Wiltshire Council and Pension Fund

Audit progress report and sector updates

January 2025

Contents

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and, in particular, we cannot be held responsible to you for reporting all the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Audit progress report

Introduction

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

https://www.grantthornton.co.uk/industries/public-sector/local-government/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2025

Financial Statements Audit

Wiltshire Council

The local authority backstop deadline for years up to 2022/23 was 13 December 2024. As at this date all outstanding audit opinions were required to be issued where it was possible to do so, with disclaimers of opinion issued for audit years where the appointed auditor was unable to undertake sufficient work. At this Council the 2020/21, 2021/22, and 2022/23 years were outstanding and expected to be disclaimed. The Council published draft accounts for 2020/21 and 2021/22 in sufficient time to allow for the required public inspection period of 30 working days, and disclaimers of opinion were issued by the predecessor auditor, Deloitte LLP, for these years on 12 December 2024, ahead of the statutory deadline. The 2022/23 financial statements were not published until 29 November 2024 and therefore could not be disclaimed by the deadline. We understand that Deloitte are still in the process of finalising their backstop opinion for the outstanding year.

The financial statements for 2023/24 have not yet been published. The backstop date for this year is 28 February 2025. To allow for the required public inspection period ahead of the backstop deadline, the statements need to be issued on or before 16 January 2025, which management have informed us may not be possible and the Council could also miss the statutory backstop deadline for 2023/24. Once the statements are published and the public inspection period completed, we will work with officers to enable the disclaimer of opinion to be issued as soon as possible.

Wiltshire Pension Fund

The work on Wiltshire Pension Fund is almost complete, with 36 queries on benefits payable items outstanding at 8 January 2025. We have meetings scheduled for 9 January to close as many of these as possible and will update the Committee on progress at the meeting. We expect to be able to issue IAS 19 assurance letters to the auditors of scheduled bodies shortly after these queries have been completed.

As members will be aware, we cannot sign the opinion of the Pension Fund until the audit of the Council as the administering authority is complete. We will also be unable to complete our procedures on the consistency of the accounts included in the Pension Fund annual report with the Council's accounts until the draft Council accounts are available.

Due to the disclaimer of opinions issued for 2020/21, 2021/22, and the upcoming disclaimer of 2022/23, the form of the audit opinion for 2023/24 for the Pension Fund will be also be disclaimed as we are unable to gain assurance over the opening balances. Members should understand that this does not reflect a lack of work done on the Pension Fund audit or assurance provided by the finance team in 2023/24, and we expect to be able to rebuild assurance in the audit of the Pension Fund over the coming years as planned (subject to successful completion of our remaining substantive work).

We noted in our previous report that the audits of both the Council and Pension Fund are dependent on the successful completion of an IT audit findings report by our IT audit team and in past progress reports we have noted significant delays in this work. The draft report mentioned in the previous report has now been issued by our IT audit team and finalised in conjunction with management. This report highlights some significant deficiencies in IT control which relate to the previous financial reporting/ERP system, SAP, but notes no significant deficiencies in the Oracle Fusion system which replaced it during 2023/24. The findings are reported to members in a separate agenda item.

Progress at January 2025 (cont.)

Value for Money

We presented an interim Auditor's Annual Report (AAR) to the 23 July 2024 meeting of this committee. In this report we concluded that there was a significant weakness in arrangements for financial sustainability as a result of the increasing Dedicated Schools Grant (DSG) deficit and raised a key recommendation in support of this. We also made improvement recommendations across the three reporting criteria.

As noted on the previous page, Wiltshire Council has faced challenges with the production of its draft financial statements, as identified with the following publication dates; 2020/21 - 3 April 2024, 2021/22 - 23 September 2024, 2022/23 - 2 December 2024 (and hence 13 December 2024 backstop missed), 2023/24 - remain unpublished.

