of outstanding internal audit recommendations. At February 2024, there are 16 actions overdue but the report does not detail what priority these are, what the issues are and why they remain outstanding. We also note that updates on limited assurance areas are provided to Audit and Governance Committee.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Following the implementation of a new software system SWAP (Internal Auditors) have been working with council officers to agree reporting and escalation of overdue management actions and consideration will be given to further reporting opportunities to the Audit & Governance committee. SWAP meet regularly with senior officers to ensure overdue management actions are flagged and the impact of non-delivery understood. SWAP also meet the S151 Officer monthly independently which provides additional escalation opportunity should it be required.

# Improvement recommendations

## Improvement Recommendation 9

The Council should ensure the continued effectiveness of the Audit and Governance Committee by conducting a self-assessment exercise, in line with the Chartered Institute of Public Finance and Accounting's (CIPFA) methodology.

## Improvement opportunity identified

The performance of Audit and Governance Committee and Committee members' confidence in performing their role would be enhanced by self-assessment and will enable the Committee to evaluate its effectiveness and identify areas for improvement, including any unmet training needs.

## Summary findings

Based on a review of papers and minutes the Audit and Governance Committee generally appears to perform well. Attendance is good and the Committee focuses its attention on key issues. Its performance would be further strengthened by a self-assessment exercise to identify any areas of potential improvement.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Training is provided when new members join the committee and specifically on the Statement of Accounts in advance of them being considered for approval. Additional training opportunities and topics are discussed regularly with the committee by not on a formal basis. Officers will consider, alongside SWAP, what additional self-assessment will support the identification of gaps in knowledge and experience that could adversely impact the performance of the committee.

# Improvement recommendations

## Improvement Recommendation 10

The Council should consider introducing annual declarations of interest, including nil returns where appropriate, for key officers.

### Improvement opportunity identified

Annual declarations of interest by key officers would enhance transparency.

### Summary findings

Officers have to register interests with Human Resources, though such declarations are ad-hoc and officers are not required to submit an annual return, which we have seen at some of other local authorities.

### Criteria impacted



Governance

### Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

### Management comments

**No management response has been provided**

# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

## Use of financial and performance information

The Council has comprehensive arrangements for reporting performance.

Performance is reported to CLT, Cabinet, and the Overview and Scrutiny Management Committee on a quarterly basis as part of the Performance and Risk Report. During 2023/24 to date, performance has been reported to Cabinet in September 2023 (Quarter 1), November 2023 (Quarter 2) and February 2024 (Quarter 3). This is reported alongside financial performance, both revenue and capital and risk. This gives members a rounded view of Council performance.

At Quarter 3 58 indicators were reported to members with 10 rated as red. These include education (including SEND), residents in residential care, potholes, affordable housing, temporary accommodation and fly-tipping indicators.

The Cabinet have significant input into which KPIs are reported. Performance is overseen by departmental performance and outcome boards (POB) and performance and outcomes groups (POG). An overarching Performance and Outcome Board is to be set up to review exception reporting from the departmental POBs. There are also performance groups at service level. KPIs are linked to the business plan and this allows us to conclude that the Council appears to be transparent about its performance and demonstrates that performance is understood.

While there is a focus in the Executive Office on data quality, achieved through close working with departments and detail checking of data by the team, including cross checking using other intelligence the team have, there is no framework on how accurate data should be produced. **An improvement recommendation has been raised. See Improvement Recommendation 11.**

Benchmarking is not used as a corporate tool and we were informed that POB/POGs may do local benchmarking but no evidence of this was seen during our review. **An improvement recommendation has been raised – see Improvement Recommendation 12.**

We have seen that where regulators review service areas, their reports and recommendations are used to improve the services and the Council are open to review. We note the latest OFSTED report on Children's Services from September 2023 grades the service as Outstanding. Care Quality Commission (CQC) reports also provide positive outcomes which support a strong performance outcome

