

Auditor's Annual Report on Chorley Borough Council

2022/23

January 2024



Contents



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 2022/23 is the third year that we have reported our findings in this way. 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. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The weaknesses were therefore still in place in 2022/23 and so are re-reported. The Council has made substantial progress in addressing these weaknesses in 2023/24.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No significant risks identified prior to carrying out our work.	A No significant weaknesses in arrangements identified, but improvement recommendations made to support the Council in improving arrangements for capital plans, management of commercial investments and net zero plans.	A No significant weaknesses in arrangements identified, but improvement recommendations made.	↔
Governance	In 2021-22 we identified significant weaknesses in procurement which were potential significant weaknesses in 2022-23.	R Significant weaknesses in arrangements identified and two key recommendations made relating to contractor access to council systems and contractor safeguards.	R Significant weaknesses in arrangements identified and two key recommendations made.	↔
Improving economy, efficiency and effectiveness	In 2021-22 we identified significant weaknesses in procurement which were potential significant weaknesses in 2022-23.	R Significant weaknesses in arrangements identified and two key recommendations made relating to contractor access to contract procedure rules and the procurement function.	R Significant weaknesses in arrangements identified and two key 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 has a structured and effective approach to making and reviewing its financial plans. We are satisfied that the assumptions underpinning the Council's financial planning and strategy for the 2022/23 revenue budget and the medium-term were appropriate and sustainable. Capital schemes were linked to corporate priorities. There was a planned capital programme of £32 million but an outturn of £13.5 million in 2022/23 so we have made an Improvement Recommendation about the Council's approach to planning capital expenditure. The Council's Capital Financing Requirement (CFR) has risen significantly since 2017/18 which was attributed to six major capital schemes. The Council has developed a financially significant commercial property portfolio through borrowing and we have made an improvement recommendation that the Council should manage and monitor the performance and risks associated with its investments through an appropriate range of commercial investment tools. The Council bridges its budget gap through a strategy based on: investments that benefit residents and business whilst providing additional income to the Council; savings through procurement of contracts, including joint contracting with South Ribble Borough Council; efficiencies in infrastructure, ICT and alternative delivery models. A programme of de-carbonisation has begun but we have made an improvement recommendation that it should develop a long-term plan to achieve net-zero emissions.



Governance

In our 2021/22 Auditor's Annual Report we reported on additional risk-based work undertaken following an Internal Audit Review into the Council's Commercial Services Directorate. Our findings were that the Council was exposed to risks through its failure to have proper controls and processes in place in respect of contractors working in the Council and that this represented a significant weakness in the Council's arrangements. We made two key recommendations in relation to governance systems to address this significant weakness. The first related to the extent of system access granted to contractors and the documentation and review of access. The second related to the organisational architecture required to ensure effective safeguards, checks and balances.

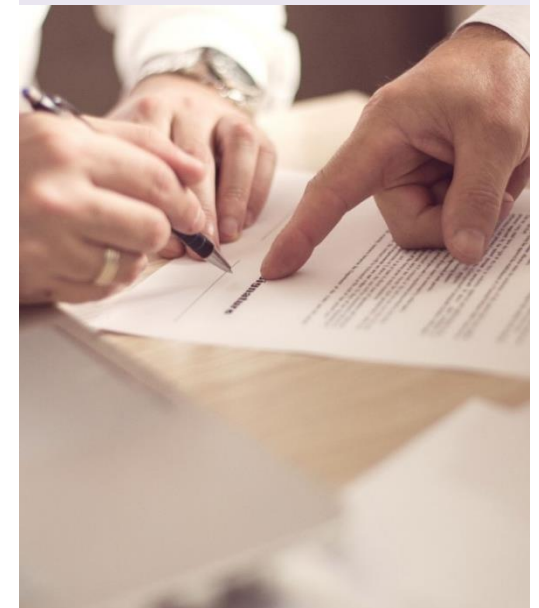
We have considered and included references to the Council's actions to address this significant weakness (which have mainly been carried out in 2023/24) in our report. However, because this report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Our work has not identified any evidence which leads us to conclude that there are additional significant weaknesses, other than those identified above, present in the Council's governance which require further recommendations to be raised.



Financial Statements opinion

We are progressing the audit of your financial statements and expect to issue an unqualified audit opinion.



Executive summary (continued)

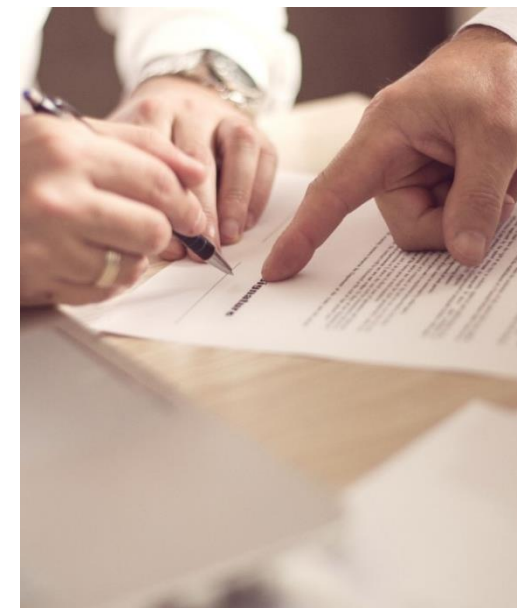


Improving economy, efficiency and effectiveness

In our 2021/22 Auditor's Annual Report we reported on additional risk-based work undertaken following an Internal Audit Review into the Council's Commercial Services Directorate. Our findings were that the Council was exposed to risks through its failure to have effective procurement processes together with a properly resourced procurement function and that this represented a significant weakness in the Council's arrangements. We made two key recommendations in relation to the economy, efficiency and effectiveness of the Council to address this significant weakness. The first related to awareness of and compliance with Contract Procedure Rules. The second related to the resourcing and responsibilities of the procurement function .

We have considered and included references to the Council's actions to address this significant weakness (which has mainly been carried out in 2023/24) in our report. However, because this report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24.

Our work has not identified any evidence which leads us to conclude that there are additional significant weaknesses, other than those identified above, present in the Council's Governance which require further recommendations to be raised.



Use of auditor's powers

We bring the following matters to your attention:

	2022/23
<p>Statutory recommendations</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>Public Interest Report</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>Application to the Court</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>Advisory notice</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"> • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</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>

Key recommendations



Key Recommendation 1

When onboarding a contractor onto the Council network and providing system access, due consideration must be given to the extent of the access required in order for that individual to effectively perform their role. The Directorate responsible for the contractor and IT must communicate to ensure that appropriate system access is provided, tailored to the specific needs of that individual. Each contractor added to the Council system must be treated on a case-by-case basis with consideration of the risks involved. This consideration must also be appropriately documented and an audit trail maintained to ensure appropriate risk management.

Consideration of system access must also be regularly reviewed throughout periods of employment. The circumstances of that individual's employment or engagement with the Council can change during their time with the organisation. Their system access must therefore be reviewed regularly in order to re-consider the risks.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual report we identified the absence of effective processes to control and document the access to IT systems of Contractors working in the Council, together with weak procurement processes, exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, strengthening the process to control access to its systems, carrying out regular checks of contractors and ensuring staff are briefed about new processes.

Summary findings

1. A failure to control and review access to IT systems 2. Breaches of procurement rules including failure to formally extend or renew contracts 3. An under-resourced procurement function. 4. Failure to disclose conflicts of interest 5. Breaches of financial procedure rules. 6. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Governance

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

See next page

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

Key recommendations

Management comments

The council has undertaken significant work since the issues were first identified. This has included:

- changes to the process to create access to the council network to explicitly identify the type of access being granted (for example, contractor, permanent employee, fixed term employee)
- the agreement of a Director, documenting necessity and extent of access required.
- introduction of a regular check of network access for contractors.

The roll out of the new file saving system using Microsoft Teams has continued, and is now being used by all teams across the organisation. This brings a number of advantages:

- limiting the requirement for external users to have network access
- providing greater ability to provide limited access to files
- allow easy reporting of external access to council systems and files
- greater integration with staff attendance management system iTrent for automated reporting on starters and leavers

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

Key recommendations



Key Recommendation 2

The Council must consider what organizational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances operate effectively to provide the assurance that officers acting improperly will be detected by Council systems. This will ensure appropriate protection for both officers and the organisation.

The Council also need to ensure they carry out a more comprehensive exercise to assess whether any similar cases to that identified in relation to Contractor A exist elsewhere in the Council.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual Report we identified that the absence of effective processes to control and document the access to IT systems of Contractors working in the Council, together with weak procurement processes, exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, strengthening governance through a Corporate Governance Group and carrying out a review of creditors over £50,000 in the last three years.

Summary findings

1. A failure to control and review access to IT systems 2. Breaches of procurement rules including failure to formally extend or renew contracts 3. An under-resourced procurement function. 4. Failure to disclose conflicts of interest 5. Breaches of financial procedure rules. 6. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Governance

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

The strengthened Corporate Governance Group continues to monitor the Council's internal governance, with agenda items including Annual Governance Statement actions, ICT Programme updates and rotational updates from Heads of Service. This work will continue, with the Annual Governance Statement. A comprehensive check of expenditure incurred with all suppliers that totalled more the £50k in the 3 years to June 2023 has been completed in 2023/24, and did not identify any new issues.