This impacts the ability of external auditors to conclude timely audits, and we have previously confirmed to members and officers that we will backstop 2023/24 once the Council has published draft financial statements and satisfied the requirements of the public inspection period. This lack of audit impacts on the integrity of the financial information being used to inform decisions relating to budgets and financial planning as there has been no external validation of the financial statements for a number of years.

The Council's predecessor external auditor issued a statutory recommendation on the Council's control environment in February 2024, related to the 2019/20 financial year. We identified a risk of significant weakness in arrangements as a result of this, but given no financial statements have been produced we have not been able to undertake any meaningful work on this area. We consider the lack of draft financial statements to be an additional significant weakness in the Council's value for money arrangements for 2023/24 in respect of governance. The Council should identify the reasons for the delays in producing draft accounts and ensure that draft accounts are provided by required deadlines.

Key Recommendation

The Council should ensure that draft financial statements together with associated working papers are published for all outstanding years as a matter of urgency. The Council should also ensure a robust closedown plan, supported by sufficient resource, is in place to deliver the draft 2024/25 draft financial statements to the statutory deadline.

Management response

The council recognises the importance of the financial statements being produced in a timely manner in line with statutory deadlines and has and will continue to employ specialist, experienced finance support to deliver draft accounts as a matter of urgency. These specialist resources are supporting the learning and development of the substantive team and will remain employed until the 2024/25 draft accounts are produced. Additional resource has been allocated within the substantive team and training opportunities taken to ensure officers are able to effectively manage future financial statement production.

A final AAR including this recommendation will be issued alongside our audit report on the 2023/24 financial statements.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.	No longer proposed – backstop	Indicative plan issued October 2024 as part of the progress report
Audit Findings Report The Audit Findings Report will be reported to the Audit and Governance Committee.	TBC – early 2025	Awaiting publication of 2023/24 draft accounts
Auditors Report This includes the opinion on your financial statements.	TBC – early 2025	Awaiting publication of 2023/24 draft accounts
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	Interim report published on 23 July 2024 Additional key recommendation reported in this progress report	Final report to be issued along with auditor's report

Sector updates

IFRS 16 - leases

Lessee accounting up to 31 March 2024

Until April 2024, when a local authority gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

Lessee accounting from 1 April 2024

From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

Asset and liability recognised

Under IFRS 16, lessees recognise their right to use an asset, and they recognise a liability for the present value of the total amount they expect to pay over the period of the agreement for that asset. Initially, the right of use asset and the liability are usually recognised at the same value, unless there have been any relevant payments before the start of the lease.

After initial recognition, the right of use asset is valued the same way as owned assets of a similar type and the liability is increased for interest due or changes in expected payments due to the application of a rate or index such as retail price index; and decreased for amounts paid.

Public sector adaptation

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals. This is one instance where the right of use asset and its' associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

Judgements required

Most of the information needed to determine the appropriate figures for the accounts will come from the lease agreement. However, sometimes judgements may need to made by management. Such judgements may include:

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets;
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term; and
- the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

IFRS 16 – leases continued

Lessor accounting

IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. The key things that lessors need to be aware of are:

- assets leased out for a peppercorn rental should be treated as finance leases if they have, in substance, been donated to the operator; and
- if the asset is sub-let, the consideration of whether the sub-lease is a finance lease or an operating lease takes account of the value and duration of the head lease rather than the value and life of the underlying asset.

Questions to consider

Questions for Audit Committees to ask themselves include:

- How have we gained assurance on completeness? Have we identified all our leases, including those for a peppercorn rent?
- Have we set our threshold for low value leases?
- Have we identified all options to terminate or extend existing leases and assessed the lease term based on the likelihood we will exercise them?
- Have we reconciled our operating lease commitments as disclosed in our 31 March 2023 accounts under IAS 17 to our lease liability under IFRS 16 on 1 April 2024?
- How have we gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?
- For an intermediate lessor, have we reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?
- Have we updated our systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner?