**We have not found any significant weaknesses is the use of performance information.**





# Improving economy, efficiency and effectiveness (continued)

## Assessing performance and identifying improvement

The annual complaints report (presented to Standards Committee in September 2023) indicated that lessons are learned from complaints. The 2022/23 report indicates that complaints increased by 12% from 2021/22, ending the gradual decline that had been seen since 2018/19. The increase is largely due to complaints about the Council's SEND and Inclusion service with the service areas attracting the highest numbers of formal complaints being:

1. Children's Services (148) – an increase of 68% on the previous year and the highest annual total over the last five years.
2. Adult Social Care (74) – an increase of 16% on the previous year, ending the gradual decline seen since 2018.
3. Development and Building Control (60) – a decrease of 15% on the previous year.

The Local Government and Social Care Ombudsman's (LGSCO) Annual Review Letter 2022/23 provides a breakdown of the Ombudsman's investigations and findings during the year and was reported as part of the annual complaints report. The 2022/23 letter shows that:

- there was a 10% increase in the number of complaints about the Council received by the LGSCO, but a decrease in those requiring investigation;
- the percentage of complaints about the Council upheld by the LGSCO decreased by 2%, while the percentage of complaints upheld about other unitary councils increased by 8%;
- the Council paid £8,750 in financial remedies following recommendations from the LGSCO, £6,900 of which related to delays in the issuing of Education Health and Care Plans (EHCPs); and
- the Council complied with all LGSCO recommendations following upheld complaints.

The Wiltshire Plan was approved in 2022, and sets out the Council's priorities and how it will deliver them. The priorities are:

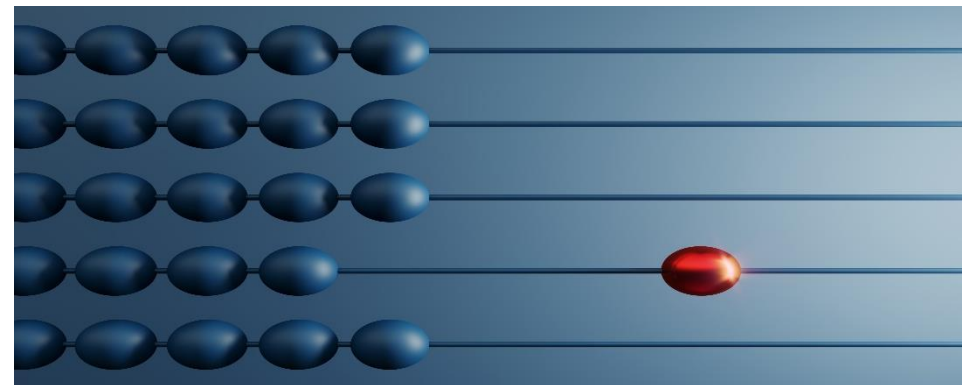
- the people of Wiltshire are empowered to live full, healthy and enriched lives;
- our communities continue to be beautiful and exciting places to live;
- our local economy thrives and is supported by a skilled workforce; and
- we lead the way in how councils and counties mitigate the climate challenges ahead.

This is to be achieved through the following themes:

- prevention and early intervention;
- improving Social Mobility and tackling inequalities;
- understanding Communities; and
- working together.

The plan refers to measuring performance, transforming and redesigning services and delivering value.

**We have found no significant weakness in the Council's arrangements for measuring and reporting performance.**



# Improving economy, efficiency and effectiveness (continued)

## Stone Circle Group (SCG)

The Council agreed in 2019 to establish the SCG which consists of an overarching holding company, the Stone Circle Development Company and the Stone Circle Housing Company. The companies are limited liability companies and the Council is the sole shareholder. The aim of the SCG is to support the Council's ambition to grow the economy by facilitating the provision of affordable homes and developing new housing, whilst also generating an income for the Council.

