



COUNCIL

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Council Summons and Agenda

You are hereby summoned to attend an **Ordinary Meeting of Ryedale District Council** to be held in the **Council Chamber, Ryedale House, Malton** on **Thursday, 23 February 2023** at **6.30 pm** in the evening for the transaction of the following business:

Agenda

k **External Auditors Annual Report**

(Pages 3 - 36)

A handwritten signature in black ink, appearing to read 'Stacey Burlet'.

Stacey Burlet
Chief Executive

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REPORT TO: FULL COUNCIL

DATE: 23 FEBRUARY 2023

SUBJECT: PART 'B' REFERRALS FROM OVERVIEW AND SCRUTINY
COMMITTEE ON 16 FEBRUARY 2023

51 External Auditor's Annual Report

Recommendation

It is recommended to Council that:
(i) The External Auditor's Report is noted.

Voting Record
Unanimous

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PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	OVERVIEW AND SCRUTINY COMMITTEE
DATE:	16 FEBRUARY 2022
REPORT OF THE:	CHIEF FINANCE OFFICER (s151) ANTON HODGE
TITLE OF REPORT:	EXTERNAL AUDITORS' ANNUAL REPORT
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

1.1 The attached document is the External Auditor's Annual Report for 2021/22.

2.0 RECOMMENDATION(S)

2.1 It is recommended to Council that:

(i) The External Auditor's Report is noted.

3.0 REASON FOR RECOMMENDATION(S)

3.1 The report gives the Council and independent view of how it is achieving Value for Money

4.0 SIGNIFICANT RISKS

4.1 Risks are taken into account as part of the annual audit and feed through into the attached report.

5.0 POLICY CONTEXT AND CONSULTATION

5.1 The Local Audit and Accountability Act 2014 sets a requirement for auditors to be satisfied that each local the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5.2 On 1 April 2020, a new Code of Audit Practice came into force which sets out how local auditors are expected to approach and report their work on VFM arrangements

from 2020/21 onwards.

6.0 REPORT DETAILS

- 6.1 The Statement of Accounts for 2021/22 was signed off in December 2022.
- 6.2 The Value for Money report is now attached here, noting that there are no significant weaknesses in financial sustainability, governance or improving economy, efficiency and effectiveness.
- 6.3 The report notes that it is now only a matter of weeks until the demise of the Council as a separate statutory body on 31 March 2023. As such, there is a limit in terms of tangible recommendations that can be raised for the Council to action before the transfer to the new unitary authority for North Yorkshire. The auditors have noted in some areas, particularly in respect of their work on the financial sustainability theme, that there are some medium term risks that will need to be brought to the attention of the new unitary council regarding the projected significant reduction in the Council's level of useable reserves in the medium term.
- 6.4 The report also states that it is important that the good performance on financial and budgetary controls experienced at the Council in recent years is maintained through to 31 March 2023. Any requests for additional use of reserves and increases to expenditure should continue to be reviewed against clear business cases, ensuring that appropriate due process and governance checks are maintained in the run up to the end of the Council. Members of the Council will still have a fiduciary duty to public monies and the local taxpayer up to 31 March 2023, so resources should continue to be prioritised based upon key needs and any additional non statutory expenditure should be scrutinised appropriately prior to being committed.
- 6.5 In terms of recommendations for the Council to take action on before 31 March 2023, the auditors have identified two improvement recommendations in respect of governance.
- 6.6 Members of the committee will have the opportunity to ask the External Auditor and s151 Officer about the detail at the meeting.
- 6.7 Following Audit Committee's consideration of the Report, it will be made available to all members at the next Full Council meeting.

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
There are no financial implications regarding this report.
 - b) Legal
There are no legal implications regarding this report.
 - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental and Climate Change, Crime & Disorder)
None arise from the contents of this report. Such implications are taken into account as part of the budget process

Name of Head of Service **Anton Hodge**
Job Title **Chief Finance Officer (s151)**

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Auditor's Annual Report for Ryedale District Council

2021-22 Value for Money Arrangements

February 2023

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

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



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

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1. Executive summary



Value for money arrangements and key recommendations

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 2021-22 is the second 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. We considered the Council's arrangements in respect of:

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

Overall, we have not identified any significant weaknesses and related key recommendations – this is a good outcome for the Council. It should be noted that at the time of producing this report (February) it is only a matter of weeks until the demise of the Council as a separate statutory body on 31 March 2023. As such, there is a limit in terms of tangible recommendations that can be raised for the Council to action before the transfer to the new unitary authority for North Yorkshire. We have noted in some areas, particularly in respect of our work on the financial sustainability theme, that there are some medium term risks that will need to be brought to the attention of the new unitary council regarding the projected significant reduction in the Council's level of useable reserves in the medium term.

In terms of recommendations for the Council to take action on before 31 March 2023, we have identified two improvement recommendations in respect of governance. Our conclusions are summarised in the table below along with our findings from last year to show the direction of travel.

Criteria	Risk assessment	2020-21 Auditor Judgement	2021-22 Auditor Judgement	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses in arrangements identified. One improvement recommendation made.	G No significant weaknesses in arrangements identified. No improvement recommendations raised, although some risks for the new unitary council to be aware of regarding reducing useable reserves levels in the medium term.	↑
Governance	No risks of significant weakness identified	A No significant weaknesses in arrangements identified. Two improvement recommendations made.	A No significant weaknesses in arrangements identified. Two improvement recommendations made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements identified. Two improvement recommendations made.	G No significant weaknesses in arrangements identified, an no improvement recommendations arising.	↑

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.

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Executive summary



Financial sustainability

We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of significant weaknesses and the Council's current reserves position is healthy for a council of its size. We have identified no formal improvement recommendations due to the limited time for which the Council will continue to exist as a standalone body, however, it remains important that financial monitoring continues to be carried out and the financial control framework is closely observed up to the demise of the Council on 31 March 2023. In addition, we would highlight the projected reduction in the level of the Council's useable reserves going forward and would expect Council officers to clearly highlight this potential risk to the medium term financial plans of the successor unitary council.



Governance

The Council continues to have effective Governance arrangements in place to ensure its business is conducted appropriately. Agenda items for Committee meetings are circulated in advance to allow Committee members sufficient time to review the information and make informed decisions. There is good challenge from Members which we have observed at Overview and Scrutiny (Audit) Committee meetings. The Council has in place effective risk management arrangements – this is an area where we have noted good progress since our appointment as external auditors in 2018-19.

We have identified that Members' declarations in some cases were not up to date and were not reviewed by governance officers for completeness. The Council should obtain declarations of interest from all members as a matter of urgency and ensure that these are collated centrally to enable them to be retained electronically following the demise of the Council on 31 March 2023. We have raised an improvement recommendation in relation to this matter.

It has also been noted that the Chief Executive has been away from work for a period of time, with her role and responsibilities taken on an acting basis by the Programme Director for Place and Resources. We understand that the Programme Director for Place and Resources is due to leave the Council in February to take up a position at another local authority. In addition, the Council's current Monitoring Officer is due to leave on 5 March 2023 and is expected to be on annual leave up until that point. The responsibilities allocated to the three statutory positions of Chief Executive, s151 Officer, and the Monitoring Officer should continue to be fulfilled by relevant senior officers up to 31 March 2023 should any of the substantive post holders no longer to be able to carry out the duties assigned. We have raised an improvement recommendation in relation to this matter.



Improving economy, efficiency and effectiveness

The Authority continues to demonstrate a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. We have not identified any improvement recommendations within this theme either.



We have completed our audit of your financial statements and issued an unqualified (clean) audit opinion on 16 December 2022, following the Audit Committee meeting on 24 November 2022. Our findings are set out in further detail in Section Nine on page 23.



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

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified (clean) audit opinion on 16 December 2022, following the Overview & Scrutiny (Audit) Committee meeting on 24 November 2022. Our findings are set out in further detail on page 23.