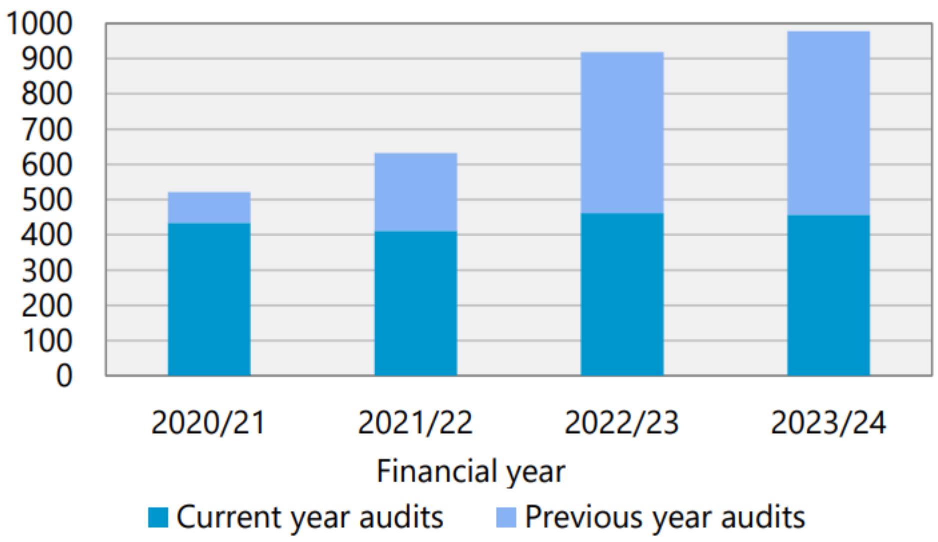
For more information, see **IFRS 16: how can local authorities prepare? | Grant Thornton**

Update on the local audit backlog

On 19th November 2024, the [Financial Reporting Council (FRC)] shared the latest Public Sector Audit Appointments Ltd (PSAA) data on the number of local government audits outstanding nationally by their due dates for 2020/21, 2021/22, 2022/23, and for 2023/24 (where 30 September 2024 was treated as the cut-off date).

The FRC showed that on 30th September, on average every local authority buying their external audit services through PSAA had two years audits outstanding.

Outstanding local government audits



We are pleased to be able to show that Grant Thornton rates of delivery are well ahead of the national average. PSAA data shows that by mid November 2024, Grant Thornton had signed off 74% of all opinions due up to and in respect of 2022/23. For prior year value for money audits, 99% have been completed, putting us significantly ahead of the national average.

74% opinions signed

99% completed VFM audits

With new backstop arrangements having been announced and a new Code of Audit Practice the focus now will be on recovery, enabling those authorities which have been backstopped to rebuild assurance over the coming years.

On 13th December 2024, disclaimed or modified opinions will be required for all financial years up to and including 2022/23, if financial audits are not complete. On 28th February, the same will apply for the financial year 2023/24. The government is clear that where there are modified opinions, auditors are still expected to discharge their other statutory duties, for example to report on Value for Money arrangements. To support the recovery, all authorities should prioritise the timely publication of draft financial statements along with supporting working papers.

Audit Committee members may find this ICAEW podcast (which features Grant Thornton) on unclogging the local audit backstop useful **https://www.icaew.com/insights/podcast/behind-the-numbers/can-we-unclog-the-local-audit-backlog**