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

Key recommendations



Key Recommendation 3

The Council must ensure that employees are aware of the requirements of the Contract Procedure Rules.

This includes:

- The requirement to activate formal extensions of contracts if further engagement with a contractor is desired
- The need for fee proposals at the commencement of works in order to ensure that there is sufficient control and knowledge of costs from the outset of a project
- The requirement to document how contracts are awarded/procured
- Compliance with the 2015 Public Contracts Regulations, including the need to publish award notices on Contracts Finder for all awards above £25,000
- Compliance with the Transparency Code, including the need to publish details for all contracts in excess of £5,000 on the Transparency Register

The Council must ensure that in the submission of an invitation to quote/tender, the bidders are privy to the same information and no one bidder is able to secure an unfair advantage from another. If there is evidence that one bidder would be able to secure an unfair advantage, this bidder must be prohibited from submitting a bid for that particular contract.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual Report we identified that weak procurement processes and an under-resourced procurement function exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24 by, among other things, introducing governance essential training for the leadership team in 2022/23 and officers undertaking procurement and strengthening the process for requesting waivers.

Summary findings

1. Breaches of procurement rules including failure to formally extend or renew contracts 2. An under-resourced procurement function. 3. Failure to disclose conflicts of interest 4. Breaches of financial procedure rules. 5. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Improving economy, efficiency and effectiveness

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

Key recommendations

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

In response to the issues identified, the Council has put in place:

- Governance Essentials Training for the Leadership Team, including a specific module on procurement and the Contract Procedure Rules(CPRs)
- training for Officers undertaking procurement
- strengthened the waiver request process, to ensure that it is consistently documented and well recognised. This has included the implementation of a new electronic waiver request form to replace the interim arrangement that was put in place.
- the Procurement Team proactively owning the completion of Contracts Finder and Transparency Register

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

Key recommendations



Key Recommendation 4

The Council must consider the role of the procurement function in respect of the whole organisation. The Council should outline the responsibilities of procurement versus service line leads in contract management and procurement and document this delineation in its Constitution. The Council must seek to renew and enhance its procurement strategy. The Council must prioritise the appropriate resourcing of its procurement function, particularly with respect to the shared services arrangement. The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements. The Council must seek to appropriately train the employees in the procurement function. There was evidence of a limited advisory and supervisory function of the procurement team throughout this review. The procurement function is also lacking in appropriately qualified personnel. The procurement team must be aware of their responsibilities as an advisory and monitoring function and must perform this role effectively.

Identified significant weakness in arrangements

Following an Internal Audit Review and additional risk-based work we carried out as part of our 2021/22 Auditor's Annual Report we identified that weak procurement processes and an under-resourced procurement function exposed the Council to risk. We acknowledge that the Council has made significant progress in addressing this significant weaknesses and implementing the recommendations in 2023/24 by, among other things, appointing a qualified senior procurement officer and developing a business partnering approach.

Summary findings

1. Breaches of procurement rules including failure to formally extend or renew contracts 2. An under-resourced procurement function. 3. Failure to disclose conflicts of interest 4. Breaches of financial procedure rules. 5. Under-resourcing within the Commercial Services Directorate

Criteria impacted by the significant weakness

Improving economy, efficiency and effectiveness

Auditor judgement

This report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. It should be noted that the significant weaknesses reported in 2021/22 were only reported to the Council in August 2023 due to the time it took to fully explore those areas. The Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Management comments

The Council has put in place arrangements to strengthen the procurement function. This includes using external support from Blackburn with Darwen Council, employing a qualified senior procurement officer and, more recently, agreeing further strengthening of the procurement function following a review. That strengthened team will be implemented during 2024. The procurement strategy will also be refreshed during 2024, taking into consideration changes in legislation.

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

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 16 to 32.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Chorley Borough Council (the Council) was formed on 1 April 1974 as part of a wider reorganisation of local government in England undertaken at that time. It is a district council in south Lancashire with its largest town being Chorley. It is bordered by the Lancashire districts of South Ribble to the north and West Lancashire to the west. The Metropolitan Boroughs of Wigan and Bolton in Greater Manchester lie to the south and Blackburn with Darwen Borough is on Chorley's eastern side. Chorley Borough covers 230 square kilometres with almost a third of the population living in rural areas.

Chorley's population was estimated at just under 118,000 in the Office for National Statistics 2021 Census. The population grew by 9.9% over the previous decade, which was higher than the rate for England (6.6%) and for Chorley's neighbouring areas. At 9.9% Chorley's population growth over the decade was the second-highest in the North-West region. 34.7% of Chorley's population change was in people aged over 65 and there were also significant rises in the 50-59 and the 25-35 age groups. There was a 10.2% increase in the number of children aged under 15.

The percentage of those economically active in the borough is higher than the North-West average and the areas good communication links and proximity to Greater Manchester means that 42.3% of the working population are in managerial, professional and technical occupations. At 3.3%, unemployment is lower than the regional and national levels.

The Council has 42 elected members representing 14 wards, each ward electing three members. Elections are held every four years. The Labour Party is currently in control of the Council and the current political balance is: Labour 37, Conservative 5.

The Council's 2023/24 Corporate Strategy sets out the Council's vision which is "Enabling strong communities, a resilient economy, excellent services, a greener future and successful people." The Council's commitments under this vision are set out in four priorities:

- *Housing where residents can live well*
- *A green and sustainable borough*
- *An enterprising economy with vibrant local centres in urban and rural areas*
- *Healthy, safe and engaged communities.*

The Council has established a partnership with South Ribble Borough Council through which it has a shared management team and a number of shared service arrangements.

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.

Short and medium-term financial planning

The Council has a structured and effective approach to making and reviewing its financial plans.

When the Council set its 2022/23 budget in February 2022, it identified the financial challenges it faced over the next three years in the Medium-Term Financial Strategy (MTFS) 2022/23 to 2024/25. The MTFS highlighted the uncertainty around the national policy context, including the Fair Funding Review which had been the subject of a consultation in February 2019. Similarly, the Government's review of the Business Rates Scheme identified the need for more frequent revaluations (every three years) and a requirement to review the level of business rate retention, as a result of which the Council concluded that the quantum of business rates available to it in future was uncertain.

The MTFS also identified that the *Levelling-Up The United Kingdom* White Paper included a potential shift in the way local government may operate in the future but concluded that this would not have an imminent impact on the finances of the Council.

Assumptions

The MTFS 2022/23 to 2024/25 set out assumptions about reductions in central government funding, including a reduction in New Homes Bonus to £0.866 million in 2022/23 with this income stream expected to cease in 2023/24. Key planning assumptions also included a 1% council taxbase increase. The Council assumed no increase in growth of retained business rates because of revaluations, appeals and possible changes to the baseline. However, it anticipated that it would continue to benefit from additional income from the Lancashire Business Rates Pool which was expected to be £0.849 million in 2022/23, £0.881 million in 2023/24, rising to £0.915 million by 2024/25.

Assumptions around income and expenditure growth over the forecast period to 2024/25 were based on a prudent but realistic view. For example, the Council's largest contract was its Waste Contract and it anticipated inflationary increases of 5%, 4% and 4% over the three years of the MTFS period. The Council had brought its leisure services contract back in-house during 2020/21 and its recovery of income levels was expected to require a continuing contribution over budget of £0.331 million in 2022/23 and to result in a break-even position by 2023/24.

Pay awards of 1.75% relating to the unresolved 2021/22 pay negotiations and 2% in 2022/23 and pensions contributions of 16.4% were incorporated over the period. General assumptions included forecasts for Council Tax base growth based on housebuilding projections of 1% and Council tax increases of 1.99%.

Overall, the Council's funding from all sources was forecast to fall to £13.5 million by 2024/25. The MTFS set out the challenge and uncertainty the Council faced in bridging the budget gap over the three-year period, with an initial deficit of £1.736 million for 2022/23, £3.359 million in 2023/24 and 3.567 million in 2024/25. In order to achieve a balanced budget, the MTFS identified additional income from the Council Tax increase, increases in Green Waste charges, and increased income from investment sites in 2022/23. This reduced the budget gaps for 2023/24 and 2024/25 to £1.117 million and £1.178 million respectively.

We are satisfied that the assumptions underpinning the Council's financial planning and strategy for the 2022/23 revenue budget and the medium-term were appropriate.

Financial sustainability (continued)

Short and medium-term financial planning (continued)

Capital Strategy and Treasury Management

When the Council approved the Capital Strategy on 23 February 2022, capital expenditure of £32 million was approved for 2022/23. This was subsequently amended to £32 million following the 21/22 outturn and then revised down to £15.8 million in December 2022. The capital outturn for 2022/23 was reported as £13.5 million to Cabinet on 15 June 2023.

Some variation within capital programmes is inevitable and often attributable to unforeseen delays or changes to plans. However, the difference between a planned programme of £32 million and an outturn of £13.5 million in 2022/23 may indicate poor planning or delivery. In the light of this variation we have made a Recommendation (**improvement recommendation 1**) that the Council should review the inclusion of projects within the first two years of its capital programme to ensure that schemes can be planned and delivered within an appropriate timescale.

Capital schemes were linked to corporate priorities and the Council had a clear description of governance processes which apply to capital schemes. Proposed new schemes were required to follow standard project management methodology with business cases which were scrutinized by the finance team. External expertise was brought in where required. New capital schemes were considered by the Senior Management Team before going through Cabinet and Council approval processes.