Statutory recommendations

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

We did not issue any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report under Schedule 7 of the Local Audit and Accountability Act 2014.

Application to the Court

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

We did not apply to the court under Schedule 28 of the Local Audit and Accountability Act 2014.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice under Section 31 of the Local Audit and Accountability Act 2014.

Judicial review

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

We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

3. 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 at 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.



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 20. Further detail on how we approached our work is included at Appendix B.



4. 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.

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Identification of significant financial pressures and building these into Council plans

The Council's annual budgets are approved by full Council in February for the forthcoming financial year. The budget includes: Medium Term Financial Strategy (MTFS) covering at least three years (including the detailed budget for the coming year) with key financial assumptions and risks, Council Tax determination, Reserves and balances, Revenue and capital strategies, Savings and Impact risk assessment including budget pressures and actions to be taken.

The Council continued to demonstrate appropriate financial and budgetary management throughout 2021-22. This is evident from quarterly revenue and capital budget monitoring reports to Policy and Resources Committee (P&R) and the full Council. In addition to regular quarterly reporting, the Council also reports the yearly outturn to P&R and full Council.

The 2021-22 final outturn reported a small surplus of £10k after a transfer from general fund reserves. This transfer from reserves was to cover what had been identified as Covid specific costs of £651k and this was £137k less than the planned 'breakeven' budget. Additional grants of £177k were also received meaning that after accounting for the £10k surplus, the final drawdown on reserves was £464k. This represents an improvement from the £788k originally budgeted. The base budget included a savings target of £377k, which overall formed part of the underspend and resulting small surplus.

For 2022-23, the Council set a balanced budget which requires £1,907k from general fund reserves and includes planned savings delivery of £82k. This usage of reserves was subsequently increased by £258k to £2,165k for the reasons noted below. With this budget being set and approved in February 2022, this was prior to any significant increase in the UK rate of inflation. This picture developed during 2022-23, with the impact of inflation leading to c£550k of cost increases being identified, attributed to utility costs and the proposed national pay award for local authority officers. This was mostly offset by increases in investment incomes, following several raises in interest rates, and higher income from the sale of materials to be recycled with a net increase of £76k reported at Quarter 1. A similar level of inflation risk was reported at the end of Quarter 2, with an overall increase of £105k from budget. This had increased to £191k by the end of Quarter 3. Overall, the level of investments held and the rises in interest income earned during 2022-23 appears to have largely shielded the Council from material inflationary budget pressures.

As at month nine [December 2022], the Council is showing a net £169k deficit or overspend against the budget. At the time of producing this report, the Council is off track to achieve its financial targets for 2022-23. However, the overall useable reserves balance is forecast to be higher at 31 March 2023 than initially forecast by £1.16m as a result of lower usage of reserves balances during 2022-23. This is principally due to lower capital spend than anticipated due to slippage in the capital programme. Since this has arisen as a result of slippage, and therefore is not a true underspend, these projects still require funding over the term of the current MTFS. Once the capital programme slippage is accounted for by reducing usable reserves, usage of useable reserves is £1.157m higher than forecast

The Strategic Reserve, intended to be used to support short-term budget gaps and Council priorities, is forecast to show a debit (negative) balance at 31 March 2023. The Council intended to use £1.9m of this reserve per the MTFS, however, this was increased in the budget to £2.165m as a result of freezing council tax (impact £108k) and allocating of £150k to fund community grants. Subsequently, this amount has further been increased to £2.5m following the allocation of £350k to cover the unplanned cost of the national pay award. This forecast reserves position does not include the £169k in year deficit, however, there is expected to be a £100k under-Utilisation of the £500k Local Government Reorganisation allocation and therefore, this may be utilised to support the overall outturn position of the Council for 22/23.

Whilst the Authority has traditionally had a healthy level of General Fund reserves and whilst current levels may look appropriate and sufficient to support the 2022/23 outturn, considering the current run rate on the use of reserves to support the revenue position, future reserves may be exhausted by the end of 2025 if this rate is sustained. Given the Council is demising as a statutory body on 31 March, this risk and issue will be a matter for the successor Authority and we would expect management to fully brief the successor body of the implications of these projections. The Council is also expected to have a general reserve of £3.5m at 31 March 23 which is £2.5m above minimum levels set in the budget.

Forecasted use of strategic reserve	
Balance at 31/03/2022	£1,530k
Budget gap to be funded from reserves per MTFS for 22/23	£(1,907k)
Impact of freeze in council tax	£(108k)
Allocation of community grants	£(150k)
Impact of unplanned national pay award	£(350k)
Forecasted balance at 31/03/2023	£(985k) (deficit)

Financial sustainability

Plans to bridge the Council's funding gaps and identify achievable savings

Over recent years, the Council has developed a good track record of delivering efficiencies to meet funding gaps whilst identifying achievable savings. During this time, the Council has acknowledged that using reserves to bridge the Council's funding gaps is not a sustainable financial management strategy. Therefore, the focus has been on setting realistic savings targets in the budget plans and monitors the progress to achieve those targets.

The Council's annual budget focusses on savings targets. Savings are identified and built into the budget. The savings are clearly reported as an appendix to the budget. In some cases, these are reductions which can be applied without any further action as they reflect an updated spend pattern or have been planned for some time.

The MTFS identifies any gaps in funding to meet expenditure forecasts. The quarterly monitoring report includes progress on the delivery of efficiencies and any shortfall is included within the overall forecast. The Council's Efficiency Programme forms part of the MTFS process and follows the approved governance arrangements attached to it.

The Council implements a budget timetable to allow all Members to consider efficiency proposals before they are formally approved in February each year by P&R and Full Council.

Savings are approved through the Strategic Management Board (SMB) before being put forward to Members for consideration. As a result of these discussions, any additional comments / proposals originating from Members go through the SMB route again to ensure officer consideration around achievability, impact on key services and Council priorities before they are discussed and finally approved or deferred.

This is the final year for setting the budget for the Council given the new unitary council for North Yorkshire will come into effect from 1 April 2023. In order to assist the production of an emerging "shadow" financial strategy for the new unitary council it has been determined, across all eight councils, that a medium term financial projection will take place up to at least 2024/25.

The latest MTFS, dated February 2022, indicates material budget gaps between years 2023/24 and 2024/25 aggregating to c£3m. This MTFS indicates further use of reserves to fund the budget gap beyond 2022/23 and those projections end with c£1.5m of useable reserves from a total of £10m projected at the 31 March 2023. This would represent a significant reduction in the reserves level of the Council and a resulting weakening of the financial legacy that will be bequeathed to the new unitary council.

A £1m balance is considered by the s151 Officer to be the minimum working balance for General Balances based on the Council's revenue budget. Senior finance officers are of the view that reserves are adequate for 2022/23, however, due to the limited visibility beyond 2022/23, it cannot be precisely forecasted how the estimated shortfall will deplete the level of available reserves up to the end of the current MTFS. It is noted that there is limited opportunity to deliver a significant additional savings programme since no re-procurement exercises will take place prior to the demise of the Council. These challenges will be a matter for the new council for North Yorkshire to consider as part of their medium term financial planning.

Given the demise of the Council on 31 March 2023, we do not consider it appropriate to raise a formal recommendation, however, it is considered appropriate to bring this to the attention of Members as part of their oversight and scrutiny function over the Council's finances, and to ensure these issues are fully discussed as part of the transition to the new unitary North Yorkshire Council.

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has a Plan up to 2024 with four key priorities. They are; communities, economy, environment and organisation. The plan is supported by number of key strategies /drivers.

- Local Plan
- Medium Term Financial Strategy (MTFS)
- Commercial Strategy
- Capital Programme and Treasury management
- Ryedale Homelessness and rough sleeping review and strategy.

