

Auditor's Annual Report for Ryedale District Council

2020-21

11 April 2022



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

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



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Appendices

A – The responsibilities of the Authority

B – An explanatory note on recommendations

C – Use of formal auditor's powers

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Executive summary



Value for money (VFM) arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. The review looks at three key criteria:

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

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified.	No significant weaknesses in arrangements identified, but an improvement recommendation made.
Governance	No risks of significant weaknesses identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.



1. Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. The Authority, as with all local authorities, continues to plan with little certainty over funding in the medium term. In addition, the Council has to plan for local government reorganisation (LGR) with the end of the Council as a statutory legal entity planned for 31 March 2023 and the new unitary authority for North Yorkshire due to commence on 1 April 2023.

Despite this uncertainty, and the challenges posed by Covid-19, the Authority has maintained a good financial and reserves position. The Authority has put forward a series of proposals which forecast a balanced budget for 2022-23. The Authority delivered its budget for 2020-21 and latest indications are that it is projecting a balanced financial performance as at 31 March 2022. The Authority held general fund earmarked reserves of £19.2m and overall useable reserves total of just over £20m as at 31 March 2021.

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability at the Authority. We identified one improvement recommendation in relation to ensuring appropriate financial controls are maintained in the run up to the end of the Council and that Members maintain their fiduciary duties to local taxpayers regarding public monies.

Further details can be seen on pages 7 to 11 of this report.



2. Governance

Our work this year has focussed on maintaining and developing a detailed understanding of the governance arrangements in place at the Authority.

Our work on both business as usual governance and adapted structures as a result of Covid 19 has not identified any significant weaknesses in arrangements.

We identified two improvement recommendations in relation to governance. One is regarding the need for officers to balance the competing demands of planning for the new authority, whilst maintaining the day-to-day operation and performance of the Council until 31 March 2023. There is the need to keep Members informed of the delivery and progress of the key milestones towards the commencement of the new authority.

Secondly, a recommendation to update the published Register of Interests for Members. Further details can be seen on pages 12 to 17 of this report.



3. Improving economy, efficiency and effectiveness

The Authority has demonstrated an 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 to secure economy, efficiency and effectiveness at the Authority. We did identify two improvement recommendations as a result of our review. These were in relation to the financial and workforce related implications of LGR, and an action to strengthen the Council's response to its climate change action plan.

Further details can be seen on pages 18- 22 of this report.

2. Statutory and key recommendations



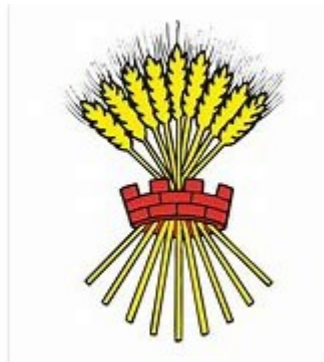
The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.

Our work did not identify any significant weaknesses in arrangements and therefore we have not made any key recommendations. We have made some improvement recommendations.

Appendix C outlines the use of auditor's statutory powers. These powers include the use of written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.

Our work has not identified any significant and pervasive weaknesses in arrangements and therefore we have not made any statutory recommendations or had to discharge any other wider powers under the Local Audit and Accountability Act 2014, for the 2020-21 audit year.

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



3. Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified audit report opinion on the financial statements on 20 January 2022, in line with the proposed deadline we set out earlier in the year.

Audit Findings (ISA260) Report (AFR)

More detailed findings can be found in our AFR, which was reported to the Council's Overview and Scrutiny (Audit) Committee on 16 December 2021. We further updated this AFR at the time of our audit report on 20 January 2022.

We have concluded that the other information published with the financial statements, including the Narrative Report and Annual Governance Statement, was consistent with our knowledge of the Council and the financial statements we have audited.

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.

Our work on Council's WGA pack is very limited as the Council does not exceed the audit threshold.

However, we are unable to complete our work in this area as the Council and ourselves are still awaiting the appropriate WGA guidance from the NAO.

Preparation of the accounts

The Council provided draft accounts in advance of the national deadline and, in common with previous years, provided a good set of working papers to support it. This ensured the audit progressed in a smooth and efficient manner.

Issues arising from the accounts:

We did not identify any audit adjustments impacting on the Council's useable reserves. However, we identified some disclosure amendments which were updated by management. These were reported in our AFR.

Grant Thornton provides an independent opinion ensuring the accounts are:

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



4. Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities 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 Authorities 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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 22. Further detail on how we approached our work is included in Appendices.



5. Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identification of significant financial pressures and building these into Council plans

The Council's financial and budgetary management arrangements have improved significantly over the last three years during our time as external auditors. It now demonstrates good financial and budgetary management. This is evident from quarterly revenue and capital budget monitoring reports to Policy and Resources Committee (P&RC) and the full Council.

In addition to regular quarterly reporting, the Council also reports the yearly outturn position to the P&RC and the full Council. This reporting covers commentaries on key aspects financial performance of the Council, such as the actual financial performance against the budget, income and expenditure analysis, Covid -19 impact, reserves and progress against the savings targets.

The 2020-21 final outturn reported a balanced financial performance after a £345k transfer from the general fund reserve. This was £345k more than the planned 'breakeven' budget. However, this was after a full year of the Covid-19 pandemic and there have been significant financial pressures at the Council, like all other local authorities, during 2020-21. This budget included a savings target of £434k and the Council delivered £407k of this during 2020-21.

For 2021-22, the Council set a balanced budget which requires £1,054k from general fund reserves. As at month nine (December 2021), the Council is showing a net £5k surplus or underspend against the budget. At the time of producing this report, the Council is on track to achieve its financial targets for 2021-22. The Council is also anticipating in delivering £277k of the total savings target of £377k (c75%) for 2021-22. Our VFM work for 2021-22 will include more detail on the Council's financial performance and savings delivery for 2021-22.

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
- Impact risk assessment including budget pressures and actions to be taken

This is a clear indication that the Council's budget is developed by identifying significant financial pressures, buildings these to the Council's financial plans and the MTFS. The regular reporting captures the performance against the budget and any mitigating actions if the actuals are not in line with the budget or how the budget gaps can be addressed.

The Council has relatively sizable General Fund Reserves balances compared to its Net Cost of Services (NCS). The NCS gives a good indicator of the cost of providing the Council's key statutory and other services to the public.

This can be illustrated from the table below for the last five years:

	2016-17	2017-18	2018-19	2019-20	2020-21
	£'000	£'000	£'000	£'000	£'000
NCS	6,635	5,128	7,178	8,305	10,325
General Fund Reserves	8,692	12,808	14,934	15,788	19,243
% (GF/ NCS)	131	250	208	190	186

From reviewing the table above, it illustrates the General Fund Reserves are much higher than the Annual Budget (some times more than twice of the annual budget). This is not a typical position within local government finances where most local authorities have significant financial pressures with very limited general fund reserves compared to their NCS. So the Council is in a stronger overall financial position.

The Council had to revise its medium-term financial planning due to the Covid-19 pandemic. That was an appropriate response when unexpected significant challenges occur which impact income, expenditure and how services are provided. The Council's reserve position placed it in a stronger financial footing to withstand the impact of the pandemic compared to many local authorities.

Overall, our work indicated that the Council has sufficient arrangements in place to identify significant financial pressures and building those into Council plans. Our work also highlighted that the Council is in a stronger financial footing with sizable general fund balances compared to its NCS.

Financial sustainability

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

Over the last three years, the Council has a good track record of delivering efficiencies to meet funding gaps whilst identifying achievable savings.

The Council acknowledges that using reserves to bridge the Council's funding gaps is not a sustainable financial management strategy. Therefore, it focuses 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&RC 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.

Overall, the Council has plans to bridge the funding gaps and identify achievable savings. We have not identified any significant weaknesses in arrangements in place at the Council in this area.

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 capital programme which are both part of the MTFS that is updated every year. Quarterly finance monitoring to the P&RC and the Council then captures the delivery of these plans and any mitigating actions with reasons, if the delivery is delayed.

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

Local Government Reorganisation – North Yorkshire

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 is subject to parliamentary approval via a Structural Changes Order (SCO), expected in the first half of 2022, and 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.

Financial sustainability

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

Financial Challenges due to LGR

We understand work has started on 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.

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 one 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.

We know that responsibility remains with Ryedale District 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 at page seven, the Council has 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 its final year.

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 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.

We have raised a recommendation on this at page 11.

Local government reorganisation

Learn about potential plans to change councils in York and North Yorkshire

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 in this statement 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.

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. We have identified one improvement recommendation which is set out overleaf.

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. For example, when the Covid-19 pandemic emerged, the 2020-21 budget assumptions were revised due to this unexpected global challenge.

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. Potential future risks with a financial consequence are also addressed in the reserves strategy. The MTFS and reserve strategy are live documents constantly reviewed and updated as circumstances dictate.

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.

Improvement recommendation

Financial Sustainability

The need to maintain appropriate financial controls over the Council's useable reserves and the fiduciary duty to local taxpayers up to 31 March 2023:

Background:

The Council has 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 its final year.

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.

Recommendation:

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.