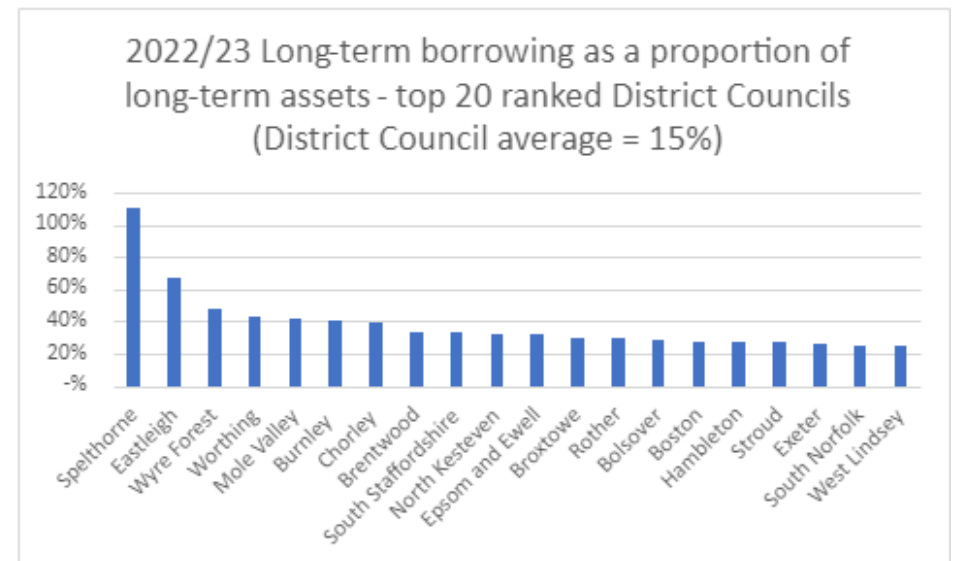
The Capital Strategy used a modified affordability indicator when comparing its capital financing costs to the net revenue stream. Net income generated through income generating assets was included. The closing capital financing requirement in the capital strategy for 2022/23 was £116.8 million and the opening capital finance requirement in the capital strategy for 2023/24 approved in February 2023 was £102.7 million. The Council's Capital Financing Requirement (CFR) has risen significantly since 2017/18 when it was £41 million. This was attributed to six major capital schemes, including the £33 million purchase of Logistics House, which is primarily a commercial investment.

The Council's income from commercial investments rose in parallel with the costs of borrowing. The income in excess of interest and MRP costs was projected to be £2 million in 2023/24. It was proposed to use the gap between borrowing and investment income as a performance indicator and this approach was included in the capital strategy. This is a positive step in the light of the Council's increased CFR and dependence on its income from commercial investments. However, because the Council has now developed a financially significant commercial property portfolio through borrowing it should consider adopting a wider range of commercial investment tools and indicators. This would help the Council to manage and monitor the performance and risks associated with its investments. We have made an improvement recommendation about this (**improvement recommendation 2**).

The Council's Treasury Management Strategy 2022/23 to 2024/25 set out prudential indicators for capital expenditure and financing, the forecast level of external borrowing and investments. It also amended the policy for Minimum Revenue Provision (MRP) following a review. This change in MRP policy involved adopting an annuity basis for all post 2008 debt and an asset life of 50 years for all income generating assets.

On 28 February 2023 the Council approved the revised Treasury Management Strategy which was set out in an Appendix to the MTFS 2023/24 to 2025/26. The MRP policy approved as part of the Treasury Management Strategy was consistent with the changed policy approved in 2022. The Council's Treasury portfolio at the end of 2022/23 estimated that the Council's gross debt position was approximately £26 million lower than its capital financing requirement which represented the level of under-borrowing. The Council's Operational Boundary was set at £79 million to take account of the current CFR and the impact of capital schemes over the next three years. Long-term borrowing as a proportion of long-term assets is now at 40% and places the Council in the Top 20 ranked District Councils (see Fig. 1 below). This highlights the higher level of risk resulting from the Council's borrowing to fund its commercial investments.

Fig 1 long-term borrowing as a proportion of long-term assets



Financial sustainability (continued)

Short and medium-term financial planning (continued)

Monitoring progress

The MTFS was reviewed as part of the annual budget setting process. In February 2023, a revised MTFS 2023/24 to 2025/26 set out new assumptions on key income and expenditure issues, including recognising the impact of higher inflation rates of 5% on anticipated pay awards in 2023/24 and 2024/25. The budget gap of £0.537m in 2024/25 was to be closed by increasing investment income, realising procurement savings and further efficiency savings through investment in infrastructure, ICT and exploring alternative delivery models for its services.

The assumptions and variables within the Council's financial model were updated during the year to enhance the financial planning and assess the impact of known changes and potential changes. Regular monitoring reports were made at departmental and Cabinet level to ensure there was a strong control environment. A report under Section 25 of the Local Government Act 2003 was included as Appendix B1 to the Revenue Budget and MTFS Report. The report forecast a balanced budget for 2022/23 and a General Fund Reserve Balance of £4 million. The Section 151 Officer confirmed their belief that the level of reserves was robust.

The 2022/23 draft outturn was published to Cabinet in June 2023 and reported a provisional underspend of £0.131 million for 2022/23 after taking into account the unbudgeted element (£0.597 million) of the cost of the 22/23 pay award. The provisional outturn for total net expenditure was therefore £14.362 million compared to the original £14.553 million budget. The outturn report included details of key variances by directorate.

Planning and delivering savings

The MTFS set out a cumulative budget gap of £3.567m for the 3-year period. The Council's budget had fallen from £17.6 million in 2016/17 to a projected £13.5 million by 2024/25 and the budget deficit had been bridged by a combination of cost controls, efficiency savings and income generation. This included an increase in garden waste subscriptions and an increase in Council Tax of 1.99%.

The key challenge was therefore anticipated as finding efficiency savings of £1.116 million in 2023/24 and £1.178 million in 2024/25 which was broadly similar to the scale of savings anticipated in 2022/23 and 2021/22 (see Fig 2). The proposed strategy would focus on: investments that benefit residents and business whilst providing additional income to the Council; savings through procurement of contracts, including joint contracting with South Ribble Borough Council; efficiencies in infrastructure, ICT and alternative delivery models. Savings amounting to £600k were targeted through the Transformation Strategy.

Fig 2. Planned spending and savings 2022/23 and 2021/22

£ 000	2022/23	2021/22
Planned revenue expenditure	£14,587	£ 14,596
Actual revenue expenditure	£14,362	£ 14,474
Planned capital spend	£24,235	£38,116
Actual capital spend	£13,500	£23,900
Planned savings/increased income target	£1,749	£1,228
Year-end cash position	£1,250	£ 9,317

Financial sustainability (continued)

Planning and Delivering savings (continued)

The Council owns a number of investment sites which it forecast would generate income of £133k in 2022/23 and £335k in 2023/24. The MTFS identified that around 16% of gross directorate budget would be funded by income from assets.

However, the MTFS 2022/23 to 2024/25 acknowledged that further savings would be required to address the budget gaps in 2023/24 (£1.117m) and 2024/25 (£1.178m). The Council's Transformation Strategy aimed to bridge that remaining funding gap through productivity savings. They included service modernisation, digitalisation, staffing savings, contract savings, income generation through investment, exploring alternative service delivery models and making best use of assets.

The Transformation Board met regularly with Directors and Service Leads to scrutinise savings and income generation proposals. This included the feasibility of the proposals, timelines and any additional budget pressures that might result. The Transformation Board's purpose was to monitor the progress in project delivery and ensure that the overall objectives of the Transformation Strategy were met and that anticipated savings were achieved. A review of assets identified a target of £350,000 in savings through sales, redevelopment or rental. And a further £335,000 additional income from investments was included. Finally, it was considered that a further £350,000 of savings could be achieved through alternative delivery models including further shared services.



Financial planning and strategic priorities

The MTFS was part of a framework which aligned the use of resources and activities to deliver the Council's priorities. Those priorities were set out in the Corporate Strategy and monitored through the corporate performance framework. A refreshed Corporate Strategy was approved on the 15 November 2022 which set out four new priorities:

- Housing where residents can live well
- A green and sustainable borough
- An enterprising economy with vibrant local centres in urban and rural areas
- Healthy, safe, engaged communities.

The Transformation Strategy was the third element of the framework and this coordinates the Council's change programmes and includes the workforce plan. There is a clear read-across between the priorities set out in the corporate strategy, the MTFS and the Transformation Strategy. The workforce plan provides an organisation-wide framework to develop the workforce to achieve the Council's priorities. The Council's strategic risks include the risk of insufficient staffing capacity and skills to deliver its priorities. The Council's People Strategy was also aligned to support recruitment, retention and staff development.

The Council maintained a £500,000 reserve to support its ambition to become carbon neutral by 2030. Its intention was to replenish the reserve as schemes were funded and delivered. In identifying 'A green and sustainable borough' among its four key priorities, the Council identified activities including habitat improvement, sustainable energy for business, improvements to council buildings, green energy and transport improvements. The Council's commitment to supporting the green agenda has gained significant momentum, with a focus on early-stage decarbonisation efforts and engagement with residents. Carbon calculations have been conducted on council vehicles and assets, providing a critical baseline for green initiatives.