Other key plans, such as the Climate Change Action Plan, are also routinely monitored because of their importance in shaping the district.

A governance and monitoring framework is also in place to support this strategic work. This includes the Council's constitution, performance framework and its underpinning policies, operating procedures, service planning, budget monitoring and delivery programmes.

There is a link between these plans and the financial plans through the annual budget and the MTFS. This is executed mainly through the impact risk assessment to Council plans and the capital programme which are both part of the MTFS that is updated every year. Quarterly finance monitoring to the P&R and the Council then captures the delivery of these plans and any mitigating actions with reasons, if the delivery is delayed.

The Council had a Strategic Reserve in place to manage and use for temporary or one-off costs in 2022/23. Specific amounts were set aside and taken to the Strategic Reserve for a number of projects in order to resolve the proposed budget gap. Such Council Plan priorities to be funded from this reserve for 2022-23 include tackling inequalities, financial inclusion, cleaner streets and community safeguarding.

Overall there are arrangement in place to support the delivery of the Council Plan together with its financial plan.

Financial sustainability

Plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities (continued)

Local Government Reorganisation – North Yorkshire (LGR)

On 21 July 2021, then Secretary of State for MHCLG (now DHLUC) outlined the Government's decision on how local councils will change. The current county, district and borough councils in North Yorkshire will be replaced with a single unitary council in 2023. The unitary authority will deliver all services across the whole of the current county footprint.

This significant change in the local authority structures across North Yorkshire was subject to parliamentary approval via a Structural Changes Order (SCO). The North Yorkshire (Structural Changes) Order 2022, 2022:328, will result in the current County Council and seven District/Borough councils in North Yorkshire coming together to form a single new unitary council on 1 April 2023.

STATUTORY INSTRUMENTS

2022 No. 328

LOCAL GOVERNMENT, ENGLAND

The North Yorkshire (Structural Changes) Order 2022

Financial Challenges due to LGR and maintaining a robust financial position up to the point of transfer

We understand work is ongoing in relation to pulling together financial information and identifying key systems as well as reviewing contractual arrangements to ensure essential services continue uninterrupted, while avoiding duplication and making savings. No significant and material financial issues have been identified by the Council to date arising from the LGR process and this appears to be being appropriately managed by finance officers at the Council.

The Council has set aside £500k to deal with the additional costs arising from LGR in 2022/23. This funding is to enable LGR related activities to be undertaken and to backfill the time of officers working on LGR so that their normal duties continue to be carried out. A total of £290k of this funding had been allocated at the end of Quarter 3 (December 2022).

Key elements of the amounts allocated to date include additional short-term posts across services to meet the capacity to fulfil both the 'day job' and LGR workflows. We understand that some of the £210k yet to be allocated will also be used to deal with any redundancy and transformation costs associated with LGR likely to be incurred in Quarter 4 of 2022/23. We would expect any such costs to be presented at P&R Committee meetings and Full Council, as required, in order to obtain the necessary approvals prior to any payments being made.

Options for harmonising existing key policies such as council tax are also being worked up, so residents can be consulted in time to provide a single approach from day 1 of the new council. We also understand there are plans for an early shadow budget for the new council for 2023-24 and this is being discussed as part of the Working Group.

Finance officers continue to work across various integration projects as part of the finance workstream including accounts payable, accounts receivable, banking, income management system, main accounting system and treasury management.

The responsibility remains with the Council for planning and managing its finances to support sustainable delivery of services in accordance with the strategic and statutory priorities for the people of the district until 31 March 2023.

As indicated on page nine, the Council has a history of a healthy level of general fund reserves. This financial position combined with the LGR timescale and the end of the Council as a separate statutory body, could pose a potential risk of the Council incurring excess expenditure and reducing its reserves position in the final period.

Therefore, it will be it is important that the good performance on financial and budgetary controls experienced at the Council in recent years is maintained through to 31 March 2023. Any requests for additional use of reserves and increases to expenditure should continue to be reviewed against clear business cases, ensuring that appropriate due process and governance checks are maintained in the run up to the end of the Council. As part of the LGR framework, the Council must also obtain approval for new capital schemes from NYCC, which is in place to reduce the risk of elevated spending in the final period.

Members of the Council will still have a fiduciary duty to public monies and the local taxpayer up to 31 March 2023, so resources should continue to be prioritised based upon key needs and any additional non statutory expenditure should be scrutinised appropriately prior to being committed.

In the latest MTFs, the highest scored risk has been identified as insufficient resources for officers to deal with competing demands. In the remaining time that the Council continues to exist, it remains crucial that finance officers continue to monitor and manage the financial position up to the date that services, assets and liabilities are transferred.



Financial sustainability

Financial plans are consistent with other plans such as workforce, capital, investment and other operational planning

The Council's financial strategy provides the financial framework to deliver the Council Plan. As previously indicated this is through the budget and the MTFs. Our review of the MTFs indicates it covers other strategies such as pay policy statement, reserves, treasury management and capital investment strategies.

The purpose of the pay policy statement in the budget report is to provide transparency with regard to the Council's approach to setting the pay of its employees, by identifying:

- the methods by which salaries of all employees are determined
- the detail and level of remuneration of its most senior staff i.e. 'chief officers', as defined by the relevant legislation
- the committees responsible for ensuring the provisions set out are applied consistently throughout the Council and recommending any amendments to the full Council.

Management of the Council's debt is governed by the Treasury Management Strategy (TMS) and Prudential Indicators which aim to ensure the Council's capital expenditure plans are prudent, affordable and sustainable, with decisions on borrowing taken in light of spending plans and available funding, cash flow needs and interest rates (current and future forecasts).

We have seen regular reporting on the Council's TMS and Annual Investment Strategy to the Overview and Scrutiny and the P&R Committees. These reports also cover the Council's Minimum Revenue Provision (MRP) Strategy. MRP is an amount set aside to repay debt in accordance with the approved policy within the TMS.

The current policy is to charge MRP for assets included within debt liability over the useful life of the asset or finance lease term. This is in line with the current regulatory requirements for the Council. The Council's annual budget covers the TMS and the MRP and this is a clear indication of aligning financial plans with capital and borrowing plans. The MRP charge for 2021/22 falls at the prudent end of our expectations with no specific matters to report.

Overall, our work has indicated that financial plans are consistent with other plans with no significant weaknesses identified.

Conclusion – Financial Sustainability

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of significant weaknesses and the Council's current reserves position is healthy for a council of its size. We have identified no formal improvement recommendations due to the limited time for which the Council will continue to exist as a standalone body, however, it remains important that financial monitoring continues to be carried out and the financial control framework is closely observed up to the demise of the Council on 31 March 2023. In addition, we would highlight the projected reduction in the level of the Council's useable reserves going forward and would expect Council officers to clearly highlight this potential risk to the medium term financial plans of the successor unitary Council.

Managing risks to financial resilience

The Council regularly reviews the key assumptions and risks that underpin its financial resilience. As part of the MTFs and there is section for the impact on key challenges and risk assessment. It identifies the risks, the consequences if the risks materialise, likelihood of this happening, the impact, any mitigation proposed, and how likely it can be mitigated. This is evident from the MTFs approved by the Council and published on the Council's website.

Any changes to the assumptions during the year are captured in quarterly management accounts reporting which covers actions taken with revised forecasts as applicable.

The Council's reserves strategy is also planned over the period of the MTFs, bringing together long-term resource projections with the Council's capital investment proposals. The MTFs and reserve strategy are live documents constantly reviewed and updated as circumstances dictate.

There is a risk over the sustainability of reserves over the medium term as identified on page 9. This MTFs indicates further use of reserves to fund the budget gap beyond 2022/23 and those projections end on 31 March 2025 with c£1.5m of useable reserves from a total of £10m projected at the 31 March 2023. Should this occur as forecasted, this will represent a significant decrease from the c£15m reserves balance reported in the financial statements at 31 March 2022. This is a risk that will need to be highlighted and mitigated by the successor unitary Council.