Reflections on the Autumn Budget

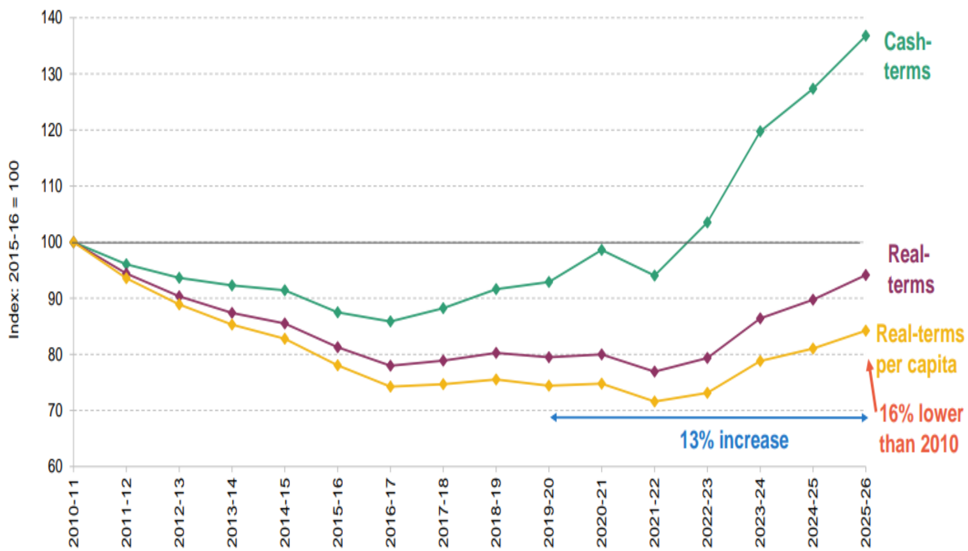
The Autumn Budget 2024 had mixed reactions in the local government sector. The budget included measures that are expected to provide a 3.2% real-terms increase in total local government core spending power next year (2025/26). This includes £1.3 billion of extra funding through the finance settlement; council tax flexibilities; and locally-retained business rates. There were a raft of other positive measures equating to an additional £4.5 billion in additional funding for the sector as well.

However, not everything was positive Multi-year settlements were delayed (since **announced** as starting from 2026/27). The UK Shared Prosperity Fund has been nearly halved (from £1.5 billion to £0.9 billion), with Cornwall estimated to be the biggest English loser. It was also unclear what impact increased employer national insurance contributions, and a higher minimum wage would have on the sector. There was speculation around whether compensation will fully cover additional employer national insurance costs; what will happen if town and parish councils are not included in compensation packages; and how the social care sector will cope with the additional costs.

As the graph on the right shows, the Institute for Fiscal Studies estimates that core funding per resident will still be 17% lower in 2025/26 than it was in 2010 - or 16% lower after allowing for extended producer responsibility (ERP).

Financial pressure is not going away. Councils need to continue with financial discipline and, for future planning, should avoid optimism bias. When it comes to preparing budgets for 2025/26 and the medium-term period thereafter, Audit Committees need to be just as ready to challenge assumptions as they needed to be before under the previous administration.

Institute for Fiscal Studies: Funding per resident 16% lower than 2010 after allowing for ERP:



Reorganisation and devolution – time to prepare

With the Autumn Budget came the announcement of a forthcoming Devolution White Paper. Even while we wait for the paper, the direction of travel towards reorganisation and devolution already seems clear:

- At the Annual LGA Conference on 23 October 2024, Local Government Minister Jim McMahon stated that the government's ambition is to have Combined Authorities across all England
- The 30 October 2024 Budget papers included: "The upcoming English Devolution White Paper will set out more detail on the government's devolution plans, including working with councils to move to simpler structures that make sense for their local areas, with efficiency savings from council reorganisation helping to meet the needs of local people"
- Speaking at the LGC Summit in November, the Lords Minister for Housing and Local Government **Baroness Sharon Taylor** stated that "The intention is to have a tiered approach that enables regions to progress as quickly as they are able and willing, those who are ready and capable of advancing faster will be encouraged to do so". The Baroness made it clear that those ready to move to Combined Authority should have the confidence to do so.
- The government is implementing the first integrated settlements for the Greater Manchester and West Midlands Combined Authorities from the start of the 2025/2026 financial year, as well as for the North-East, South Yorkshire and West Yorkshire Mayoral Combined Authorities, and Liverpool City Region Combined Authority from the start of the 2026/2027 financial year.
- On 28 November 2024, the **Local government finance policy statement** stressed that "devolving power to leaders with skin in the game will generate new jobs, skills, and ultimately growth, by allowing policy to be …….. informed by local knowledge".