Whilst the Council has made impressive efforts to plan and resource decarbonisation, it has not yet developed a long-term plan to achieve net-zero emissions, setting out how it will achieve this including an estimate of the cost of achieving net-zero which could be factored into its financial plans. It will be important for Chorley Borough Council to plan how it will achieve net zero by or before 2050 and to consider an assessment of the investment which will be required over a sustained period. We have made an improvement recommendation about this (**improvement recommendation 3**)

Financial sustainability (continued)

Managing risks to financial resilience

Managing reserves

The Council planned to retain a general reserve of £4 million when it set the 2022/23 budget and maintained this planned level of general reserve when the MTFs was revised in February 2023. The general reserve was set at a level to help the Council cope with unpredictable financial pressures

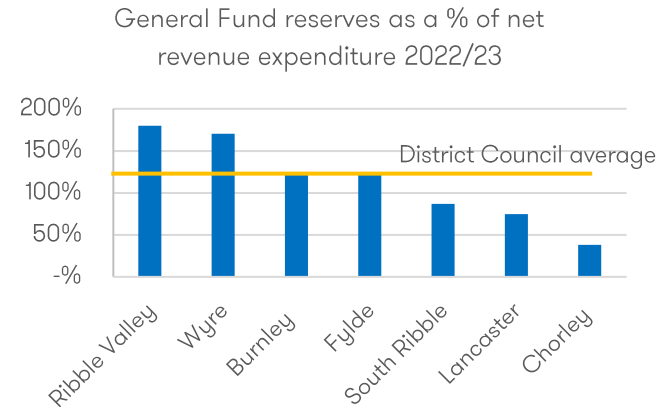
The MTFs 2023/24 to 2025/26 stated that the Council did not rely on the use of the general reserve but that it is available to help manage the potential risks in the budget. These potential risks included volatility in the funding system relating to business rates retention, the profile of savings and income generation proposals including

In addition to the general reserve the Council held earmarked reserves of £7.7 million at the beginning of 2022/23 which fell to £6.7 million by the end of 2022/23. Earmarked reserves were held for specific purposes including a reserve set aside to support the Council's ambition to become carbon neutral by 2030 which totalled £615,000 at the end of 2022/23. A further £0.9 million was set aside to support residents, communities and business in the continuing recovery from the pandemic and the cost-of-living crisis. The total level of reserves therefore fell from £11.8 million to £10.8 million.

The useable reserves balance at end of 2022/23 was 74% of the outturn net revenue expenditure (£14.4m) which compared with an average of 106% for district councils (see Fig. 3 General Fund reserves as a percentage of net service revenue expenditure). This decreased from 88.6% in 2021/22.



Fig 3 General Fund Reserves as a percentage of net service revenue expenditure



Reporting

Balance Sheet monitoring was reported alongside the Capital Programme. Changes in interest rates impacted on investment income and debt interest payable and the outturn on 31 March 2023 showed that interest income, interest payable and MRP were £3 million, which was £0.6 million lower than the budgeted total for these items.

No new investments were made during the year. Total borrowing rose by £8 million. This included an increase in short term borrowing.

Reporting also included the total outstanding debt at the end of the year which indicated a small improvement in the Council Tax collection rate and a small fall in business rates collected. The balance outstanding on Commercial Sundry Debts was 32% higher at the end of the year which reflected agreements on deferred rents during the pandemic and new lease agreements.

Financial governance

Annual budget setting

The Council's process for setting its 2023/24 annual budget and reviewing its MTFS built on the previous year's budget and factored-in changes including new grants, Council Tax base data and Business Rates. The budget process also took into account savings delivery, service pressures and changes to service fees and charges.

There was council-wide involvement of officers and members during the preparation of the budget which considered capital and revenue plans, risks, cost pressures and savings. The 2023/24 budget setting preparations included consideration of factors such as the cost-of-living crisis, rising utility costs, increasing interest rates and recovery from the Covid 19 pandemic. A budget consultation exercise for the 2023/24 budget was carried out between the 24 January and 6 February 2023 and received 73 responses via an online survey and 60 responses through social media. The Council analysed responses by grouping them into positive, negative and neutral groups and considered that responses were broadly supportive of its investment priorities.

The Cabinet considered and approved the budget on 19 January 2023 prior to the Council approving the budget on 28 February 2023. The MTFS set out forecasts over the three-year period and the context for the annual budget. The framework for budget setting was set out within the Council's Constitution and in its Budget Strategy. The potential impact of changes of various estimates and assumptions was discussed as part of the briefing process in the development of the budget.

Budgetary control

The Finance Department engaged regularly with budget holders. Budgets were monitored at senior management team meetings, at departmental level and in briefings with Executive Members. Budget accountability for Heads of Service (who were the majority of budget holders) was built into quarterly reporting at Directorate Management team and then onto Senior Management Team. There was challenge within these processes.

Quarterly budget monitoring reports were taken to Cabinet and included outturn against budget and explanations for underspends and overspends against budget at a directorate level. Any proposed revisions to the budget were also communicated through this report. There was clear reporting on the forecast outturn and the impact on useable reserves. An update was also provided against the Capital Programme, with revisions also communicated.

The MTFS report in February 2023 for the period 2023/24 to 2025/26 included a Treasury Management Statement setting out policies for borrowing and debt management, investment strategy and Minimum Revenue Provision. Financial monitoring reports and minutes demonstrated that in-year forecast variances were being picked up promptly, and budget holders were being held to account for delivering to budget. On 10 November 2022 a report to Cabinet set out the revenue and reserves forecasts at six months (September 2022) indicating a provisional overspend of £0.287 million and setting out the main variances from the original budget. Additional cost pressures including staffing (pay and use of agency staff) and utility costs were identified.

Financial Sustainability and Financial Governance Conclusions

We are satisfied that the Council had adequate financial planning arrangements which were scrutinised at Cabinet, Council and Governance Committee and that risks to the Council's financial sustainability were identified reflecting the Council's awareness of the significant challenges it continued to face.

The Council had an adequate level of reserves and did not plan to use reserves in order to balance its budget. Its reserves position was strong enough to be able to deal with any unforeseen problems arising during the year if it became necessary.

The Council successfully bridged its funding gap through a combination of savings and additional income. The Council's income has been boosted through significant commercial investment funded by increased borrowing over the last five years.

We did not identify any significant weaknesses in arrangements to ensure financial sustainability at the Council. We have made recommendations about how the Council plans its capital spending, manages and monitors its commercial investments and develops its approach to planning for Net-Zero (**improvement recommendations 1-3**).

Improvement recommendations

Improvement Recommendation 1

The Council should review the approach it takes to inclusion of projects within the first two years of its capital programme to ensure that schemes can be planned and delivered within an appropriate timescale.

Improvement opportunity identified

The Council should carefully appraise the credibility of plans to deliver a capital scheme before including it in the first two years of its capital programme.

Summary findings

There are significant variations between the Council's planned and actual capital spending which is symptomatic of poor planning or delivery.

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

Since the appointment of the Head of Property and Development in April 2023, processes have been reviewed and regular meetings are held between the Estates and Finance teams to review the profile of expenditure on each capital scheme, utilising both the knowledge of the Officers involved and Quantity Surveyor reports. Any required adjustments to the spend profile are reflected in the Quarterly Capital and Balance Sheet Monitoring reports presented to the Executive Cabinet. In addition, a consultant partner has been procured to provide Development Management services and who will provide support in informing the capital programme and timescales for delivery, based on available resource and funding timescales.

It must be noted however that whilst action has been taken to improve the accuracy of forecast spend within the capital programme once the scheme is underway, slippage can sometimes occur between the time the initial scheme and profiled budget are approved and added, to the actual timing of start on site; there can be several reasons for this, for example further design and detailed specification work required, possible consultation, and then the procurement process itself.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance 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 develop an appropriate range of commercial investment tools to manage and monitor the performance and risks associated with its significant commercial investment portfolio and associated debt.

Improvement opportunity identified

The Council has borrowed and invested significant funds to create an income stream which supports its revenue budget and should therefore develop the extent and sophistication with which it monitors the performance and risks associated with this scale of borrowing and investment. This should include the development of key performance indicators, the use of scenarios for modelling future income and risk, clarity about how the value of investments is projected and measured, and the means by which the Council assesses risk and return in order to inform future investment and divestment decisions.

Summary findings

The Council has increased its borrowing in order to invest in a commercial property portfolio and provide an additional income stream to support its revenue budget. The Council should therefore develop and adopt an appropriate range of investment tools which help it to manage the performance and risks associated with this significant investment.

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 we have raised a recommendation to support management in making appropriate improvements.

Management comments

Action has been taken to provide appropriate tools to manage the performance of the investment estate. The Council has recently procured Civica Property Management, a Property/Asset Management system. The system is in the process of implementation, and once live it will provide a platform to help monitor and manage performance across the investment estate, also identifying risks to income due to upcoming lease expiry. The system also identifies maintenance requirements and spend which will highlight any future liabilities affecting the performance of the investment estate.

Key Performance Indicator (KPI) measures can also be managed through the Civica Property Management system, to monitor performance and highlight areas that need intervention at an early stage.

The Estates Team currently prepare an Investment Estate dashboard report which is presented to Members each quarter; this now provides an overview of income and the return on investment, based on current rent and payback period.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance 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 3

The Council should develop a long-term plan to achieve net-zero emissions, setting out how it will achieve this including an estimate of the cost of achieving net-zero which could be factored into its financial plans.