Overall, our experiences of attending Overview and Scrutiny (Audit) Committee meetings, review of budget reports and the MTFs, and our cumulative knowledge gained through auditing the Council's financial statements, indicate risks to financial resilience are managed well at the Council.

However, there are some risks that are emerging over the medium term but given the Council will only remain in existence for a further month at the time of writing this report, this is clearly a matter for the new North Yorkshire Council to consider when it produces its medium term financial strategy.

5. Governance



We considered how the Council:

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

Monitoring and assessing risk

The Council's strategic risk management arrangements have been reviewed and improved since 2018-19, when the current Chief Executive and s151 Officer took office at the Council. At the time of writing this report, there are two months remaining until the planned demise of the Council. It is important that risk management remains in focus in order to hand over affairs to the new North Yorkshire Council in an orderly manner.

The Corporate Risk Register (CRR) comprises risks for the Council as a whole, assigned to designated officers, with appropriate counter-measures and an action plan was established for each key risk.

The CRR is formally reviewed by Overview & Scrutiny Committee (O&S) twice a year and also shared with the Strategic Management Board for check and challenge and this has continued through 2021/22 and into 2022/23. Policy and Resources Committee receives updates from O&S in relation to the CRR and provide appropriate input through discussions. Officers are involved in developing the CRR, which is then scrutinised and challenged by members. An update on the CRR is on the O&S forward plan for February 2023 and this will give further assurance on appropriate risk management up to the planned demise of the Council on 31 March 2023.

The current Council Plan 2020-2024 is supported by other strategies (see page 10) and these strategies identify risks to achieving those respective goals. This is an indication that the Council Plan and strategies have been developed in a manner that associated risks are considered and then captured by the CRR. On the CRR, all risks are colour coded and this captures the risks of delivering the Council's key objectives and plans.

The CRR has a detailed description of the risk, risk owner, consequences if the risk is not mitigated, proactive controls in place to mitigate the risk, reactive controls in place, mitigating actions, and the original, current and target of where the risk should be when actions are taken.

The Council has Internal Audit and Counter Fraud functions which are both provided by Veritau North Yorkshire Limited, this engagement has been in place for several years.

Internal Audit examines and evaluates the adequacy of the Council's system of internal controls on a risk assessment basis and engages with management and reports its finding to the O&S on a regular basis through progress reports and Head of Internal Audit reports and this feeds into the Council's Annual Governance Statement (AGS).

The Counter Fraud service aims to take action against any fraud directed against the Council, to provide a deterrent to those seeking to defraud the Council, and to prevent fraud by raising awareness of the issues internally and making sure latest compliance standards are adhered to by the Council.

Our observations on attending O&S (Audit) meetings and review of Council's AGS indicates that there are adequate arrangements in place to monitor and assess risks from the Internal Audit and Counter Fraud functions at the Council. We have not identified any significant weaknesses reported by Internal Audit or Counter Fraud.

Governance

How the Council approaches, carries out its annual budget setting process, and processes and systems in relation to budgetary control

There is an established approach and timetable to setting annual budgets at the Council. This starts from the end of August in the previous year until the budget is approved by full Council by February the year after. This can be summarised as below:

- Preparatory work – key messages regarding approach and process; pay budgets rolled forward based on approved inflation considerations on actuals previous year – taking place at the end of August by the main finance team led by the s151 Officer
- Detailed budget requirements including savings, commitments, growth, strategic programmes – September to October by Management Teams/Budget Managers
- Consideration of the financial strategy and intended timescales – end of September at P&R Committee input /discussion and update the budget plans

Page 20

Further consideration of financial strategy and intended timescales – early October with full Council input /discussion and update, including Council Plan briefing updates that is linked to the forthcoming budget

- Update Financial Strategy including any initial proposals and prioritisation, and agree Public Consultation – early November with P&R Committee
- Public Consultation, feedback and update the plans/budget in line with public consultation – mid-November to mid-December
- Update the financial strategy – at full Council in December after public consultation
- Budget and Council Tax proposals agreed for submission to Council – January, present to P&R Committee
- Approval of the Budget by the Council – February.

Once the budget is approved, there are quarterly management accounts presented to full Council, P&R and O&S. This captures the budget against the actual performance and any mitigating actions. Then the final outturn report is issued to the full Council and the P&R, generally in July, four months after the year end.

Overall, our review and audit experiences as Council's external auditor indicate that there are appropriate arrangements in place in setting, monitoring and reporting the annual budget.

How the Council makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

All key decisions are taken at Council and /or P&R Committee level. The P&R Committee has the responsibility for the establishment of corporate policy and budgets.

In order to gain a decision from the Council or P&R, a report must be produced. These reports are in a set format to ensure that all relevant information is included within the report for the decision makers to make an informed judgement and decision. These reports go through a review and approval process including finance, HR, legal, procurement and the Senior Management Board prior to presentation to the Council or P&R Committee.

The standard report format covers purpose of the report, recommendations and reasons for the recommendations, any significant risks associated and a link to Council's Plan. Senior Officers of the Council are named in the reports, and they will typically present the reports to the Council or P&R when they are seeking approvals on proposals. This makes it clear that they support the proposal being put forward and that they stand behind that decision for Members to consider, ask questions and check and challenge the content of reports.

The Council adopts the appropriate decision making style to suit the situation, where possible the Council aims to be strategic in its decision making but clearly there are scenarios like floods or Covid where the Council needs to be reactive in its decision making.

The Chief Executive and the s151 Officer both sit as members of the Senior Management Board. This gives assurances to the Members that key decisions and reports that are coming to committees are prepared and reviewed by the senior officers of the Council. Although as noted in the Executive Summary, the Chief Executive is currently away from work and her duties are being carried out by other senior colleagues.

As regular attendees of O&S (Audit Committee), we have noted how management have been challenged on reports, and constructive and objective discussions between management and those charged with governance regularly take place.

Governance

How the Council makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency (continued)

Local Government Reorganisation (LGR) – North Yorkshire

LGR in North Yorkshire will provide new opportunities and also challenges to people of Ryedale District and to the Council itself. To plan for this significant change, we noted there is a senior officer-led Implementation Team of key officers from all organisations, covering 15 workstreams, including corporate governance, finance, human resources, housing, economic development and others.

As part of all the existing councils' commitment to collaboration and LGR, the leaders /or designated representatives of all eight councils in North Yorkshire are now meeting as an interim Executive Board. This Board will manage the change programme on other different workstreams. Some examples include, serving the residents, speaking with one voice and overarching principles of one clear vision and shared goals for the new council.

In April 2023, less than two months from now, the new North Yorkshire Council will take over providing public services for every resident, household and community in the County. This new organisation will replace the county council and seven district/borough councils, which currently operate.

Creating economic growth for North Yorkshire is one of the biggest opportunities afforded by LGR and the creation of the new Council. It also comes at a crucial time to aid the recovery from the pandemic and the current economic headwinds. This would provide potential opportunities for supporting business growth, generating inward investment, potential improvement in employment and skills agenda and prioritising regeneration.

The areas that may highlight as potential opportunities will also bring challenges, such as, in governance, financial planning/management and managing the resources effectively of eight former separate organisations. Any benefits arising from the LGR will not happen overnight and these will only be visible when all systems and structures are fully embedded. This will take time, effort and resources from all the local authorities involved.

According to the current plans, we understand there will be six area committees based on parliamentary constituencies, which will be made up of all the unitary councillors from that area (approximately 15-16 in each area). These will make local decisions on matters like licensing; hold the new Council's executive to account and support community ambitions and priorities. In the elections in May 2022, ninety councillors were elected. They will serve for five years (not the usual four), and will play a key role in shaping the new unitary council and the services it provides locally.