It will be important that those considering reorganisation are well prepared. Grant Thornton's recent study of **Learning from the new unitary councils** shows how important it is to think early about the right finance team; the governance and performance management frameworks that are going to be needed; the strategic approach to IT; and arrangements for joined-up procurement and contract management.

However, it is also important to go into reorganisation with realistic expectations. The **Local Government Chronicle** highlighted in November that evidence is mixed on whether creating unitaries leads to savings; and mixed on whether setting up unitaries necessarily leads to the greater devolution regions may be hoping for.

In the short term it is worth noting, as **Baroness Sharon Taylor** herself highlighted, that Whitehall is unlikely to support fiscal devolution when so many councils are still struggling to catch-up with accounts backlog.

Renewing and reforming governance

English councils seeking to restore trust in how they spend council taxpayers' money should recommit to the Nolan principles underpinning high standards in public life, a report published by the think-tank Localis, and supported by Grant Thornton, has advised.

The Localis report acknowledges the severe challenges faced by Councils since the abolition in 2010 of regulator the Audit Commission, and the effect of straitened local finance settlements, but argues that improved governance will be essential to ensuring attempts by the new government to rebuild local public finances are effective.

Among principal recommendations aimed at Councils, the report calls for a shift towards long-term financial planning in line with multi-year settlements once they are introduced; and for local authorities to create organisational cultures that embrace challenge and criticism and hold town hall leaders accountable.

This process would be achieved, the paper suggests, by:

- Formalising checks and balances;
- Giving statutory monitoring officers more support and protection to perform their duties;
- Reviewing whistleblowing policies; and
- Strengthening internal audit functions to identify emerging financial threats.

In their recommendations to central government, the report authors call for a national body, or set of local bodies, to oversee the local audit system by setting standards, managing contracts, maintaining quality of audit as well as overseeing the strategic functions of Councils.

A further key recommendation is for central government to provide a framework for local government that establishes a clear definition of good governance and outlines the different roles and responsibilities of local government – effectively moving away from the current centralised approach to council financing and empowering Councils to manage their finances strategically.

Other recommendations include a call to give Councils more resources to clear the backlog of audits and to recruit and retain experienced governance officers by working with professional organisations.

For a full copy of the report, see "Renewing and reforming local financial governance towards long-term resilience and sustainability",

Local Government and Social Care Ombudsman Triennial Review

The Local Government and Social Care Ombudsman (LGSCO) published their latest triennial review in October 2024, stating that in the last three years they have made decisions on more than 52,000 complaints across every dimension of local service provision. They highlighted that their casework is dominated by complex issues in the areas of homelessness, special educational needs and disabilities (SEND) and adult social care, rather than the small localised matters envisaged fifty years ago when the Ombudsman was first set up.

As the last port of call for complaints about the actions of local councils and adult social care providers, LGSCO's work gives them a unique insight into the effectiveness of public redress and accountability systems. The Ombudsman plays a vital role in identifying systemic failure. However, their triennial findings paint a worrying picture about the state of services, and they make a case for being given more powers to act.