The Housing Company purchases properties, maintains them and rents these properties to residents. These properties are rented at rates below the current market rate, but above the rental charged by social landlords. As at March 2024 the Company has purchased 70 properties and hopes to have 164 by the end of the 2024 calendar year. When the Housing Company was first set up, the plans assumed that the Company would breakeven within three years, though we note that if the 2024/25 business plan is agreed this will not happen over the planned 50 years set out in the business plan, unless the Company sells assets to repay its loans. This is a significant change in viability for the company, but one which we understand reflects the changing economy and is understood by the shareholders. It should be noted that the Company is providing income to the Council via interest payments on the loans it received from the Council.

The Development Company purchases land and develops houses on these sites. These houses are then sold on the market or to the Housing Company. The Company is actively progressing four sites, with a fifth land-bid being reviewed. These develops have the potential to deliver 128 new homes, of which 49 would be affordable homes. Each project is separately approved and each provides a different level of return, varying from a loss to 15.92% of gross development value (GDV).

The Council has not risk assessed and completed a risk register for the Stone Circle Group. It does not currently consider it a risk given its size and operation but has included the possibility of default on the loans as part of the risk assessment within the MTFs. We consider that a more detailed risk assessment might be beneficial to ensure that any risks were fully understood by the shareholder and effectively managed.

The Council established a Shareholder Group in January 2022 which carries out the function of the shareholder and acts with delegated authority of the Cabinet. The Shareholder Group has met three times in 2023/24 and approved the business plans for 2023/24 in June 2023 and the 2024/25 business plans in March 2024. The business plans should be approved ahead of the financial year to which they apply, which was not the case for 2023/24 but has been addressed for the 2024/25 business plans.

The Shareholder Group has also begun to receive quarterly performance reports which consider performance metrics as set out in the business plan. These metrics are in the early stages of development and we understand are likely to improve as the arrangements mature.

The Audit and Governance Committee also received an annual assurance report in September 2023. To date scrutiny have not been involved in scrutinising the SCG, but a task and finish group has been established to look and suggest how scrutiny could be involved.

The Council reviewed its governance arrangements in 2021 and as a result removed the Councillors who were Company Directors. At this point the Council's Director of Finance was appointed to the Board, however, the Director of Finance subsequently became the S151 Officer for the Council. We consider this to pose a significant risk of conflict of interest, as does the Council who are in the process of appointing another Director who does not pose the same level of risk of a conflict of interest. At the time of writing this report the Director of Finance (S151) Officer of the Council was still a Director of SCG. The Company Secretary is also an employee of the Council.

Whilst the Council intends to address the issue of the S151 Officer being a Director of the SCG, employees of the Council remain Directors and could still pose a conflict of interest. The Council should ensure it manages these potential conflicts and could do this through conflict of interest protocols, clear directors' mandates and careful selection and training of potential company directors.

**The Council has introduced effective arrangements to monitor and assess the performance of SCG, including an annual review of each company's business plan. However, we consider that arrangements could be improved by removing the S151 Officer from the Board of SCG, risk assessing SCG from the Council's perspective and ensuring any potential conflicts are effectively managed. An improvement recommendation has been raised. See Improvement recommendation 13.**

# Improving economy, efficiency and effectiveness (continued)

## Partnership working

The 22/23 Annual Governance Statement highlights the following partnerships:

- i) The Health and Well-being Board;
- ii) Wiltshire Police and Crime Panel;
- iii) Swindon and Wiltshire Local Enterprise partnership; and
- iv) The Local Resilience Forum.

It goes on to state that the Business Plan 2022-32 will be delivered through service plans and by working with partner organisations and local communities

The Annual Governance Statement identifies improvement actions including creating a county-wide strategic partnership board to oversee an Economic Strategy for Wiltshire and focusing on wider external partnership opportunities that will help take the Council forward. We feel this demonstrates the Council's commitment to delivering outcomes through partnership working.