As indicated, LGR could pose challenges to the Council's governance arrangements and operational capacities in the period up to 31 March 2023 as the Council transitions into the new unitary council for North Yorkshire.

We understand various ongoing workstreams in preparation for the unitary council on 1 April 2023 involves senior management of the Council. Given that senior officers of the Council have been 'dual running' their commitments over the past year and into the remaining months, there is a risk that the demands of preparations for the new unitary council, coupled with the need to deliver the 'day job' of the operational performance of Ryedale Council could place a significant burden on officers. There is also a risk that some senior officers vacate their posts in advance on the 1 April 2023 to pursue opportunities at other organisations.

Based on our observations during the year and from discussions with senior officers, it would appear that there has been no significant impact on the Council's day to day operations from the requirements to prepare for LGR.

It remains important that officers continue to follow proper governance procedures to ensure that decisions made by Members at Full Council and P&R Committee continue to be scrutinised through the proper governance channels in place at the Authority. From our review of P&R minutes and our observations at O&S (audit), the role of officers in this has continued during 2022.

We recognise there may be a need for workstreams to be progressed in a timely manner given the remaining time that the Council will exist as a standalone autonomous body, however, Members have a fiduciary duty to public monies and the local taxpayer up to 31 March 2023 and proper governance procedures aid in fulfilling such duties.

We understand that currently the role of Chief Executive is being filled on an acting basis by the Programme Director for Place and Resources. The responsibilities allocated to the statutory positions of Chief Executive, s151 Officer, and the Monitoring Officer should continue to be fulfilled by other senior officers up to 31 March 2023 should the substantive post holder no longer be able to carry out the duties assigned.

We have, therefore, raised a recommendation for the Council to ensure that the duties assigned to the three statutory roles continue to be carried out at the Council up until the planned demise on 31 March 2023.

Governance

How the Council monitors and ensures appropriate standards are achieved

The Council's governance arrangements provide a framework upon which all relevant standards and legislative requirements are considered and addressed. The Council's Constitution and Officers Code of Conduct clearly set out roles and responsibilities and processes to be followed with regards to declaration of interests and offers of gifts and hospitality.

The Council's Annual Governance Statement and governance framework includes consideration of the legal and regulatory framework throughout. The Council has established a Corporate Information Governance Group (CIGG) in order to address the requirements of the General Data Protection Regulation (GDPR) which came into effect in 2018. The Council's Senior Information Risk Owner (SIRO) is the Head of Corporate Governance (Monitoring Officer). The Council's vision and values set the standards of behaviour expected by officers and Members.

The Council's constitution, which was updated in January 2021, sets out the form and function of the executive and the roles of individual officers and Members to ensure they act lawfully and meet all regulatory standards in carrying out their duties.

The Council's local code of governance (which is consistent with the seven principles set out in the CIPFA / SOLACE Framework for Delivering Good Governance in Local Government) sets out the expectations in relation to maintaining good governance and the appropriate behavioural traits of individuals when conducting their duties. These are further supported by individual member and employee codes of conduct which also establish the arrangements in relation to the recording of gifts, hospitality and conflicts of interest.

From our work performed, inquiries from management, including review of Council's Annual Governance Statement, we have not indicated any evidence of significant non-compliance with the Council's constitution.

The Council has a Officers Code of Conduct and Members Code of Conduct. The Code of Conduct for officers is based on key principles arising from the work of the Nolan Committee on standards in public life; it outlines the minimum standards that all Council employees, casual workers, agency staff, contractors and volunteers must adhere to.

The purpose of this Code is to promote consistency and make all employees aware of their responsibilities whilst engaging in work for the Council, by specifying standards of behaviour and by clearly defining rules concerning official conduct.

The Members Code of Conduct, has been designed to support the Council's democratic role, encourage good conduct and safeguard the public's trust in local government and the Council.

There have been incidents relating to Members' behaviour throughout the year as highlighted in the minutes of O&S (audit) on 21 April 2022. The Chair of the O&S Committee raised the issue of Member Conduct during Council meetings and this was followed up by the Head of Corporate Governance (Monitoring Officer). We would like to take this opportunity to remind Members of their duty to comply with the Members Code of Conduct up to the planned demise of the Council in March 2023.

The Members Code of Conduct indicates the following:

- A register of Members' interests will be maintained by the Council's Monitoring Officer, which will be available for public inspection. A Member must provide the Monitoring Officer with written details of relevant interests within 28 days of their election, or appointment to office using the register of interests form. Any changes to those interests must similarly be notified within 28 days of the Member becoming aware of such changes. A copy of the register will be available for public inspection and will be published on the Council's website.

The Council's website has a published Register of Interests for some Members. Our work on a sample basis indicated that the date was not clearly indicated in the Register of Interests published on Council's website and therefore we were unable to assess when the Register was provided to the Monitoring Officer to assess the 28 days compliance required by Members Code of Conduct requirements.

Also, from discussions with Corporate Governance officers, it is understood that there is no operational requirement for Members to submit declarations annually and no check and balances in place to ensure that a current declaration is held for all Members. The Council's website supported this claim on the basis that whilst there were many declarations available for the Planning Committee, there were very few present on the Council's website for Members of other committees such as Policy and Resources and Overview and Scrutiny.

We have also identified one instance where members do not appear to have declared relevant interests at the start of Council meetings. During the P&R committee on 29 July 2021, funding for the Milton Rooms was discussed, and no declarations on interest were made during the meeting. Two Members are ex-directors of the Milton Rooms and one of them appeared to be in attendance at which funding for £307k was awarded. As part of good governance procedures, it remains important to declare relevant interests at the beginning of Council meetings. We have raised a recommendation on this matter.

Conclusion – Governance

We have not identified any significant weaknesses in respect of the Council's governance arrangements. Overall, we are satisfied the Council has appropriate arrangements in place, including for budget setting and risk management. Our work identified two improvement recommendations to further enhance the Council's governance arrangements prior to the demise of the Council on 31 March 2023 – these are set out overleaf.

6. Improvement recommendation 1



Governance - Ongoing fulfilment of duties prescribed by statute

Recommendation

The Chief Executive is currently on long term leave with their duties being fulfilled by the Programme Director for Place and Resources. We understand that the Programme Director for Place and Resources is due to leave the Council in February to take up a position at another local authority.

In addition, the Council's current Monitoring Officer is due to leave on 5 March 2023 and is expected to be on annual leave up until that point. As with the Chief Executive position above, the Council will need to ensure an appropriately qualified and experienced individual is put in place as Monitoring Officer to 31 March 2023.

We recommend the Council ensures that the duties allocated to the three statutory positions (Chief Executive, Monitoring Officer and Section 151 Officer) continue to be appropriately carried out up to the point that the Council demises on 31 March 2023. Clear succession and delegation plans should be in place should any of the three statutory post holders be unavailable.

Why / impact
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The Local Government and Housing Act 1989 mandates the appointment and designation of a Chief Executive and Monitoring Officer. It is the role of the Monitoring Officer to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and, to be responsible for the operation of the Council's constitution. It is the role of the Chief Executive, also known as the Head of Paid Service, to ensure that all the authority's functions are properly co-ordinated as well as organising staff and appointing appropriate management.

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements.

Auditor judgement

These are statutory posts and therefore, as a matter of compliance, there should be an officer continuing to conduct the relevant duties whilst the Council remains in existence.

Summary findings

We understand that currently the role of Chief Executive is being filled on an acting basis by the Programme Director for Place and Resources. The statutory positions of Chief Executive, s151 Officer, and the Monitoring Officer should continue to be exercised in full up to 31 March 2023. These statutory positions are a key cornerstone of the Council's governance procedures and hence their importance in operating appropriately through to the Council's demise.

Management Comments

Agreed. Arrangements have been made to ensure that the Council will have postholders (including new temporary appointments) to cover all three statutory roles. There will also be some acting arrangements for those senior posts that will be come vacant before vesting day.