Improvement opportunity identified

The Council should build on its commitment to de-carbonisation by developing its understanding about how it will contribute to the national objective of achieving net zero by or before 2050 which will enable the Council to inform its medium-term financial planning.

Summary findings

The Council has made impressive efforts to plan and resource decarbonisation but has not yet developed a long-term plan to achieve net-zero emissions.

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

It's acknowledged that there is a need to develop a SMART action plan to achieve net zero and that this should include details of the necessary financial investment required (and where possible, details of external investment to be targeted). To inform the development of this Pathway to Net Zero, which is required both in terms of our assets and operations, the Council commissioned a large-scale desk top study in January 2024. A similar study was published on behalf of Lancashire County Council in March 2022. Although this study provided a good baseline, in order for it to provide a robust and costed action plan, it requires a more granular level of work, which is what Chorley Council have proactively commissioned. This study will model pathways to net zero for the Council and the borough; there will be multiple pathways with varying degrees of intervention reaching the longer-term government interim and 2050 target to the more ambitious local target of 2030. This work includes action plans of short-, medium-, and long-term implementation factoring in the earliest feasible date which net zero can be reached. This information will form an overall indication of the work the Council will need to complete to be net zero within a dictated timeframe, including the budgetary needs associated with it. The work is expected to be completed by June 2024, after which it will be carefully considered by the Senior Management and Political Leadership including the financial implications, and thereafter will be incorporated into the refreshed Climate Change Strategy, which is expected to be published later in 2024 and will include the trajectory for achieving net zero including a timeline and total cost. It is important to note that for some workstreams within the Carbon Pathway, such as transport, Chorley Council are not the responsible Local Authority and as such the actions included within the borough wide pathway to net zero will not wholly be within the council's control.

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 and internal controls

Risk Management

The Council's Risk Management System included a Strategic Risk register alongside service level and project risks and operated as a live system which was updated to reflect new or emerging risks. The Strategic Risk register was owned by the Senior Management Team and risks were scored on a risk matrix based on an assessment of the seriousness of each risk and its likelihood. Risks were RAG-rated and allocated to categories such as risks relating to financial controls, regulatory issues, reputational risk, and achievement of corporate objectives. Risks were assessed to indicate the direction of travel. Risk owners were identified for each strategic risk and control measures were identified and described, together with Action Plans and named owners for the Action Plans. The Council had a Risk Management Policy, Process Guide and Toolkit which underpinned its approach to risk management across all Directorates and this approach was supported by training on risk management.

Strategic risks were reported to the Governance Committee. The report the Committee considered on 3rd August 2022 identified 19 strategic risks at that time. The risks were described and shown with the control and mitigation measures which were in place or planned. The highest scoring risks related to the failure to achieve a return on large investments, budget challenges impacting on key public and third sector services, incidents affecting ICT delivery or business continuity, and the risk of cyber attacks.

The reporting highlighted changes to the risk scores, some of which reflected changing risks as the Council emerged from the impact of the pandemic. The reporting also included a specific narrative on action being taken in relation to each risk. For example, in relation to the risk of not achieving a return on large investments, new action as part of the budget planning process involved Finance and service departments revisiting income models to ensure return was being maximised.

Of the nineteen strategic risks reported to Governance Committee in August 2022, four risks had increased scores since the previous report indicating a heightened level of risk. Two of these risks related to the Council's people resources and reflected the risk of being unable to recruit and retain sufficient capacity and skills and the risk around the impact of organisational changes. The report also recognised the increasing risk around the Council's ability to maximise technology to drive organisational change and the risk around budget resources due to uncertainties around funding.

Internal Audit

The Council's Internal Audit Service carried out and reported on an internal assessment against the requirements of the Public Sector Internal Audit Standards (PSAIS) on an annual basis. Reports were made to the Governance Committee on 1 June 2022 and 25 May 2023 setting out the results of the assessments for 2021/22 and 2022/23 respectively. External assessment has been carried out every five years and the last external assessment was in April 2018 and a further assessment is therefore due on 2023/24. The service self-assessed that it was compliant with 125 aspects of PSAIS and partly compliant with one aspect. The Internal Audit service reported annually on the achievement of its plans setting out the Opinion of the Head of Internal Audit on the overall adequacy and effectiveness of governance, risk management and control processes.

Governance (continued)



Risk management and internal controls (continued)

Internal Audit (continued)

Fourteen planned Audit Reviews were completed in 2022/23 together with an unplanned review (compared to sixteen planned audits completed in the previous year). The service awarded limited assurance ratings in three reviews - water management, utilities management and General Data Protection - data deletion (See Fig 4). Management actions arising from audit reviews were monitored through the Council's risk management system and 63% of management actions of Chorley Borough Council due by the end of 2022/23 had been completed. 80% of actions relating to shared services were completed. The completed actions therefore fall short of the 90% completion target set by the Council. The reason for this shortfall is identified as largely relating to the Commercial Directorate.

87.5% of the audit plan was completed and the service received a satisfaction rating of 96%.

The Audit Plan and Opinion were reported to and considered by the Governance Committee. The overall annual internal audit opinion is that the adequacy and effectiveness of the Council's governance, risk management and control processes was adequate for 2022/23. However, the exception to this Opinion was the three limited assurance rated reviews and the unplanned review which represented a significant control weaknesses.

In our Auditor's Annual Report 2021/22 we made a recommendation relating to effective controls in on-boarding and managing contractors, including specific controls where contractors have access to the Council's IT systems. The absence of proper controls and processes exposed the Council to risk and was a significant weakness which was present during 2022/23. We have therefore repeated this recommendation (**key recommendation 1**).

Nevertheless, we recognise that in 2023/24 the council has responded to the key recommendation by putting in place changes to the process to create access to the council network which explicitly identifies the type of access being granted (for example, contractor, permanent employee, fixed term employee). We also note that changes have been made to require the agreement of a Director, documenting necessity and extent of access required. A regular check of network access for contractors has also been introduced and a new file saving system, making use of Microsoft Teams, will enable controlled external access to individual files. The rollout of the new file storage system will allow for meta-data such as tagging where files are confidential and their retention periods.

Fig 4 Internal Audit Report Assurance Levels (source Internal Audit Annual Report and Opinion 2022/23)

Assurance Level	2021/22	%	2022/23	%
Full	0	0	1	8%
Substantial	7	43%	3	21%
Adequate	7	44%	7	50%
Limited	2	13%	3	21%
Totals	16		14	

Governance (continued)



Internal Audit (continued)

We also made a recommendation (key recommendation 2) about the importance of considering the organisational architecture which would provide safeguards, checks and balances to prevent similar occurrences of contractor arrangements which are not properly procured or controlled. This was also a significant weakness which was present during 2022/23 and we have therefore repeated this recommendation (key recommendation 2).

The Council's response to this recommendation was to strengthen the oversight through a Corporate Governance Group which monitors the Council's internal governance, with agenda items including Annual Governance Statement actions, ICT Programme updates and rotational updates from Heads of Service. Heads of service attended on a rotational basis to review internal control issues. A review of total spend with individual Creditors > £50k across the last 3 years has been completed to provide assurance that there were no similar failures to the one identified in the internal Audit report.

We have therefore concluded that the changes made by the Council following the Internal Audit Report and our Auditor's Annual Report 2021/22 represent a robust response and that the completion and embedding of these actions during 2023/24 should provide the Council with assurance that these significant weaknesses will have been addressed.

Governance assurance

The Governance Committee met four times in 2022/23 and considered reports on the internal and external audit plans and progress, the Local Code of Corporate Governance, RIPA, the Statement of Accounts, draft core financial statements, Treasury mid-year review and outturn, the CIPFA resilience index, strategic risks, charities and trust funds, Internal Audit Annual Report, Annual Governance Statement and the external Auditor's Annual Report.

Committee meetings were well-attended and provided opportunities for members to question and challenge. Two independent members are now included on the Governance Committee.

The Council had procedures and policies in place to address the threat of security or cyber-attack, which included an external review. Data breaches in 2022/23 were monitored. The Council carried out cyber penetration testing to ascertain weaknesses.

The draft Annual Governance Statement was considered by the Governance Committee on 24 May 2023. It was prepared in accordance with CIPFA/SOLACE guidance. The statement is under-pinned by work carried out by the Corporate Governance Group. The Statement reported completion of four out of eight actions on governance issues identified in the previous Annual Governance Statement. Ten areas for improvement were identified for 2022/23 (See Fig 5)

	2022/23	2021/22
Annual Governance Statement (no. of areas for improvement)	Ten	Eight
Head of Internal Audit opinion	Adequate	Adequate

Fig 5 The Council's performance against key governance metrics is set out in the table above.

Governance (continued)



Standards and behaviours

The Council set out its governance arrangements in the Annual Governance Statement which included governance issues which it had identified as requiring action and improvement. A corporate governance group oversaw governance arrangements and required service assurance statements which assessed compliance with the governance framework. Senior leaders communicated with staff about the importance of compliance with governance requirements.

The Member Code of Conduct was Appendix 6 of the Council's constitution and it set out the behaviours required of Members, their obligations in respect of declarations of interest, and arrangements for dealing with complaints. The Governance Committee was responsible for Standards and for convening Hearing and Appeals panels where a complaint has been investigated and is to be determined. The constitution also included an Officers Code of Conduct and a protocol for Member / Officer relations.