> *"In the last three years we have become increasingly concerned about the ongoing sustainability and effectiveness of the sectors within our jurisdiction and the sustainability of our own service……. This is caused by the acute challenges in local government and social care, the effectiveness of statutory public services and the closure of discretionary services".*

Local Government &
Social Care
OMBUDSMAN

The triennial review called for four changes to help maximise the impact LGCSO can have in future:

- Simplified legislation giving the Ombudsman clear, straightforward powers of investigation for all local government services;
- A new statutory duty for Ombudsman to monitor compliance with the Complaint Handling Code ensuring that all Councils adhere to it; and putting LGSCO on an equivalent footing to the Housing Ombudsman and UK Ombudsman services;
- Mandatory signposting to the Ombudsman by all adult social care providers, including those in the private sector, who tend not to signpost at present; and
- New powers for the Ombudsman to investigate the implementation of education, health and care plans; support for children with additional needs; and admissions and exclusions in schools.

For a full copy of the triennial review see **LGSCO Triennial Review 2024-27**.

Reforming the children's social care system

Government data **published in November** shows that council spending on looked after children increased from £3.1 billion in 2009/10 to £7 billion in 2022/23.

However, while social workers struggle with rising caseloads and councils face bankruptcy, Local Government Association analysis quoted by the government shows that there are over 1,500 children in placements that each cost the equivalent of over £0.5 million every year, while the largest 15 private providers make an average of 23 per cent profit.

Looking specifically at deprivation of liberty, the **Children's Commissioner** concluded in November that "Children's basic rights (are) being ignored in a system that puts profit-making above protection".

Bridget Phillipson, Secretary of State for Education, announced on 18 November 2024, that the government intends to tackle those private providers who deliver "subpar standards of care at sky-high costs". Intended new reform measures laid out by the government include:

- Increased financial transparency for placement providers, allowing councils to challenge profiteering whilst also allowing oversight over supply chain continuity;
- A backstop law to limit profitability; and
- New powers to Ofsted to fine providers for breaches to safety and quality standards.

New funding for preventative work is expected to follow and the government is calling for more not-for-profit providers to come forward and set up homes.

The Children's Commissioner has in turn called for far fewer children to be deprived of their liberty, and never in an illegal children's home.

For Councils thinking of starting preventative work or thinking of setting up new homes, Audit Committees should ask what networking has been undertaken. There are many Councils that have already investing in prevention packages and in-house provision. A realistic understanding of their experiences and the timescales for financial return will be important.

As a minimum, Audit Committees should be asking about the legality of their Council's current provision.

GOV.UK

CHILDREN'S COMMISSIONER

Local Government Association

Special Educational Needs

The **National Audit Office reported in October** that the current system for Special Educational Needs (SEN) is not achieving value for money and is not sustainable. Key statistics supporting that conclusion are that:

- Since 2015, demand for EHC plans has increased 140%, leading to 576,000 children with plans in 2024. There has also been a 14% increase in the number of those with SEN support, to 1.14 million pupils in school.;
- Although DfE has increased high-needs funding, with a 58% real-terms increase between 2014-15 and 2024-25 to £10.7 billion, the system is still not delivering better outcomes for children and young people or preventing local authorities from facing significant financial risks;
- The Department for Education estimates that some 43% of local authorities will have deficits exceeding or close to their reserves in March 2026. This contributes to a cumulative deficit of between £4.3 billion and £4.9 billion when accounting arrangements that stop these deficits impacting local authority reserves are due to end; and furthermore….
- Families and children lack confidence in a SEN system that often falls short of statutory and quality expectations.

Along similar lines, **the County Councils Network** has estimated that almost three quarters of England's largest councils risk bankruptcy by 2027 if statutory override for their Special Educational Needs and Disability (SEND) deficits ends in March 2026.

The Autumn Budget Included a £1 billion funding uplift to reform the SEND system, but this looks far from likely to address the fundamental issues of concern. For SEN, the National Audit Office has recommended:

- Whole system reform;
- Root cause analysis of the reasons for the rise in SEN demand;
- Local authorities being given the power to require providers to take SEN pupils
- Building a vision and long-term plan for inclusivity across mainstream education.