The range of recommendations that external auditors can make is explained at Appendix C.

Improvement recommendation 2



Governance – update Members declarations of interest

Recommendation

The Council should obtain declarations of interest from all Members as a matter of urgency and ensure that these collated centrally to enable them to be retained electronically following the demise of the Council on 31 March 2023. Full disclosure of any related party transactions between the Council and Members' interests should be included in the 2022-23 statement of accounts.

Why / impact

A conflict of interest could be defined as any situation in which an individual's personal interests or responsibilities may, or may appear to, influence their decision-making.

When a conflict of interest is identified, it is the responsibility of the individual to disclose the interest. At meetings the individual must make a declaration if there is a conflict of interest and in most instances it is appropriate for that individual to be removed from the decision making on that particular issue.

Since up to date declarations do not appear to be held and cannot be provided by the Council, conflicts of interest may not be identified and appropriately dealt with.

Auditor judgement

It is important to hold current declarations of interest as a matter of course. Through not doing this, the Council is potentially hindering transparency in the decision making process of members and committees, and exposes the Council and Members to reputational damage. This is also not compliant with the Council's own Code of Conduct for Members.

Summary findings

The Council's website has a published Register of Interests for some Members. Our work on a sample basis indicated that the date was not clearly indicated in the Register of Interests published on Council's website, and therefore we were unable to assess when the Register was provided to the Monitoring Officer to assess the 28 days compliance required by Members Code of Conduct requirements.

Also, from discussions with Corporate Governance officers, it is understood that there is no operational requirement for Members to submit declarations annually and no check and balances in place to ensure that a current declaration is held for all Members. The Council's website supported this claim on the basis that whilst there were many declarations available for the Planning Committee, there were very few present on the Council's website for members of other committees such as Policy and Resources and Overview and Scrutiny.

Management Comments

Agreed. The Council will obtain declarations of interest from all Members as a matter of urgency and ensure that these collated centrally to enable them to be retained electronically following the demise of the Council on 31 March 2023. Full disclosure of any related party transactions between the Council and Members' interests will be included in the 2022-23 statement of accounts.

The range of recommendations that external auditors can make is explained at Appendix C.

7. 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.

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Ryedale District Council celebrates successful conversion of former Norton pub into eight flats

Performance review, monitoring and assessment

The Council adopted its 2020-24 'Council Plan' in September 2020 and has developed a corporate programme and underpinning performance framework to support its delivery.

There was quarterly in year reporting to Policy and Resources Committee on performance, and including an assessment of the Council's performance against key performance indicators (KPIs). These provide a narrative on progress made in priority areas and against KPI targets. KPIs which miss target for two or more quarters running are referred to Overview and Scrutiny Committee for review.

The reporting is clear on areas of strong performance and also areas where improvement is required. These included maintaining business as usual in core service areas such as housing benefits and continuing to invest in the environment and economic development.

The Council has also enjoyed success in creating affordable homes with one example pictured to the left. 90 have been delivered in Q1 & Q2 compared with an annual target of 75.

We noted as at Quarter 2 (September 2022), recycling rates at a headline level were broadly on target, however, composting recycling rates were slightly behind target (28% Vs 30% target), however, this is not considered to be a key matter given the Council's remaining time as a standalone body. This will be a matter for the new North Yorkshire Council to consider. Other than composting above, no KPIs have been identified that are behind target at the time of writing.

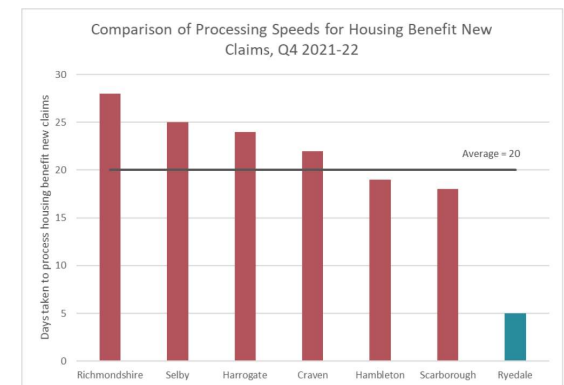
The Council acknowledges that full delivery of the 2020-24 Plan will not be possible given the Government's decision to implement local reorganisation (LGR) in North Yorkshire on 1 April 2023. It may be appropriate to consider which elements of the RDC plan can be taken forward into the plan of the new North Yorkshire Council. It is important the Council continues to closely monitor performance through existing arrangements, to ensure core service delivery is not interrupted in the run up to the LGR transaction date.

Benchmarking

The Council makes effective use of benchmarking where relevant. Council departments have their own arrangements to look at benchmarking and share best practice across the North Yorkshire districts and boroughs. This takes place at both an operational and strategic level. There is regular contact between local Section 151 officers to share best practice and where appropriate, consultants are jointly procured to show local comparisons.

A number of the Council's KPIs are based on targets which are set by central government or other independent authorities. These also benchmark the Council against similar authorities and identify areas of strong performance and potential areas for improvement. An example of good performance on housing benefit claims is shown below.

Graph 1 – Council comparisons of new HB claims processing speed



Whilst the Council does undertake benchmarking against other local authorities, this could also be expanded to capture further areas of improvement. Given the timescales remaining for Ryedale, we would expect that future benchmarking will take place by the new unitary council. The new council will be able to benchmark against other unitaries, including those that have recently gone through their own LGR (e.g. Buckinghamshire) or are currently going through a similar LRG process (e.g. Cumbria).

Improving economy, efficiency and effectiveness

Partnership working

The Council continues to work with partners as it moves toward LGR and it remains important that it continues to work effectively with all partners and ensures the strong arrangements and relationships established in this area are transferred to the new North Yorkshire Unitary Council.

The Council's most significant partnership is with NYCC. A collaboration agreement is in place which outlines how the councils will work together in service delivery. This arrangement has facilitated the sharing of resources and expertise. For example, the Chief Finance Officer (section 151) is also an Assistant Director for Strategic Resources at NYCC. The Council's Overview and Scrutiny Committee will also periodically look at individual services.

There are a number of other examples of joint working with local government partners in the county. The North Yorkshire Building Control Partnership provides a building control service on behalf of five councils. Ryedale acts as the host authority in this arrangement which includes Selby DC, Hambleton DC, Scarborough BC and Richmondshire DC. Veritau North Yorkshire Ltd provides an internal audit service for a number of local authorities in the region. Ryedale District Council is a full shareholder, alongside other districts in the region. Other key partnerships include Sports & Leisure Management Ltd who run the Council's leisure facilities and the North York Moors National Park Authority. The Council has strengthened its monitoring of these joint working arrangements in recent years and this history of partnership working places the Council and its partners in a good position to deliver LGR in April 2023.

Local Government Reorganisation

The Council is engaged with LGR and the proposed creation of a unitary council in North Yorkshire. The current county, district and borough councils in North Yorkshire will be replaced with a single unitary council for the start of 2023-24. The unitary council will deliver all services across the whole of the current county footprint, with the exception of the City of York. The LGR agenda is progressing at pace, with the Structural Changes Order which formally creates the new Council through Parliamentary approval and published. In line with the creation of the new Council, this will come into force on 1 April 2023. It is widely acknowledged that, the transformation will continue for a significant period after this date.

The Council is contributing to the structures which have been set up to deliver LGR. A senior officer-led 'Implementation Team' has been put in place which includes all of the district and borough council chief executives, alongside the county council's management board. An 'Implementation Board' provides oversight of the officer team's progress and direction. All eight councils have an elected leader or political representative on this board. 15 core work streams have been set up to establish and drive the key actions and priorities for each area to ensure the new council is safe and legal from day one. Ryedale is sponsoring the organisational development workstream.