Gifts and hospitality were recorded in the Register of Interests and regular reminders are issued to Members to ensure they are updated. Details relating to each Member were available on the Council's website and these records provided evidence that gifts and hospitality were being declared. Work is carried out to test the recording of declarations of interest as part of the Annual Governance Statement work.

The Whistleblowing Policy was available on the Council website. It set out how complaints could be raised, arrangements for confidentiality, ways of raising concerns externally and sources of information and advice.

There was evidence of a good tone being set by those at the top of the organisation with an open and accepting approach to the challenges faced by the Council, a collaborative approach at senior levels and clear communications within the organisation about compliance with governance processes. The transition to a new chief executive officer (internal appointment) has progressed well and there has been a strong emphasis on improving staff understanding of governance obligations, particularly in the light of staff turnover in some key areas of management responsibility.

Governance Conclusions

The Council had significant weaknesses in 2022/23 in respect of its management of contractors and safeguards which would prevent controls being circumvented. We identified these weaknesses in our Auditor's Annual Report 2021/22 and they were present during 2022/23. The Council has made significant progress in addressing these significant weaknesses in 2023/24 which we have made reference to in this report.

We are satisfied that, other than these significant weaknesses, the arrangements for Internal Audit, Governance assurance and standards were adequate and effective.



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.

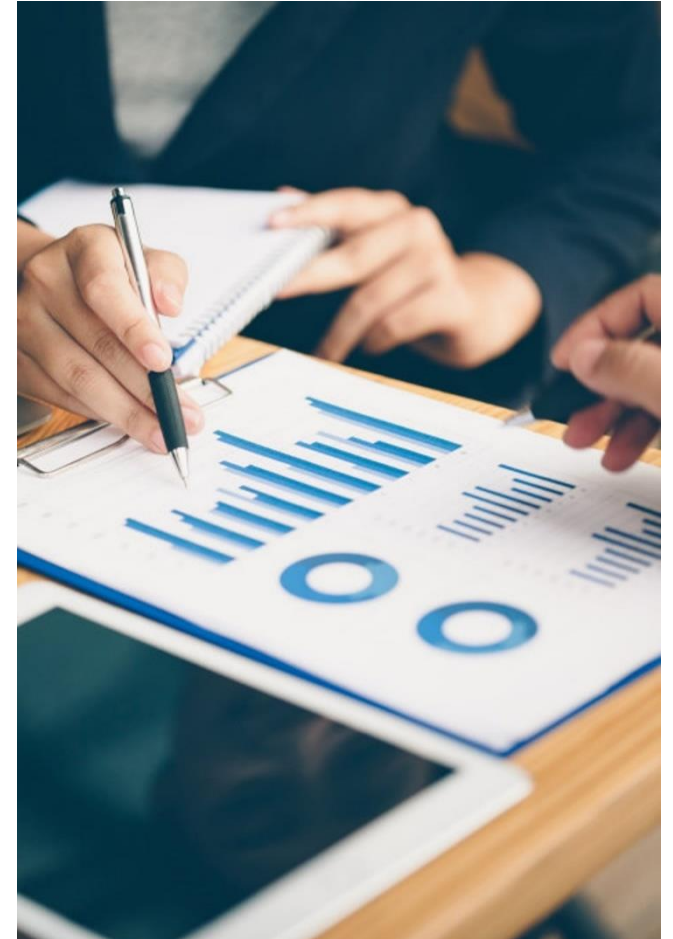
Use of financial and performance information

Quarterly performance reports were provided to Cabinet and to the Overview and Scrutiny Performance Panel. The reports summarised overall performance and provided a narrative of performance for each of the four priorities within the Council's corporate plan. The reports used Red-Amber-Green (RAG) rating to report progress on the delivery of key projects within the Plan. Reports included corporate performance indicators relating to the corporate priorities.

For example, Quarter Two performance reporting in 2022/23 showed a red project status rating for Tatton Gardens Extra Care development due to delays in project completion. The indicator for affordable homes delivered also showed as red because only ten affordable homes were delivered against a target of fifty and performance was worse than the same Quarter in 2021/22. The Council's performance reporting was therefore linked to its corporate priorities and reported performance trends with the use of colours and symbols to interpret performance data.

Regular reports to the Overview and Scrutiny Performance Panel included directorate level performance reporting as well as financial reporting together with corporate and service level indicators. For example, on 15 December 2022 the Policy and Governance Directorate reported on corporate indicator performance including the employment rate and the number of NEET (Not in Education, Employment or Training). Local indicators included the number of visitors to Astley Hall, payment of suppliers within 30 days, the percentage of the audit plan completed, and days lost through long and short-term sickness.

Our benchmarking data identified two areas of relatively high unit costs: - public transport subsidies and open spaces spending. The Council has prioritised Streetscene services in its Corporate Strategy by supporting an efficient service that can deliver environmental improvements. New technology has been introduced to schedule grass cutting, tree and car park inspections and litter bin emptying. The Council is also investing in climate change activity through carbon calculations on vehicles and assets as well as a tree planting strategy.



Improving economy, efficiency and effectiveness (continued)

Use of financial and performance information (continued)

Under its corporate strategy priority of being “an ambitious Council that does more to meet the needs of residents and the local area,” the Council provides funding of £85k to sustain key bus routes and mitigate the impact of county-wide funding cuts. These examples of higher spending than the Council’s comparators are aligned to corporate priorities.

The Council had a deepening relationships with South Ribble Borough Council (SRBC) which was based on shared services but also included mutual support and learning where one council has experience or expertise which the other doesn’t. For example, enforcement and anti-social behaviour challenges at CBC were supported by SRBC. The Council also had collaborative arrangements with neighbouring authorities through the Central Lancashire Local Plan and the Chorley Public Service Reform Board.

On 21 Feb 2023 a report to the Joint Shared Services Board indicated an overall saving of £0.9 million to CBC from the implementation of phases 1 and 2 of the shared service strategy with South Ribble Borough Council. 47% of the workforce for the two councils are now involved in providing services for both councils. New terms and conditions have been adopted by both councils together with a shared Human Resources Framework. Phase 1 of the shared services work brought Governance, Transformation and Partnerships, Communications and Visitor Economy together. Phase 2 added ICT and Customer Services. The Councils now have a shared chief executive and directors.

The Councils are building on this work by looking at Property and Asset functions which is likely to be followed by Business Support and Economic Growth. Further opportunities in Public Protection, Environmental Health and Planning will be considered in the future. The councils use a framework to evaluate shared service potential which considers whether the councils will be able to continue to deliver their own priorities, whether a shared model is possible and whether the two councils have a shared need for the service. The evaluation process also looks at pragmatic issues such as capacity, recruitment issues and opportunities for alignment.

Our financial benchmarking data for 2022/23 identified a relatively high ratio of borrowing over assets for CBC of 40%, compared to a district council average of 15% (See Fig 1 in our analysis of financial sustainability), resulting from the Council’s borrowing to fund its commercial investments. We also identified that general fund reserves were 38% of net service revenue expenditure in 2022/23 where the average for district councils is 129% (See Fig 3 in our analysis of financial sustainability on page 20). The Council reported the CIPFA Resilience Index comparison for 2020/21 to the Governance Committee on 3 August 2022. The use of financial benchmarking information to establish and monitor the Council’s comparative position is a useful addition to understanding overall performance, particularly in the light of the Council’s recent strategy to increase borrowing in order to fund commercial investments.



Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council had an approved key contracts and partnerships framework which identified the key contracts and partnerships which were significant in terms of value or implications in terms of other resources, were a significant commitment over time.

A report on the performance of these key contracts and partnerships was considered by the Cabinet on 14 July 2022. The report covered key contract arrangements with major IT system suppliers, the Council's choice-based lettings partnership, the local plan partnership, Chorley Leisure and the shared services partnership with SRBC. Key risks and objectives were identified for each partnership.

The Council engaged in a range of partnership work which addressed local priorities and savings opportunities including the shared services partnership with SRBC, the local plan partnership with SRBC and Preston City Council and through its Health Scrutiny work which considered social care reform and shared priorities through the Integrated Care Board.



Commissioning and procurement

The Council's Contract Procedure Rules were set out in the Council's Constitution. They set out the processes and approach to procurement and specific requirements for contracts of low value (under £25,000), intermediate value (£25,000 to £100,000) and high value contracts (over £100,000). The Rules made specific provision for their application to the appointment of consultants to the Council.

In our Annual Auditor's Report 2021/22, published in July 2023, we reported on additional risk-based work relating to an Internal Audit Review into procurement in the Commercial Services Directorate. This work identified breaches of the contract procedure rules in respect of procurement of contractor services, a lack of coordination and proper documentation and under-resourcing of the procurement function.

We made a key recommendation (**key recommendation 3**) to address a significant weakness about awareness of and compliance with the Contract Procedure Rules and the need to ensure that contract bidders are treated fairly. In response to our key recommendation and the internal audit report, the Council introduced Governance Essentials training for the Leadership Team (and for other officers involved in procurement). This included the Contract Procedure Rules and procurement processes. The Contracts Finder and Transparency Register are now owned by a strengthened procurement team and stronger approval and documentation processes are in place.