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.

Management Response:

Agreed. A process is in place which ensures that any requests for additional resources must be supported by a business case, and taken through the normal committee/Council process. This applies also to funds that have been earmarked for a specific purpose but no final plans have been made. The impact on the Council's budget and reserves will be highlighted by the s151 officer, alongside any ongoing financial impact. Such proposal may also be subject to the s24 arrangements put in place by central government relating to LGR.

6. 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 on budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

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. This improvement has continued during the subsequent years up to writing of this report.

This is evident from our Value for Money work which moved from a qualified ‘except for’ conclusion in our first year of 2018-19, to a clean VFM conclusion in 2019-20. The absence of any high risk ‘key’ recommendations under this new VFM approach in 2020-21 is further evidence of the Council’s improved governance arrangements.

The revised risk management arrangements, introduced in 2018-19, led to an overhaul of the Corporate Risk Register and the development of Service Risk Registers. A Risk Management guidance document was developed for key staff along with risk management training.

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 OSC twice a year and also shared with the Strategic Management Board for check and challenge. Policy and Resources Committee receives updates from OSC in relation to the CRR and provide appropriate input through discussions. Both Members and officers are involved in developing the CRR. Our cumulative knowledge of the Council indicates these arrangements are working well for the Council.

The current Council Plan 2020-2024 is supported by other strategies (see [page 8](#)) and these strategies identify risks to achieving those respective goals. This is an indication that the Council Plan and strategies are developed in a manner that associated risks are considered and then captured by the CRR. On the CRR, all risks are colour coded (see diagram) and captures the risks of delivering the Council’s key objectives and plans.

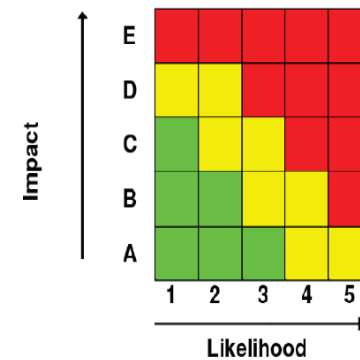
It has a detailed description of the risk, risk owner, consequences if risk is not mitigated, proactive controls in place to mitigate the risk, reactive controls in place, mitigating actions, and the original, current and target of where the risk should be when actions are taken.

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 a number of 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 OSC on a regular basis through progress reports and Head of Internal Audit reports and this feeds in to 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 OSC 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.



Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

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
- 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&RC and OSC. 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&RC, 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&RC, 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&RC 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 the 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.

As regular attendees of the OSC (Audit), 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 understand 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 a year from now, the new North Yorkshire Council is expected to 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 the LGR and the creation of the new Council. It also comes at a crucial time to aid the recovery from the pandemic. 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 likely to be six area committees based on parliamentary constituencies, which will be made up of all the unitary councillors from that area (approx. 15). 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 on 5 May, ninety councillors will be elected to 89 divisions. 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 workstreams have started in preparation for the unitary council on 1 April 2023 that involves senior management of all organisations. Given that senior officers of the Council will be 'duel running' their commitments over the coming 11 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, and indeed Members.

As indicated at page nine, we understand work has started on 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.

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.

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.

We have raised an improvement recommendation on this on page 16.

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 May 2018. The Council's Senior Information Risk Owner (SIRO) is the Head of Corporate Governance. 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. The Members Code 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 published Register of Interests of all Members as required by the Members Code of Conduct. Our work on sample basis indicated the following observation in relation to the Members Code of Conduct requirements and published Register of Interests of some councillors:

- 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.

We have raised an improvement 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 – these are set out overleaf.

Improvement recommendation

Governance

Managing the challenges arising from ‘duel running’ the two key strategic commitments of: a) preparations for the new unitary council and b) the continuing day to day operational performance of the Council to 31 March 2023. Ensuring that senior officers are managing the risks of this and regularly reporting the progress against key milestones of both commitments to Members

Background:

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 workstreams have started in preparation for the Unitary Council on 1 April 2023 that involves senior management of all organisations. Given that senior officers of the Council will be ‘duel running’ their commitments over the coming 11 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, and indeed Members

Improvement Recommendation 1:

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.

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.

Management Response:

Agreed. Arrangements are in place to monitor the time spent on LGR across the Council and to ensure that information is shared between all those who are involved in the process. Monthly meeting also take place with workstream leads for the Council. This information will help to ensure that capacity and resources are carefully tracked. Members agreed to allocate £500k in the budget to support capacity pressures and a process is in place to agree and track the spending of this money. Regular reports will be presented to Members to ensure they are kept aware of the work undertaken, the impact on the Council and its finances.