The Wiltshire Compact is an agreed set of guidelines and principles to foster good working relationships between the voluntary sector and the public sector. This framework states it encourages positive, effective, working relationships. It further outlines these are developed by:

- *Recognising and building on those things we already do well together;*
- *Setting standards and making clear commitments about the ways we will work with each other;*
- *Creating an environment of mutual trust and respect which allows us to which allows us to take full advantage of new opportunities for partnership working*

The Compact Promises are that:

- *We will work together to make the most efficient and effective use of our available funding resources to deliver the best outcomes for the people of Wiltshire;*
- *We will work together as partners to build stronger and more resilient communities; We will work together for, and with, the people of Wiltshire, listening to, talking with and involving as many as practicable in shaping and reviewing outcomes for our communities and service users;*

- *We will promote, support and encourage the work of community groups and volunteering in Wiltshire;*
- *We will recognise and promote the importance of equality, diversity and human rights to ensure an inclusive approach in the creation of stronger, more resilient communities.*

The Council also has a Partnership Working Framework. This was adopted in June 2019 and replaced the former Partnership Protocol. The Framework defines what a partnership is and outlines responsibilities in relation to accountability, financial management, risk management and performance management. This was due for review in 2021 but has been delayed due to changes in arrangement for a key partner (Swindon and Wiltshire Local Enterprise Partnership) from 1<sup>st</sup> April 2024. This review is now planned for the 2024/25 financial year.

The Council also maintains a list which identifies 40 partnerships the Council works within. The list details the responsible department and officer, the accountable body, the sources of funding, sources of risk, performance mechanisms and plans. This allows the Council to understand its partners and oversee these relationships.

The Audit and Governance Committee consider partnerships but there is no regular reporting on partnerships to the Committee. **An improvement recommendation has been raised. See Improvement recommendation 14.**

**We have found no significant weakness in the Council's arrangements for partnerships**



# Improving economy, efficiency and effectiveness (continued)

## Commissioning and procurement

The procurement function is centralised and provides support on tendering and policy. The team also work to develop markets and assess what can be procured as opposed to just going to market blind with unrealistic expectations of what can be achieved.

The Procurement and Contract Procedures Rules were last updated in May 2019. Using the 2023 Procurement Act as a catalyst for change, procurement and contract rules are currently being revised and other procurement and contract management guidance is to be updated. The 2023 Act introduces a new requirement to report on key performance indicators for significant contracts so the Council also needs to develop its contract management procedures as part of this review. An implementation plan and working group is in place to deliver this work. We note the Council's procurement strategy is out of date. The Council is working on a new strategy, which will be in line with 2023 Procurement Act, which is expected to be drafted by April 2024. We note that a procurement service plan is in place.

The Procurement and Contract Rules allow procurement outside of the prescribed rules where certain criteria are met. These are referred to as "Exemptions". Such exemptions are reported via Performance Outcomes Boards but our experience indicates that exemptions which are reported regularly to a member committee such as the Audit and Governance Committee demonstrates enhanced transparency and enables comparisons and trends to be monitored and addressed. **An improvement recommendation has been raised, see Improvement Recommendation 15.**