An email form to document approval of contract waivers was put in place after the internal audit report and this has now (in 2023/24) been replaced by an electronic form. The significant weakness we identified in our 2021/22 Auditor's Annual Report was present during 2022/23 and we have therefore repeated the key recommendation relating to strengthening the awareness and compliance with procurement rules. However, we are satisfied that the Council recognised and began to develop its response to this weakness in response to the Internal Audit report during 2022/23 and that our recommendation was therefore partly addressed. We have also considered the further progress the Council has made to strengthen awareness and compliance with procurement rules during 2023/24 which should be sufficient to address this significant weakness.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement (continued)

In our Annual Auditor's Report 2021/22 we also made a key recommendation (key recommendation 4) which addressed a significant weakness in relation to the responsibility for and resourcing of procurement functions. The Council has increased its procurement capacity by employing a senior qualified procurement officer and by drawing on external support from Blackburn with Darwen Council. Procurement needs and future staffing requirements have been reviewed and the Council is developing a business partnering approach. The Contracts Transparency Register is now being maintained and the Council intends to review its Procurement Strategy in early 2024.

This significant weakness which we identified in our 2021/22 Auditor's Annual Report, was present during 2022/23 and we have therefore repeated the key recommendation relating to the procurement function and strategy. However, we recognise the progress the Council is making in 2023/24 by strengthening the procurement team, using external capacity and improving procurement monitoring.

The key recommendations made in our Auditor's Annual Report 2021/22 which are repeated in this report were identified following an unplanned Internal Audit Report into procurement in the Council's Commercial Directorate. A planned Internal Audit Report in 2022/23 into Utilities Management resulted in a Limited Assurance Opinion and identified weaknesses in Utilities management which included failure to undertake a procurement exercise of water supplies since the deregulation of commercial water supplies. This is further evidence of the significant weakness in the responsibility for procurement and contract management which indicates the systemic nature of the significant weakness. We have not made a separate recommendation on this matter because we consider that that this is covered by key recommendation 4.

Conclusions – Improving economy, efficiency and effectiveness

In our Auditor's Annual Report 2021/22 we identified significant weaknesses in relation to compliance with Contract Procedure Rules and the resourcing of procurement functions in the Council. These weaknesses continued to be present during 2022/23 and a planned Internal Audit report highlighted failures in the procurement of water supplies which indicated the systemic nature of these weaknesses.

We have made reference in this report to the Council's substantial progress in addressing these significant weaknesses in 2023/24.

We are satisfied that, other than these significant weaknesses, the arrangements for use of financial and performance information, and partnership working are adequate and effective.



Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR1 When onboarding a contractor onto the Council network and providing system access, due consideration must be given to the extent of the access required in order for that individual to effectively perform their role. The Directorate responsible for the contractor and IT must communicate to ensure that appropriate system access is provided, tailored to the specific needs of that individual. Each contractor added to the Council system must be treated on a case-by-case basis with consideration of the risks involved. This consideration must also be appropriately documented and an audit trail maintained to ensure appropriate risk management.</p> <p>Consideration of system access must also be regularly reviewed throughout periods of employment. The circumstances of that individual's employment or engagement with the Council can change during their time with the organisation. Their system access must therefore be reviewed regularly in order to re-consider the risks.</p>	Key	July 2023	<p>In 2023/24 the council has put in place:</p> <ul style="list-style-type: none"> • changes to the process to create access to the council network to explicitly identify the type of access being granted (for example, contractor, permanent employee, fixed term employee) • the requirement for approval of a Director, documenting necessity and extent of access required. • introduction of a regular check of network access for contractors. <p>The Council is introducing a new file saving system making use of Microsoft Teams, which enables controlled external access to individual files. The rollout of the new file storage system has commenced and will allow for meta-data such as tagging where files are confidential and their retention periods. Heads of Service have all been briefed, and service-level briefings are in place.</p> <p>The new file storage system means that external users can be provided with access to specific folders or files without having to access the councils' network. The new system is expected to be complete in January 2024 when the old file storage system will be gradually removed</p>	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR2 The Council must consider what organizational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances operate effectively to provide the assurance that officers acting improperly will be detected by Council systems. This will ensure appropriate protection for both officers and the organisation.</p> <p>The Council also need to ensure they carry out a more comprehensive exercise to assess whether any similar cases to that identified in relation to Contractor A exist elsewhere in the Council.</p>	Key	July 2023	A Corporate Governance Group has been established to monitor the Council's internal governance, with agenda items including Annual Governance Statement actions, ICT Programme updates and rotational updates from Heads of Service. Heads of service attend on a rotational basis to review internal control issues. A review of total spend with individual Creditors > £50k across the last 3 years to check whether similar cases related to Contractor A exist has been completed and no further cases have been identified	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.
<p>KR3 The Council must ensure that employees are aware of the requirements of the Contract Procedure Rules. This includes:</p> <p>The requirement to activate formal extensions of contracts if further engagement with a contractor is desired</p> <p>The need for fee proposals at the commencement of works in order to ensure that there is sufficient control and knowledge of costs from the outset of a project</p> <p>The requirement to document how contracts are awarded/procured</p> <p>Compliance with the 2015 Public Contracts Regulations, including the need to publish award notices on Contracts Finder for all awards above £25,000. (continued on next page)</p>	Key	July 2023	In response to the Auditor's Annual Report for 2021/22 the Council introduced governance essentials training for the Leadership Team which included procurement and the contract procedure rules. Additional training has been provided for other officers who undertake procurement. The waiver request process has been strengthened and the completion of the Contracts Finder and Transparency Register is now owned by Procurement. (continued on next page)	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR3 (Key Recommendation 3 continued)</p> <p>Compliance with the Transparency Code, including the need to publish details for all contracts in excess of £5,000 on the Transparency Register.</p> <p>The Council must ensure that in the submission of an invitation to quote/tender, the bidders are privy to the same information and no one bidder is able to secure an unfair advantage from another. If there is evidence that one bidder would be able to secure an unfair advantage, this bidder must be prohibited from submitting a bid for that particular contract.</p>	Key	July 2023	There is additional procurement capacity (including an agreement to undertake joint contracting with Blackburn with Darwen on property valuations), and a business partnering approach is being introduced. A new electronic form has been introduced for the waiver process (a dedicated email version was in place prior to its introduction to ensure a robust interim solution was in place).		
<p>KR4 The Council must consider the role of the procurement function in respect of the whole organisation. The Council should outline the responsibilities of procurement versus service line leads in contract management and procurement and document this delineation in its Constitution.</p> <p>The Council must seek to renew and enhance its procurement strategy. (continued on next page)</p>	Key	July 2023	A qualified senior procurement officer was in post from 19 June 2023 and the Council continued to draw on advice from Blackburn Council. This has enabled a review of procurement needs and future staffing options which have been approved by the senior management team. This will enable a business partnering approach to be developed and there is now sufficient capacity to review and update the procurement strategy which is timed for early 2024 and will take into account legislative changes. Joint contracting has been undertaken with Blackburn Council for property valuation. The contracts transparency register is being maintained.	In progress	The Council has made considerable progress in 2023/24. We have re-raised the recommendation to ensure that the Council continues to focus on delivering improvements.

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>KR4 (Key Recommendation 4 continued)</p> <p>The Council must prioritise the appropriate resourcing of its procurement function, particularly with respect to the shared services arrangement. The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements. The Council must seek to appropriately train the employees in the procurement function. There was evidence of a limited advisory and supervisory function of the procurement team throughout this review. The procurement function is also lacking in appropriately qualified personnel. The procurement team must be aware of their responsibilities as an advisory and monitoring function and must perform this role effectively.</p>	Key	July 2023	See previous page.		
<p>IR1 The Council must ensure that council staff are aware of the Financial Procedure Rules. The Council should consider implementing internal controls within the finance system that would prevent staff from raising purchase orders retrospectively or upon receipt of invoices.</p>	Improvement	July 2023	<p>Financial Procedure Rules (FPR) training has been delivered across the organisation. A mandatory training module that must be completed in advance of staff using the finance system. Further training was delivered to Heads of Service on FPR and the Council's constitution in February 2023, alongside dedicated budget holder training.</p> <p>Since the recommendation was made, the S151 Officer has not received any notices requesting to depart from FPR. Council spending is monitored, and no anomalies have been identified.</p>	In progress	No

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
IR2 The Council must ensure that contractors and new starters are administered a formal induction into the Council and that this is appropriately documented so as to maintain an audit trail.	Improvement	July 2023	All new members of staff undertake formal induction through the Learning Hub and records are maintained of completion. All contractors who have access to the Council's systems are required to complete the induction training.	Yes	No
IR3 The internal audit report was triggered by a routine check on the creditors system indicating the submission of a large volume of invoices to one company which did not have the appropriate procurement documents in place. We recommend that the Council implement an automated interface between the creditors system and the procurement system so as to forgo the need for manual input and upload of the necessary procurement documentation for a supplier. In lieu of the incorporation of an automated interface, the Council should perform a manual exercise to match all suppliers listed on the creditors system with corresponding contracts on the Contracts Register. This exercise would demonstrate if any of the Council's suppliers are operating outside of contract.	Improvement	July 2023	A spot-check has been carried out of contractors and a review of creditors over the last three years has been undertaken to check for anomalies. The Council has re-procured its existing finance system supplier for two years. In procuring a new finance system the Council will explore the possibility of an interface between the Creditors system and the Contract Register.	In progress	No
IR4 The Council must ensure that an individual's role in the Council or with the Council is appropriately defined from the commencement of their engagement with the Council so as to protect the organisation from risks of conflicts of interest. The Council must ensure that declarations of interest are properly obtained.	Improvement	July 2023	Changes have been made the new starter process to ensure that each individual's role is defined and to identify conflicts of interest. Online induction requires declarations of interest (this includes agency staff).	Yes	No