Improvement recommendation

Governance

Update to Members' Register of Interests

Background:

The Council's website publishes the Register of Interests of all Members as required by the Members Code of Conduct. Our work, on sample basis, indicated the following observation in relation to the Members Code of Conduct requirements and the published Register of Interests of some councillors.

- 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 of Members Code of Conduct requirements

Improvement Recommendation 2

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.

Management Response:

Agreed. This will be done.

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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

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. An annual report of performance for 2020-21 was presented to Policy and Resources in September and to Full Council in October 2021. There was no formal in year reporting on performance, and the annual report did not include performance against key performance indicators (KPIs). The annual report is clear on areas of strong performance. These included supporting local businesses and vulnerable residents through the pandemic, maintaining business as usual in core service areas such as housing benefits and continuing to invest in the environment and economic development.

It is not clear from the annual report whether there were areas of poor performance or where improvements were required as there is no formal coverage of KPIs or weaknesses. In 2021-22, the Council has strengthened arrangements in the area. Quarterly performance monitoring reports are now considered by Policy and Resources Committee. 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. Given the actions taken by the Council in 2021-22 we have not deemed it necessary to raise a recommendation on the lack of KPI and performance reporting in 2020-21.

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 is appropriate that a reprioritisation process is being conducted to determine priorities for delivery before this date. It is important that the Council continues to closely monitor performance through existing arrangements, to ensure core service delivery is not interrupted by the need to deliver LGR. This links to the improvement recommendation that we have raised in the earlier Governance section of this report. – see pages 14 and 16.

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.

Council Plan

2020–2024

Improving economy, efficiency and effectiveness

Partnership working

The pandemic response required effective joint working with the North Yorkshire Local Resilience Forum and partners from across Local Government, the NHS and Central Government. The Council also worked effectively with local communities and businesses throughout the pandemic response. This included the administering of the Government's Covid Business Support Grants, with circa £45 million paid to 7,500 local businesses. The Council worked with the voluntary and community sector to support those in need and the most vulnerable, notably those shielding and requiring emergency housing. The Council also introduced new ways of working, to ensure local suppliers were paid quickly. As the Council moves toward LGR and continues to recover from the pandemic, it is key 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 Council's Chief Executive is also an Assistant Chief Executive at NYCC and the Chief Finance Officer (section 151) is also an Assistant Director for Strategic Resources at NYCC. The Council's 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. In carrying out this work, we have noted more progressed arrangements in this area than other areas going through similar reorganisations.

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 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 LGR agenda is progressing at pace, with the Structural Changes Order which will formally create the new Council now being laid before parliament. The next steps will be the creation of elections to shadow authorities in May 2022, ahead of vesting day on 1 April 2023. It is widely acknowledged that, the transformation will continue for a significant period after this date. It is important that the Council continues to engage and actively contribute to LGR to maximise the opportunities it presents to both reconfigure services and provide better value for money for local taxpayers.

Internally, the Council has introduced structures to ensure it can deliver LGR whilst maintaining 'business as usual' statutory core services. 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. Based on the estimates set out in the NYCC Business Case, implementation and transformation costs could cost up to £38m. NYCC has set aside £34m from its reserves towards this but all districts will be expected to contribute to the remaining gap. It is critical that the Council and its partners have robust oversight and governance on this spend to ensure 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. We have raised an improvement recommendation in relation to this issue on page 22.

Improving economy, efficiency and effectiveness

Devolution

Local Authorities within North Yorkshire and York are engaged in preliminary discussions with Government around a possible devolution deal for the area. The Government has launched a white paper for Levelling Up, which included an invitation to York and North Yorkshire to enter negotiations with a view to forming a devolution deal for the region, based on a Mayoral Combined Authority. The headline ‘asks’ for the deal was drawn up in collaboration with all local authorities in the region and the York & North Yorkshire Local Enterprise Partnership in 2020. A devolution deal represents a significant opportunity for the region’s economy and it is positive that the Council has contributed to this key local agenda.

Stakeholder Engagement

Throughout 2020-21, 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. A questionnaire is made available for residents to complete online via the Council website. In 2020-21 there were 27 responses. Engagement sessions also took place with Elected Members and officers to produce the new Council Plan, which was adopted by the Council in September 2020. 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 pandemic response required effective engagement with stakeholders, with the Council being responsible for issuing information to businesses, residents, visitors and partners to promote COVID secure behaviours and practices and raise awareness of the support and advice available for those in need. The Council also supported its staff through a range of advice, guidance and access to mental health resources. The Council has used social media and e-mail communication to reach stakeholders and should continue to do so post-pandemic.