For Councils struggling with SEND deficits now, the last point is at least one that they can already have some influence over. The NAO refers to building "an evidence base" for where mainstream settings can best support children with SEN; and using this to improve parents' confidence in mainstream options. The NAO also refers to improving data and interventions around the early years so that needs are identified and supported early, avoiding them escalating into needs outside the mainstream.

Whilst we wait for a wholesale reform that could take years to come, Audit Committees can help by asking challenging questions around how their Council compares with others for ratios of children educated in a mainstream setting; and how their Council compares for ratios of spend on early years rather than later years intervention.

CCN
COUNTY COUNCILS NETWORK

NAO
National Audit Office

The travel to school challenge

The County Council's Network (CCN) and IMPOWER have released a new report which spotlights the financial pressure on Council's home to school transport budgets and sets out key strategies for local areas to adopt to help meet the challenge.

The 140% increase in the number of EHC plans over the course of the last decade has led to dramatically increased "travel to school" (TTS) costs and CCN's data estimates that:

- The average Council in England was transporting 1,300 SEND pupils in 2023/24, up from 911 in 2018/19. This is an increase of 43%;
- The average cost per SEND pupil using transport has also increased by 32%: from £6,280 to £8,299 per pupil;
- If nothing changes, the number of children requiring free transport will rise from 85,000 in 2023 to 129,000 in 2028; and
- The cost could reach £3.6 billion per year by 2030.

The report argues that a system-wide response is needed to tackle the TTS challenge. Councils need to balance costs, user satisfaction and outcomes and then work to:

- Influence demand (with a view to increasing the uptake of personal transport budgets);
- Take a data driven approach (to tailoring transport options while transitioning); and then
- Maximise independence - by offering independent travel training and promoting the personal transport budgets.

In the short term, "nearest available school" management checks and regular needs-based reviews are important. Underpinning everything in the report is the basic premise that enabling independent travel brings as many gains socially to children as it does financially to government.

For a full copy of the report, see **Resources - County Councils Network.**

> *"TTS is a formative part of all our lives, whether that is being dropped off on our first day at primary school by our parents, making new friends on the bus to secondary school or that first taste of independence walking home alone".*

> *"Getting to and from school is the first step on a journey towards independent travel that opens many doors".*

Crisis of care for adults

Data published by the **Nuffield Trust** in November shows that:

- Increases to Employer National Insurance Contributions (announced in the Autumn Budget) look set to cost the adult social care sector over £900 million next year, more than wiping out the extra funds allocated to social care the Budget; and
- Taken together with the planned increases to National Minimum Wage rates, 18,000 independent organisations providing adult social care in England will be faced with increased costs of an estimated £2.8 billion in the next financial year. Many could potentially exit the market.

This comes after the **Association of Directors of Adult Social Services** had already published their annual Autumn Survey showing how fragile the sector already is:

- Even before the Autumn Budget, 81% of Councils expected to overspend their adult social care budgets in 2024/25 (up from 72% in 2023/24), with an estimated total overspend of £564 million; and
- Significant numbers of councils were already being required to make further in-year savings —35%, compared to 19% in 2022.

With needs becoming ever more complex, and therefore difficult to make savings around; and investment money needed if the approach is ever to move from reactive to preventative care, it is hard not to see the increases in national Insurance and the Minimum wage as hugely problematic for the care sector.

As the Nuffield Trust argues, if Councils are unable to pay social care providers' higher fees after the changes go through, most small providers who cannot absorb these extra costs will have to increase prices for people who pay for their own care; stop accepting council-funded people; or go out of business altogether.

Procurement Act “go-live” delayed

The Cabinet Office announced in a statement on 12 September 2024 that the implementation of the Procurement Act 2023 has been delayed by four months. Originally due to come into force on 28 October 2024, the 'go-live' date of the Act has been delayed until 24 February 2025. The government states that this is is to allow time for a new National Procurement Policy Statement to be prepared and agreed.