The Ryedale Chief Executive, who is leading on the organisational development workstream attended Local Government Reorganisation Implementation Executive meetings during the year to update on the progress in relation to the workstream. This workstream continues to be progressed by the Acting Chief Executive.

The workstream is focussed on some key areas considered important for future success including leadership, health, well-being, resilience and equality, diversity and inclusion. Alongside this, it will be looking at the new organisation's approach to working styles/ways of working. It is also focusing on developing tools to support knowledge, skills and confidence throughout the change process such as a manager toolkit, an effective intranet and regular 'Pulse' surveys.

NYCC are leading on other aspects of the transition including ensuring the appropriate structures and workstreams are in place on Day 1 to ensure the continuity of service provision.

Internally, the Council has introduced structures to ensure it can deliver LGR whilst maintaining 'business as usual' statutory core services. Whilst it was identified that officers may experience capacity constraints in delivering both the 'day job' and LGR duties, it has been communicated to us by senior finance and governance officers, that the Council's officers have pulled together to deliver the tasks in hand in order to achieve a good outcome for the new North Yorkshire Council on Day 1. We hope that this progress continues over the coming weeks up to the end of March.

It remains critical that the Council and its partners have robust oversight and governance to ensure that LGR related expenditure represents value for money. It is also important that the Council monitors other associated costs, such as redundancy and transformational costs with the transition to the new unitary council.

Improving economy, efficiency and effectiveness

Devolution

On 1 August 2022, central government announced the York and North Yorkshire Devolution Deal. This will unlock a Gainshare Fund (Mayoral Investment Fund) of £540m (£18m per annum) over the next thirty years. Additional funding will be allocated to the sub-region through future Comprehensive Spending Review rounds, with the deal estimated to be worth in excess of £750m. This deal remains subject to ratification by all partners. Due to the timing of this announcement, this will now be a matter for the new North Yorkshire Council to consider but this remains a matter of relevance for the Ryedale District and its residents and service users.

Stakeholder Engagement

Throughout 2021-22, Council committee meetings were held remotely and, when possible, hybrid meetings using MS Teams. All Council meetings are open to the public, with agenda papers, reports and decisions published on the website, unless specifically exempt from publication. The shift to virtual meetings has made it easier for members of the public to join Council and Committee meetings than ever before. The Council and the new unitary council should consider how this level of engagement can be maintained with the return to face to face meetings.

Stakeholders are consulted as part of the annual budget setting process with 30 responses for 2022/23. A questionnaire is made available for residents to complete online via the Council website. The Council also has a Community team who provide a link between the Council, the community, Elected Members, Town and Parish Councils and partner agencies.

The Council has published complaints, compliments and feedback process last updated April 2021 and there is a form submission available on its website. During 2021/22 and into 2022/23, the Council has continued to monitor and work through complaints from stakeholders and service users.

As at Quarter 2 (September 2022) the number of complaints had fallen compared to Q1. Overall, the level of complaints is up on 2021/22 (currently 31 complaints in 22/23 to the end of Q2, compared to 36 in the whole of 21/22) however, a number are linked with an issue identified in the renewal of garden waste collection subscriptions, which we understand has now been resolved. Compliments were also received from a range of service users and overall, the Council shows a good level of engagement with service users.

The ongoing impacts of LGR and the need to continue to deliver 'business as usual' core services means that Council staff continue to work in a very challenging environment. In this context, it is important that the Council maintains its focus on staff engagement and empowerment and measures to support health and well-being. This will mitigate the possible risk of high staff sickness and turnover that could arise in a demising organisation with a resulting impact on service delivery.

From our report of Q2 reporting, we note that sickness levels and staff turnover do not show any particular movement from previous years, which is a positive outcome given the adverse impact any increase could have had on service delivery and LGR preparation.

Climate Change

In October 2019, the Council joined other bodies in declaring a climate change emergency and making a commitment to actions to help achieve net zero emissions across Ryedale by 2050. The Council has developed a climate change action plan and reports progress against it to the Policy and Resources Committee. The Climate Action Plan has been captured on the Council's strategic risk register.

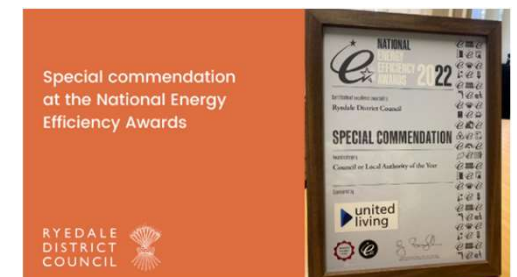
Climate Emergency UK undertook an exercise to assess the published climate change plans of all local authorities across the UK. Council's were scored across 5 areas:

- » Governance development and Funding
- » Mitigation and Adaption
- » Commitment and Integration
- » Community engagement and communication
- » Measuring and setting emissions targets.

Recent achievements at the Council as part of their 2050 climate change ambitions include:

- delivery of LED street lighting across Malton and Norton (364 lamps, equating to a CO2 saving of 36 tonnes per year)
- delivery of 20 fast-charging units (at car parks) and 10 RDC workplace units.
- delivery of 11.4 mile Malton - Pickering cycle route enhancements.
- delivery of first round of the community environmental grant to 6 community groups across Ryedale. Energy efficiency projects with a community focus, ranging from roof insulation to an EV charge point.
- delivery of BEIS Local Authority Delivery Grant 2 (LAD2) funding, 73 measured ranging from Solar, EWI, ASHA and SMHC.
- replacement of vehicle fleet to ensure Euro 6 compliant.
- securing £80,250 from the UK Government's Heat Network Delivery Unit for feasibility studies into Geothermal energy.

The Council won 'Council of the Year' at the Yorkshire and Humberside Energy Efficiency Awards for its work on fuel poverty. This was after being recognised for its longstanding commitment, dating back to the 1990s, to improving energy efficiency in homes across Ryedale.



Improving economy, efficiency and effectiveness

Procurement and Contract Management

The Council spends over £2m every year on supplies, services and works. The Council reports that it has achieved savings by strengthening its procurement arrangements whilst complying with national legislation and transparency requirements. The NYCC Procurement Service is responsible for the Council's procurement and reports its performance against KPIs to Council officers.

The Council has a Procurement Strategy. It is intended to ensure the Council obtains value for money and supports sustainable development. The strategy complies with all relevant legislation and emphasises the need to procure goods and services with regard to whole life costs. It takes into account the social, economic and environmental impacts that purchases have on people and communities. The strategy aims to benefit local people and organisations, encourage innovative approaches to social, environmental and economic issues in the district and deliver sustainable solutions which benefit communities beyond the length of a contract.

All Council managers have access to contract management training and contract management resources to provide ongoing assistance. Contracts are issued on the Council's terms or via public sector frameworks. Managers are responsible for actively managing contracts and performance, including any KPIs. The procurement and contract management team and legal services, support the contract manager with any escalated contractual issues that arise.

The Council's website includes a "Doing business with the Council" page, which provides local businesses with information on how they can contract with the Council. All contracts with a value of over £5,000 over their lifetime are published quarterly on the Council's Contracts Register. The Contracts Register includes sufficient information to allow officers to manage how a contract is performing, improve risk management and business continuity planning for re-procurement when a contract reaches the end of its term. A forward plan is maintained showing when each contract will reach its review date. Contracts with a value over £25,000 are awarded through an electronic portal called Yortender. This portal provides suppliers with opportunities to contract with Local Government, Health and Fire Service across Yorkshire and Humber, with a combined spend of circa £4.5 billion per year.

At the time of writing this report, the Council does not intend to run any re-procurement exercises, given its planned demise on 31 March 2023. It is important however, that the controls implemented in the procurement and contract management process continue to be followed and any exceptions reviewed, up to the point that the Council demises, in order to ensure compliance with legal and statutory frameworks.