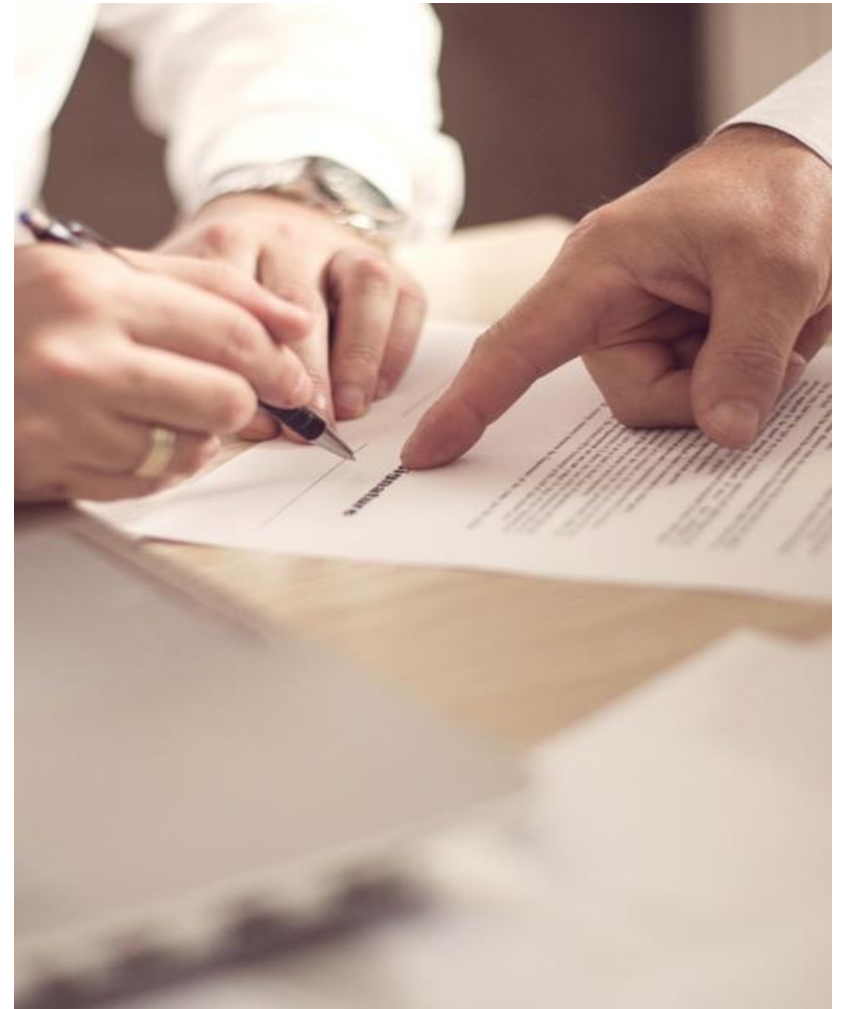
**We have found no significant weakness in the Council arrangements around commissioning, procurement and contract management.**

## Capital

The Council has introduced new governance arrangements around capital works during 2023/24. The capital programme is not tied to an annual process and projects and schemes can be added by Cabinet during the year. All new capital projects require a full business case to go through the Capital Investment Board. The process starts with a feasibility stage and once completed, approved projects will have a formal capital bid prepared. This will be presented to Capital Board where it can be approved to be included in the capital programme.

Once in the capital programme, the project would enter the design phase. All projects will have a project sponsor (usually a strategic director) and a senior responsible officer (a director or head of service) and a professional project manager. There will be a delivery group (an internal group of officers) and a delivery board (usually headed by the project sponsor).

**We have found no significant weakness in the Council's arrangements for management of capital projects**



# Improvement recommendations

## Improvement Recommendation 11

The Council should develop a Data Quality Strategy. The strategy should define what good quality data looks like, describe the Council's data quality objectives, roles and responsibilities and monitoring, review and reporting processes. It should also lay out the Council's expectations in relation to data security, data sharing and the use of third-party data.

### Improvement opportunity identified

Without a data quality strategy, officers may not be clear on their responsibilities and how to collate, analyse and report data.

### Summary findings

While there is a focus in the Executive Office on data quality, achieved through close working with departments and detailed checking of data by the team, along with cross checking using other intelligence the team have, there is no framework on how accurate data should be produced.

### Criteria impacted



Improving economy, efficiency and effectiveness

### Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

### Management comments

**No management response has been provided**

# Improvement recommendations

## Improvement Recommendation 12

The Council should develop a corporate approach to benchmarking and service review.

## Improvement opportunity identified

A programme of benchmarking and service reviews will help enhance performance by identifying best in class practice.