The delay will be welcomed by many Councils because it means more time to prepare for the changes the new Act will bring. Transition should be smoother as the additional four months eaves more time for training staff and updating policies. However, it also does mean that Councils need to decide what to do for new procurements that had been planned to occur around now. Councils need to decide whether to go ahead with the new procurement using existing regulations or whether to extend existing contracts and delay the new procurements until February.

Councils are going to need to be clear with suppliers but also clear with themselves. Important messages to convey to staff over this interim period will be:

- ❖ Any spike in contract extensions for this one-off period will need to be ring-fenced as something not expected to be repeated; and
- ❖ Any new procurements entered into during these interim four months will need o go on being managed under the existing regulations even if there are modifications to the contracts after February 2025.

Regardless of which regulations apply at any one time, local government procurement is a complex area which we have shown in previous reports is often under-resourced. Questions that Audit Committees can usefully be asking while we wait for the new Act include as much about business as usual as they do about the current legal changes:

- ❖ How many vacant posts are there in our procurement top team?
- ❖ Where contract management is devolved outside the procurement top team, what are the on-going support and training arrangements for contract managers?
- ❖ Are exemptions and waivers reported to us regularly?
- ❖ What oversight is there now over decisions around contract extensions and delays while we wait for the new law to come into force?

For the Ministerial Statement on delays to the Procurement Act, see **UK Parliament.**

For more general lessons to learn on procurement and contact management see **Local government procurement and contract management.**

For a recent guide by the Crown Commercial Service to getting ready for the changes, see **TPP-Customer-Guidance,**

Finance workforce

In October 2024, the Local Government Association (LGA) provided a series of key recommendations for action at a local, regional and national level to address the workforce challenges that face the finance profession in English Councils. LGA research, which was supported by CIPFA and funded by MHCLG, reported:

16% Average vacancy rate for finance posts

26% Accountancy roles vacant

21% Internal audit roles vacant

20% Business partner roles vacant

The LGA report made twenty-six different recommendations were clustered around four strategic themes:

- Leadership capacity and capability – succession planning for future Chief Finance Officers;
- Attracting and recruiting the right staff - especially at graduate and junior level;
- People development – including professional training for those already in finance teams; and continuous professional development for those that have already qualified; and
- Creating the right environment to deliver – including reducing the use of agency and interim staff; better workforce planning; and equipping staff with skills to help with retention.

Engaging with the "next generation" is going to be vitally important for any workforce action plan to be sustainable. LGA reported that two thirds of the respondents they surveyed said the main reasons for employees leaving the service was to increase their pay. Staff leaving for retirement was the second most frequent reason. Staff seeking better career opportunities was the third most frequent reason.

LGA reports that the most common problem, raised by those consulted, was the absence of a national approach to marketing and promotion for careers in local government finance. A national website was suggested, with clear communication to a wider audience; and expert support from a national centre to individual Councils running recruitment campaigns. Better regional and local co-operation was also noted as required though.

One thing that might help is the new Local Government Graduate Programme finance scheme ("IMPACT"). This is a four-year programme that treats graduates across different councils as one cohort – with central support. Whilst this is currently only being piloted in London, some councils elsewhere in the country have started to participate with a local campaign in place of or alongside the national campaign.

For details of IMPACT and the Councils already partnering with it, see **Impact: The Local Government Graduate Programme – partner councils.**

For the full LGA report, see **Local government finance workforce action plan for England.**

Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards
https://www.gov.uk/government/publications/public-sector-internal-audit-standards

Code of Audit Practice for local auditors (NAO):
https://www.nao.org.uk/code-audit-practice/

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/

The Three Lines of Defence Model (IAA)
https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

Risk Management Guidance / The Orange Book (UK Government):

https://www.gov.uk/government/publications/orange-book

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition

Delivering Good Governance in Local Government

https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

Financial Management Code

https://www.cipfa.org/fmcode

Prudential Code

https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition

Treasury Management Code

https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition

Grant Thornton

grantthornton.co.uk