Conclusion – Improving economy, efficiency and effectiveness

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

8. Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date per management	Addressed?	Further action?
<p>1 We recommend that any requests for additional use of reserves and/or increases to expenditure prior to 31 March 2023, should be reviewed against clear business cases, ensuring that appropriate due process and governance checks are maintained prior to the cessation of Ryedale District Council on 31 March 2023.</p> <p>Members of the Council will still have a fiduciary duty to public monies and the local taxpayer up to 31 March 2023, so resources should continue to be prioritised based upon key needs and any additional non statutory expenditure should be scrutinised appropriately prior to being committed.</p>	Improvement	April 2022	<p><i>All additional requests – including use of Community Infrastructure Levy (CIL) – will be subject to full business cases and assessment by officers before recommendations are made to members. In addition, any that will involve passing on costs to the new North Yorkshire Council will require discussions with NYCC as a continuing authority before being agreed by RDC.</i></p>	Ongoing into the new unitary council	This will remain an area for officers and Members to focus on up to the date of the demise of the Council on 31 March 2023.
<p>2 We consider there should be a clear project plan for the Council covering the requirements for tasks to support the introduction of the new unitary council and the ongoing requirements of the existing Council from now until 31 March 2023. The two workstreams of the planning for the new council on one hand, and the continuing requirements of Ryedale on the other, should be mapped against the availability and capacity of the senior officers and their teams. Any concerns regarding officers ability to have the time to efficiently manage both workstreams should be reported to Members on a timely basis and options to mitigate any risks should be highlighted.</p> <p>It will be important for Members to be kept informed of progress against both workstreams, via regular reporting to P&RC and other relevant Council forums.</p>	Improvement	April 2022	<p><i>Many RDC officers have been involved in the planning for vesting day and updates are provided to staff. A budget was set aside to cover financial pressures caused by this work and this is reported to members as part of the quarterly budget monitoring.</i></p> <p><i>Updates on various aspects of LGR are provided regularly to group leader meetings, 1-2-1s with the Chair of Policy and Resources and through bulletins to all members.</i></p>	Yes	Not applicable as implemented. However, the challenges of ongoing service delivery and LGR will not end on 31 March 2023 and officers of the new council should continue to monitor this issue.
<p>3 The published Members Register of Interest should clearly state the date when Members’ interests have been revised and the date the Register has been updated. This should then make it clearer whether the Council has updated the Register in compliance with the prescribed timescales set out in the Members Code of Conduct.</p>	Improvement	April 2022	<p><i>This will be actioned by 31 March.</i></p>	Management has communicated will be implemented by 31 March	This recommendation has not been implemented and has effectively been re-raised on page 16 – recommendation 2.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date per management:	Addressed?	Further action?
<p>4 The Council should continue to closely monitor the impacts of LGR on its finances and people:</p> <ul style="list-style-type: none"> The financial implications of the LGR are not yet fully understood but all existing councils will be expected to contribute to the costs of the reorganisation. The Council and its partners should ensure that robust oversight and governance arrangements are in place to ensure LGR related expenditure represents value for money. The Council should also closely monitor other associated costs, such as redundancy and transformational costs which are likely to arise with the transition to the new unitary council. The ongoing impacts of the pandemic, LGR and the need to continue to deliver ‘business as usual’ core services means that Council staff continue to work in a very challenging environment. The Council should maintain its focus on staff engagement and empowerment and measures to support health and well-being. This will mitigate the potential risk that high staff sickness and turnover could adversely impact the delivery of services before 31 March 2023. 	Improvement	April 2022	<p><i>As above a separate budget has been set aside for additional LGR costs and the position is reported regularly to members. RDC has been working with NYCC in preparing the first budget for the new council, highlighting the current deficits which will pass on to the new council and highlighting areas of potential cost reductions (such as possibilities of additional income, vacancies not filled for some time and one-off projects which will end).</i></p> <p><i>Regular reports on vacancies are considered at SMB, including need to fill, ahead of LGR but working with other councils to share support where appropriate.</i></p>	Yes	Not applicable as implemented. However, the financial and workforce challenges of ongoing service delivery and LGR will not end on 31 March 2023 and officers of the new council should continue to monitor this issue.
<p>5 Following the findings from the review of the Council’s climate change plans, the Council should revisit and strengthen its Climate Change Action Plan with reference to the benchmarking work carried out by Climate Emergency UK. Given the commitments to achieving zero emissions across Ryedale by 2050, the Council should ensure that environmental and broader sustainability considerations are taken into account throughout the procurement and commissioning process.</p>	Improvement	April 2022	<p><i>Since the baseline year (2018/19), RDC has achieved a 19.5% reduction in its Carbon Dioxide equivalent emissions. This is 4.5% higher than the 15% reduction target for the financial year 2021/22. RDC holds quarterly climate change working group meetings to ensure the climate change action plan is kept up-to-date, progress is being achieved against listed actions, and that new opportunities are incorporated. A range of projects have been delivered, which are noted on page 19.</i></p> <p><i>Carbon impact assessments are required for all projects. RDC’s Procurement Plan 2021 – 2023 “Theme 3” outlines that climate change impacts should be considered within the council’s supply chain. RDC works collaboratively with local authorities across York and North Yorkshire to develop and deliver climate change projects, including through LGR, in developing the new authorities climate strategy.</i></p>	Yes	Some good actions have been taken towards the Council’s climate change plan, however, this is a long term ambition through to 2050 and therefore, remains ongoing.

9. Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified 'clean' opinion on the Council's financial statements on 16 December 2022.

No material adjustments were identified. Some disclosure amendments were processed to enhance the understandability and accuracy of the financial statements. One of the adjustments identified impacted the usable reserves.

Audit Findings (ISA260) Report

More detailed findings can be found in our AFR, which was published and reported to the Council's O&S (Audit) Committee on 24 November 2022.

Whole of Government Accounts

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

This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

At present audit guidance on the 2021-22 is outstanding, however, should the audit threshold remain at the same level as 2020-21, it is likely that any audit work required on the Council's 2021-22 WGA submission should be minimal.

Preparation of the accounts

The Council provided a good quality set of draft accounts in line with the national deadline. The accounts were accompanied by a good set of supporting working papers.

We also experienced a high level of engagement from the Council's finance team and other supporting colleagues. This helped to ensure the audit process was completed in a smooth and efficient manner, in a short timescale principally during November through to mid-December 2022.

We would like to once again record our appreciation to Council officers for their engagement in the 2021-22 accounts and audit process.

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

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



Appendices

Appendix A – Responsibilities of the Council

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

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

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

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

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

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



Appendix B – Sources of evidence



Staff involved

- Anton Hodge, Chief Finance Officer (S151 Officer)
- Michelle Oates, Senior Financial Accountant
- Elizabeth Heath, Head of Corporate Governance (Monitoring Officer)
- Stacey Burlet, Chief Executive



Documents Reviewed

- Medium Term Financial Strategy - February 2022
- 2022-23 Budget - February 2022
- 21/22 Finance Outturn Report
- Q1 22/23 Financial Monitoring
- Q2 22/23 Financial Monitoring
- Q3 22/23 Financial Monitoring
- 2021-22 Statement of Accounts
- Declarations of interest (Ryedale.gov.uk)
- Ryedale Council Plan 2020-2024
- Delivering the Council Plan: Quarterly Performance Report April – June 2022
- Delivering the Council Plan: Quarterly Performance Report July – September 2022
- Cashflow Forecast - 2022-23
- Budget Consultation 2022/23
- Corporate Risk Register



Meetings Observed

- Overview and Scrutiny (Audit Committee) (in attendance)
- Policy and Resources Committee (review of minutes)
- Full Council (review of minutes)

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No Statutory recommendations have been raised in 2021-22.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No key recommendations have been raised in 2021-22.	N/A
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.	Two improvement recommendations have been raised on governance.	15 and 16