## Summary findings

Benchmarking is not used as a corporate tool. We were informed that POB/POGs may do local benchmarking but no evidence of this was seen during our review.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Benchmarking is conducted as part of the performance management of services and additional reviews will be undertaken as the budget is being prepared. It is not felt appropriate at this stage to implement a formal corporate approach to benchmarking as services are responsible to conduct the most appropriate benchmarking for their service areas.

# Improvement recommendations

## Improvement Recommendation 13

The Council as shareholder of Stone Circle Group (SCG) should:

- remove the S151 from the SCG Board of Directors
- undertake a risk assessment to understand the risks posed by being a shareholder of SCG, including for example reputational and financial risks; and
- ensure that any potential conflicts of interest resulting from having employees on the SCG Board are effectively managed and mitigated.

## Improvement opportunity identified

These improvements should ensure that that all risks are understood by the shareholder and effectively managed and manage and mitigate any conflicts of interest.

## Summary findings

The Council has not risk assessed and completed a risk register for the Stone Circle Group. It does not currently consider it a risk given its size and operation but has included the possibility of default on the loans as part of the risk assessment within the MTFs. The S151 Officer of the Council is a Director of SCG and has been for the majority of 2023/24. The Council recognises this as a conflict of interest and intends to replace the S151 Director with the Director of Adult Services.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Following the recent appointment of a new S151 Officer for the Council additional appointments were required to the Board of Stone Circle Group to ensure Boards remained quorate. Following a recent appointment the S151 will be resigning from the Board imminently.

The risk associated with the Council being a shareholder of the SCG is set out in the governance reviews that have been undertaken and the financial risk included within assessments made during the budget setting cycles.

Potential conflicts of Interest from having employees on the SCG Board are managed and mitigated and where there may be a conflict decisions are made by different officers to ensure no conflict arises, such as the Deputy Chief Executive making Council S151 decisions in respect of the SCG while the S151 remained on the board.

# Improvement recommendations

## Improvement Recommendation 14

An annual report on the performance of key partnerships should be reported to the Audit and Governance Committee.

## Improvement opportunity identified

Regular reporting on partnerships to member will help enhance transparency.

## Summary findings

The Council has a partnership framework and general understands its key partnerships. The Audit and Governance Committee oversee partnerships but there is no regular reporting on partnerships to this Committee.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Council will consider this recommendation and implement actions to address the reported reporting gap that may lead to a lack of transparency.



# Improvement recommendations

## Improvement Recommendation 15

The Council should:

- ensure the planned enhancements to procurement and contract management arrangements are completed in line with agreed timescales to meet the requirements of the 2023 procurement Act and embedded as business as usual
- report periodically to members at a public meeting, such as Corporate Audit Committee the number and extent of waivers should be reported. in order to enhance transparency and financial oversight.

## Improvement opportunity identified

Reporting of exemptions to members will help increase transparency and accountability.

## Summary findings

Using the 2023 Procurement Act as a catalyst for change, Procurement and Contract Rules are currently being revised and other procurement and contract management guidance is to be updated. The 2023 Act also introduces a new requirement to report on key performance indicators for significant contracts so the Council also needs to develop its contract management procedures as part of this review. An implementation plan and working group is in place to deliver this work. We note the Council's Procurement strategy is out of date and the Council is working on a new strategy which will be in line with 2023 Procurement Act, which expected to be drafted by April 2024.

The Procurement and Contract Rules allow procurement outside of the prescribed rules where certain criteria are met. These are referred to as "Exemptions" Such exemptions are reported via Performance Outcomes Boards but our experience indicates that exemptions reported regularly to a Member committee such as the Audit and Governance Committee enable comparison and trends to be monitored and addressed.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Council is preparing for the implementation of the Procurement Act. The Procurement Service have received some specific training and leadership and management awareness and training across the different service areas has started. Active engagement with all services has commenced and work underway on identifying all up coming procurements that will be affected by the change in the regulation (procurement pipelines). Work will continue on this to ensure the Council is prepared and will meet the new requirements.