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. 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 risk that high staff sickness and turnover adversely impacts the delivery of services. We have raised an improvement recommendation in relation to this issue on page 22.

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.

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.

Improving economy, efficiency and effectiveness

The Council's total score was 21%, compared to the average score of 43%. Areas where there is scope for improvement include mitigation and adaptation, community engagement and communications and measuring and setting emissions targets. This indicates there is some scope to strengthen the Council's Climate Change Action Plan. We have raised an improvement recommendation in relation to this issue on page 22.

Procurement and Contract Management

The Council spends circa £2.6m every year on supplies, services and works. The Council reports that it has achieved significant savings (circa £1.3 million per year) by strengthening its procurement arrangements whilst complying with national legislation and transparency requirements. 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 "How to do 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.

Procurement and commissioning can be key vehicles for delivering more sustainable outcomes for the district. Given its commitments around climate change and the environment, the Council should ensure that environmental and broader sustainability considerations are taken into account throughout the procurement and commissioning process. The Council is currently working on the procurement and commissioning aspect and in December 2021, SMB directed further action on this. As reported in the quarter three Procurement report to SMB in February 2022, the Category Procurement Officer met with the Council's Climate Change Officer to provide an introduction to public procurement. It was discussed how Council's climate change requirements can be best incorporated in to procurement and this journey has now started. This will continue to be on a project by project basis with the review of standard tender documents to see if any climate change considerations can be included. It is important for the Council to explore all avenues on this going forward. We have raised an improvement recommendation in relation to this issue on page 22.

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. We have, however, raised two improvement recommendations in order to further enhance the Council's arrangements in this area.

Improvement recommendations

Improving Economy, Efficiency and Effectiveness

Improvement Recommendation 1 - Local Government Reorganisation:

The Council should continue to closely monitor the impacts of LGR on its finances and people:

- 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.

Management Response

Agreed. The Council will closely monitor the financial impact of LGR and report to members on a regular basis, as part of the Quarterly budget monitoring. Staff welfare continues to be a high priority for the Council and we are monitoring the impact of LGR as well as the changes that COVID has brought to the working environment.

Improvement Recommendation 2 – Climate Change:

Following the findings from the review of the Council's climate change plans, the Council should continue to review 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 continue to ensure that environmental and broader sustainability considerations are taken into account throughout the procurement and commissioning process.

Management Response

Agreed. The Council has highlighted Climate Change as one of its key governance issues in the Annual Governance Statement and will continue to review the action plan, taking into account the comments made above.

Appendices

Appendix A – The responsibilities of the Authority



Role of the Chief Finance Officer (S151)

- Preparation of the statement of accounts
- Assessing the Authority's ability to continue to operate as a going concern

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.

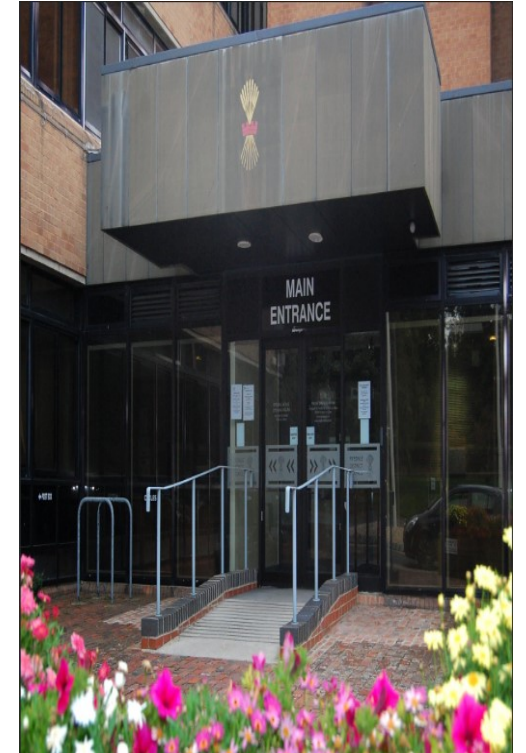
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

Chief Finance Officer (S151) 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 Strategic Director – Finance and Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Chief Finance Officer (S151) 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, Chief Finance Officer (S151) is responsible for assessing the Authority'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 Authority will no longer be provided.

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



Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Authority to discuss and respond publicly to the report.	No Statutory recommendations have been raised in 2020-21.	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 Authority. We have defined these recommendations as 'key recommendations'.	No key recommendations have been raised in 2020-21.	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Five improvement recommendations have been raised. One on financial sustainability, two on governance and two on improving economy, efficiency and effectiveness.	11, 16, 17, 22

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

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

Advisory notice

Under Section 31 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.

