

Meeting of the Council – 26th February, 2024

Joint Report of the Deputy Chief Executive and Director of Finance and Legal

Statutory Recommendations from External Auditors Grant Thornton

Purpose

1. To consider recommendations made by Grant Thornton under section 24 schedule 7 of the Local Audit and Accountability Act 2014.

Recommendations

2. That Council considers/accepts the recommendations made by the External Auditor within Appendix A.
3. To incorporate the recommendations into the Improvement and Sustainability Programme and set out the actions to address these recommendations.

Background

4. On 30th January 2024 Grant Thornton made recommendations under section 25 schedule 7 of the Local Audit and Accountability Act 2014. These are set out below along with the Council's response.

Recommendation 1

Maximise the opportunity for positive movement in the 2023/24 final outturn and 2024/25 budget, thereby reducing the indicative budget gap and the need to use General Fund balances in year. The final outturn for 2023/24 will be reported to Cabinet in June.

Response 1	<p>Subject to proper accounting practice and the need to make provision for any unavoidable liabilities that arise, every effort will be made to maximise the unallocated General Fund reserve at 31st March 2024 for the 2023/24 final outturn. Requests by directorates for earmarked reserves will be challenged robustly.</p>
<p>Recommendation 2 Implement the likely steps it would take if the S151 officer was to issue a S114 notice or if Commissioners were appointed by Government. This includes strictly enforcing the existing spending controls already in place without exception and taking further measures to stop all non-essential spend immediately. For example, we suggest that the Council undertakes a comprehensive review of statutory services to determine the minimum level of service legally required. This approach will assist in providing a robust business case in case the Council need to apply for exceptional financial support.</p>	
Response 2	<p>A review of spending controls is underway and will be reported to the Cabinet in March 2024 along with a revised criteria which will include lessons learnt from the initial phase.</p> <p>A review of functions, as part of the organisational re-design programme and development of the new target operating model, is being undertaken. It will include statutory functions in line with the statutory recommendation.</p>
<p>Recommendation 3 Identify and develop additional expenditure reduction and income generation proposals to fully address the indicative budget gap in 2024/25 of £10.1m as the budget gaps in the remaining years of the current Medium Term Financial Strategy. These may be temporary short-term savings, but it is important that where possible, these should be recurrent savings to address the forecast budget gaps beyond 2024/25.</p>	

Response 3	The budget proposals approved by Cabinet on 15 th February (subject to approval by Full Council on 4 th March) identify a further £4.1m of savings for 2024/25, reducing the budget gap for that year to £6m. These are primarily one-off savings reflecting the impact of the spending controls and use of grants to replace mainstream expenditure. The Council accepts and is undertaking significant work to address ongoing deficits. This is being addressed through the delivery of the Improvement and Sustainability Plan, a key component of which is the new total operating model, maximising income from Council Tax and delivering a programme of planned savings, some of which are summarised in the report to Cabinet on 15 th February 2024 and will be taken through the Council's governance processes in the summer rather than the traditional autumn budget cycle.
Recommendation 4 Create a prudent centrally-held contingency, which the S151 officer can deploy as necessary to manage any in year pressures and fund the cost of change, by developing savings proposals that exceed the indicative budget gap.	
Response 4	Actioned - The budget proposals approved by Cabinet on 15 th February (subject to approval by Full Council on 4 th March) include a central contingency budget of £3.3m per year

Finance

5. Budget proposals for 2024/25 were approved by Cabinet on 15th February, subject to approval by Full Council on 4th March.

Law

6. The Council's budget setting process is governed by the Local Government Finance Acts 1988, 1992, and 2012 and the Local Government Act 2003.

7. The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.
8. Pursuant to Section 114(3) of the Local Government Finance Act 1988 the chief finance officer shall make a report if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure. Following the issuing of the report all new agreements that incur expenditure are stopped for a period of up to 21 days in which time the full council must meet and respond to the report.
9. Pursuant to Schedule 7 of the Local Audit and Accountability Act 2014 the External Auditor can consider issuing a report concerning any matter that comes to the auditor's attention during the course of the audit, which they judge should be considered by the External Auditor and brought to the public attention.

Risk Management

10. The Corporate Risk Register recognises the risk that the Council may be unable to set and/or manage its budget so as to meet its statutory obligations within the resources available. This risk has been allocated the maximum rating of 25 (Extreme).

Equality Impact

11. There are no direct Equality issues arising from this report.

Human Resources / Organisational Development

12. There are no direct Human Resources / Organisational Development issues arising from this report.

Commercial / Procurement

13. There are no direct Commercial or Procurement issues arising from this report.

Environment / Climate change

14. There are no direct Environment issues arising from this report.

Council Priorities

15. The aspirations set out in the Council Plan can only be delivered if the Council is financially sustainable.



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Balvinder Heran
Deputy Chief Executive

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Iain Newman
Director of Finance and Legal