Consideration is currently being given to the reporting of Council performance under the new regulations and changes will be implemented to ensure the Audit and Governance Committee have oversight of the relevant performance measures.

# Wiltshire Pension Fund

Wiltshire Council is the administering authority for Wiltshire Pension Fund (WPF) and we are required to consider the Council's arrangements in respect of the governance and management of the pension fund. This requirement is for administering authorities only and as such we have undertaken a high-level review of arrangements in respect of:

- Financial sustainability;
- Governance; and
- Improving economy, efficiency and effectiveness.

The following operated throughout 2023/24:

- Wiltshire Pension Fund Committee - the decision-making committee with delegated authority from the Council, which met seven times in 2023/24. The committee received a range of performance information and agreed policies through the year.
- Wiltshire Pension Board – its role is to ensure the effective governance of the Local Government Pension Scheme and compliance with regulations and legislation. It met four times in 2023/24.

The Pension Fund Business Plan for 2023/24 was set in March 2023 and included key performance indicators, progress on the previous Business Plan and the WPF Responsible Investment Plan for 2023/24. The Treasury Management Strategy and the Investment Strategy Statement for 2023/24 were also set in March 2023, ahead of the financial year as required.

The Funding Strategy Statement is a key strategy to ensure that the WPF is able to meet its liabilities and identifies how employer's pension liabilities are best met, and it seeks to ensure the solvency and long-term cost efficiency of the WPF. The Funding Strategy Statement was last reviewed and updated in March 2023, and it is only due to be reviewed and updated by the Pensions Committee every 3 years.

Quarterly headlines and monitoring reports were presented by the Pension Fund Manager, firstly to the Pension Fund Committee, followed by the Pension Board. These reports included ongoing oversight of the following topics:

- Regulatory, legal and fund update;
- Summary risk register;
- Administration KPIs;
- Key business plan items and progress;
- Internal audit update on review completed in 2022/23; and
- Other items such as training were included as required.

An internal audit review concluded in 2022 a limited assurance opinion. The WPF recognised the improvements required and have been actively addressing the issues identified and have report progress to the Pension Fund Committee on a regular basis.

In addition, the WPF had encountered issues as the service has migrated the pensioner payroll from SAP to Oracle. The Committee and Board members have been kept informed of these issues through reports within the exempt sessions of meetings. This migration continues to be an area of concern.

The WPF planned and managed its resources, monitored performance, and managed risk to ensure that it can continue to deliver its services.

**Based on our review of the arrangements for administering the Wiltshire Pension Fund we are satisfied that proper arrangements were in place and we have not identified any evidence of significant weakness.**

# Opinion on the financial statements



## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conduct our audit in accordance with:

- International Standards on Auditing (UK);
- the Code of Audit Practice (2020) published by the National Audit Office; and
- applicable law.