Follow-up of previous recommendations

Risk-based work: Internal audit review into Procurement in the Commercial Services Directorate

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>IR5 The Council must appropriately consider risk in the aftermath of reports, such as the Commercial Services internal audit report. The decision not to interview or inform Contractor A resulted in him finding out through informal means. This contributed to stress on the part of Contractor A and put the Council at risk of reputational damage.</p> <p>The Council consideration of risk is also relevant to the decision not to suspend Contractor A pending investigation. Should the internal audit review have found that there was malicious intent on the part of Contractor A and that the Council had suspicion of this but did not suspend his engagement with the Council pending investigation, this would have put the Council at risk of significant reputational damage.</p>	Improvement	July 2023	The Council has acknowledged and accepted the recommendation to consider, record and take action on risks associated with such reports in the future. There have been no further comparable reports.	Yes	No
<p>IR6 The Council must ensure that when major changes to organizational structure are considered (for example, a shared services arrangement) that sufficient impact assessments are performed to provide assurance of the appropriate consideration of risk. This process must be documented.</p>	Improvement	July 2023	The Council has provided recent examples of the way risks and impacts have been considered as part of service reviews and major changes to the organisational structure. These are formally recorded as impact assessments, 1-2-1 discussions on impacts with staff during consultation, and within the report narrative regarding risk.	Partly	No

Follow-up of previous recommendations

Value for Money: Financial Sustainability

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
IR7 (2021/22)	Following up on a previous recommendation made in the 2020/21 AAR report we recommend the Council should refine formal reporting to Cabinet Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFS.	Improvement	July 2023	Information regarding the sensitivity of assumptions and estimates, and the resulting financial impact of each of these, was provided to the Portfolio Exchange meeting of Executive Cabinet Members as part of the 23/24 Budget Setting process (December 2022). The Council intends to develop this further in 23/24 with a mid-year review of the MTFS, to include a review of the MTFS assumptions, sensitivity analysis and scenario planning, the product of which will be presented to members.	Partly	The Council should develop its approach to using sensitivity analysis and scenario planning
IR8 (2021/22)	To strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within the Council Plan.	Improvement	July 2023	The Council now reports schemes within the Capital Programme under the Corporate Priority to which they relate.	Yes	No
IR9 (2021/22)	There is scope to increase the Council's risk maturity and duality of risk by formally considering opportunities to exploit as well as a focus on downside risks, in risk registers.	Improvement	July 2023		Partly	The Council should continue to develop its risk maturity as recommended.

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 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

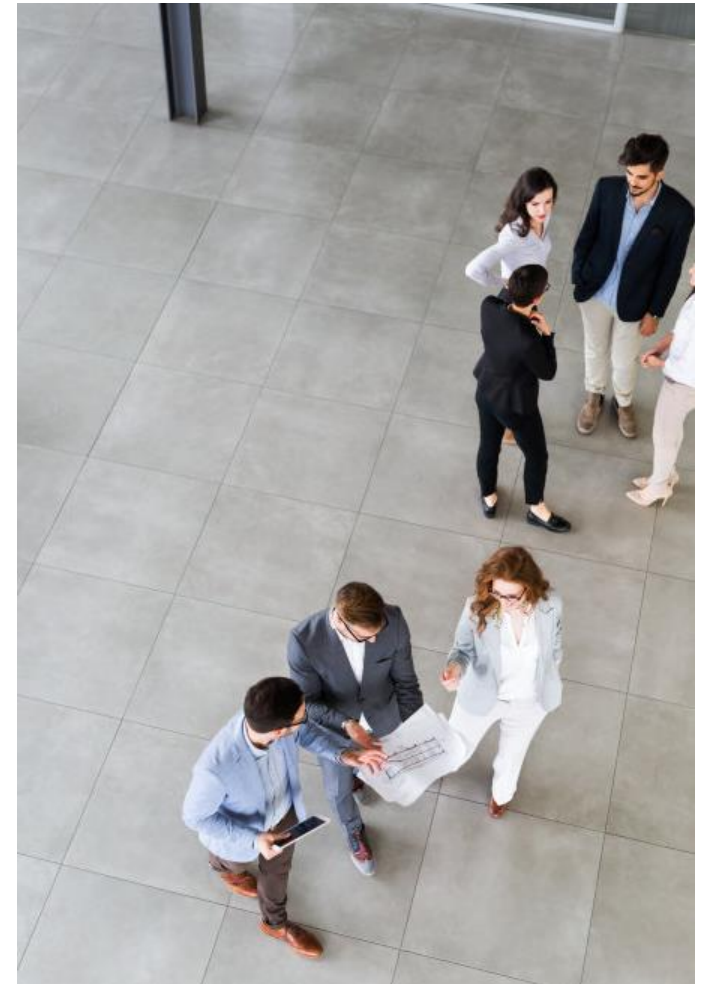
We conducted our audit in accordance with:

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

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

Audit opinion on the financial statements

At the time of writing our work is still in progress. We intend to issue issued an unqualified opinion on the Council's financial statements.



Opinion on the financial statements

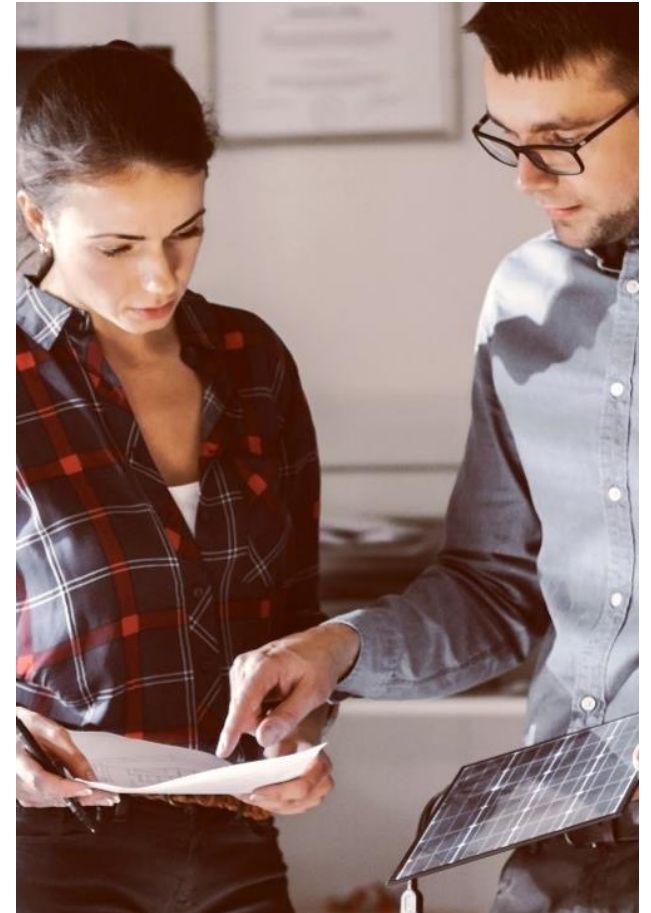


Timescale for the audit of the financial statements

- Our audit plan was issued in May 2023 and presented to the Governance Committee
- The Council provided draft financial statements in August 2023 and we commenced our audit on receipt of those statements.
- At the time of writing our work is still in progress. We intend to issue issued an unqualified opinion on the Council's financial statements.

Findings from the audit of the financial statements

More detailed findings are set out in our Audit Findings Report, which will be presented to the Council's Governance Committee in February 2024. Requests for this Audit Findings Report should be directed to the Council.



Other reporting requirements



Audit Findings Report

More detailed findings can be found in our AFR, which will be published and reported to the Council's Audit Committee in February 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The Council is below the threshold which requires any detailed work to be done.



Appendices

Appendix A: Responsibilities of the Council

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

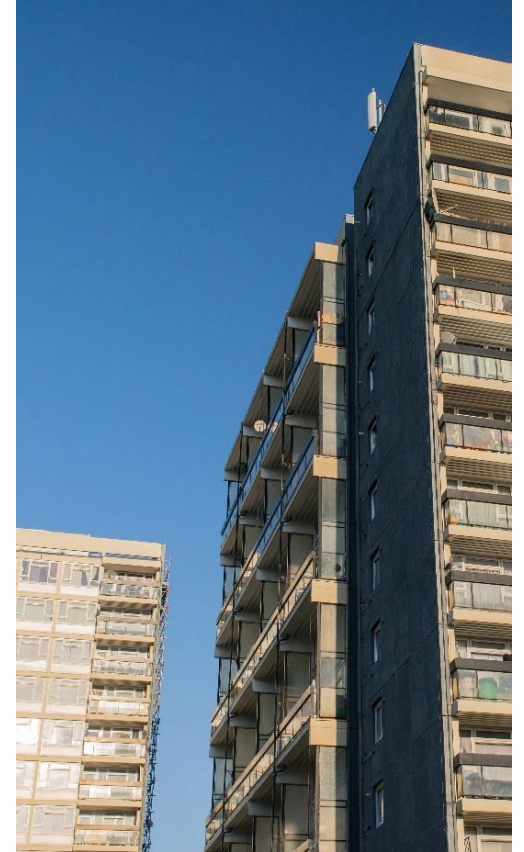
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

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	
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	7-12
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	22, 23, 24