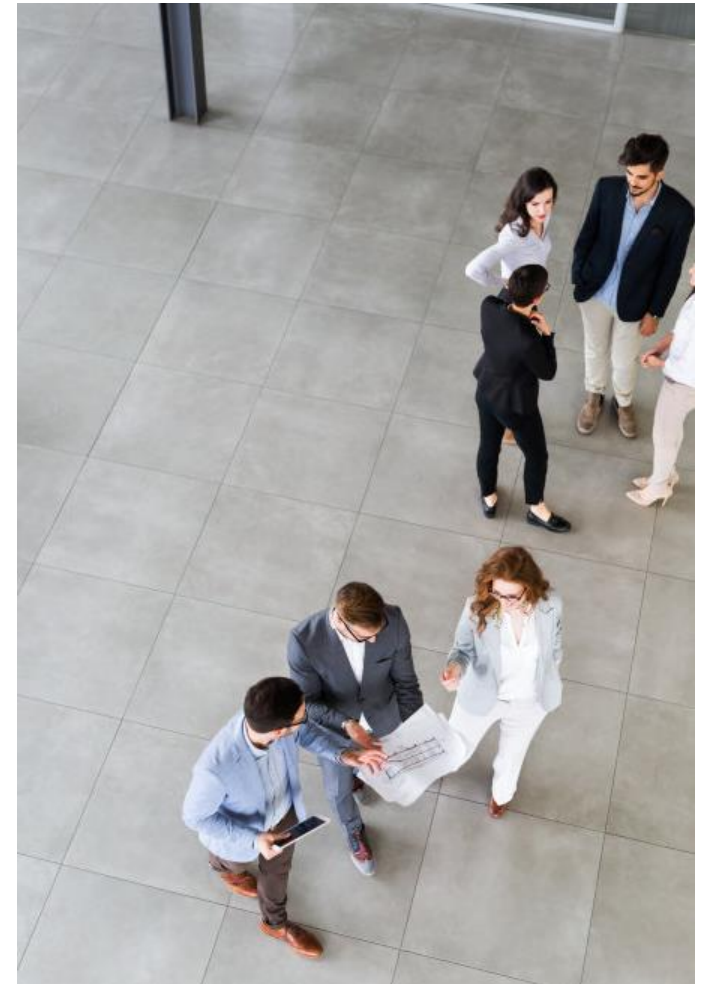
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Audit opinion on the financial statements

The Council has a significant backlog of outstanding financial statements audits, and at the time of writing the last signed audit opinion related to 2018/19. The previous external auditor has indicated their intention to issue a Disclaimer opinion for 2019/20, effectively saying that they are unable to provide assurance on the 2020/21 accounts. The predecessor auditor also issued Written Recommendations under the Local Audit and Accountability Act 2014 due to the Council's control environment and the level of adjustments identified in the 2019/20 financial statements audit. We have recognised a Value for Money risk related to this and the lack of timely production of financial statements. This interim report does not include any commentary on this area given the lack of progress to date, and a further version of this report will be issued once we are able to comment in these areas.

The Council has published draft financial statements up to 2020/21, and remains significantly behind its statutory requirement to publish annual accounts.

We have begun to undertake some initial planning work and will work with officers to understand a timeframe for our audit, including when they expect to publish 2021/22 to 2023/24 accounts.



# 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.

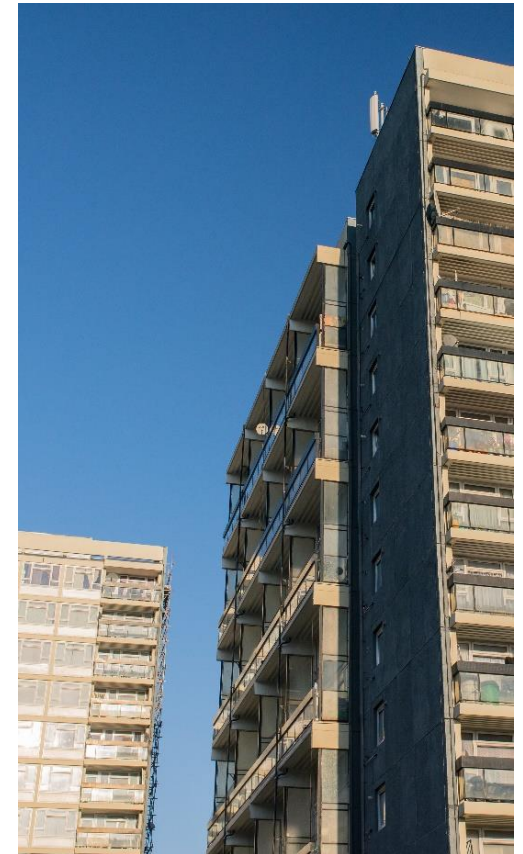
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 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 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 is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



# Appendix B:

## An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Page 6
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	Pages 19 - 24 Pages 28 - 31 Pages 37 - 41

