KPMG

Auditor's Annual Report for Gloucestershire County Council

Year-ended 31 March 2024

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November 2024

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This report is addressed to Gloucestershire County Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Gloucestershire County Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued an unqualified opinion on the Council accounts on 27 November 2024. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council. We have provided further details of the key risks we identified and our response on pages 8 to 10..
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the Council does not have appropriate arrangements place. We identified one significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 12.
Other powers	See overleaf.

Executive Summary

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised one other recommendations relating to a significant weakness in arrangements for financial sustainability. For further details see page 19.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit and Governance Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements

Audit of the financial statements

KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued an unqualified opinion on the Council's financial statements on 27 November 2024.

The full audit report is included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of land and buildings The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a two year rolling programme. For those assets that are revalued in the year, the valuation involves significant judgement and estimation on behalf of the Council's valuers. We consider this to apply particularly to specialised assets, such as the obsolescence assumptions for the Energy from Waste specialised operational asset.	We performed the following procedures designed to specifically address the significant risk associated with the valuation: • We critically assessed the independence, objectivity and expertise of the Council's valuers used in developing the valuation of the Council's properties at 31 March 2024; • We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code; • We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information; • We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; • We challenged the appropriateness of the valuation of specialised assets, such as the Energy from Waste facility, including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement, for example the obsolescence assumptions for the Energy from Waste specialised operational asset; and • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation	We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. .	Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address the significant risk associated with management override of controls: • Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias. • Evaluated the selection and application of accounting policies. • In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. • Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. • Assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual. • Searched for fraudulent journal entries using KPMG Automated Audit Procedures. • We analysed all journals through the year using data and analytics and focus our testing on those that meet our high risk criteria.	We did not identify any material misstatements relating to this risk.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of post-retirement benefits The valuation of the post-retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council. Recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement. .	We have performed the following procedures : • Understood the processes the Council have in place to set the assumptions used in the valuation; • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets; • Agreed the data provided by the Council to the Scheme Administrator for use within the calculation of the scheme valuation; • Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; • Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; • Confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and • Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.	We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.

03

Value for Money

Value for Money

Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- **Financial sustainability**: How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14	16	17
Identified risks of significant weakness?	✓ Yes	✗ No	✓ Yes
Actual significant weakness identified?	✓ Yes	✗ No	✗ No
2022-23 Findings	Significant weakness identified	Significant weakness identified	Significant weakness identified
Direction of travel	↔	↑	↑

Value for Money

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Infrastructure assets

Councils make use of their infrastructure assets data to support decisions in relation to roads, parks, and pavements they are responsible for. Some Councils have experienced issues with the quality of their records for infrastructure. From a financial reporting perspective, temporary arrangements have been put in place to ensure financial statements can be prepared whilst infrastructure records are improved. However, if records are not up to date, Councils will struggle to identify assets they are responsible for and when assets are life-expired and require replacement. That may result in a worsening quality of infrastructure that everyone depends on.

Local context

The Council’s approved budget for 2023/24 was £567.133 million. During the year, the Council delivered £15.891 million of savings to address year on year funding reductions and fund unavoidable inflationary cost increases. The overall 2023/24 outturn position was an under spend of £10.045 million, all of which was transferred into General reserves..

The capital budget for 2023/24 totalled £161.319 million. Actual expenditure during the year was £136.059 million, giving an in-year under-spend of £25.260 million.

The Council is operating with a growing deficit against its Dedicated Schools Grant (DSG). The DSG deficit increased by £17 million in 2023/24 to £45.8 million, compared to a General Fund balance at year end of £32.4 million.

Gloucestershire Fire and Rescue Service was inspected by His Majesty’s Inspectorate of Fire & Rescue Services (HMICFRS) in November 2023 and published its report in May 2024. Out of the 11 areas assessed, the Service was rated as “Requires Improvement” in 6 areas and “Inadequate” in a further 3 areas

Financial Sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The annual budgets are set on a directorate by directorate basis by the key service leaders supported by Finance Business Partners. Scrutiny is provided by the Corporate Leadership Team and “Star Chambers”, which involve the service leads, the Leader, Portfolio Holders, the Chief Executive and Section 151 Officer. The draft budget for 2023/24 was set by Cabinet in January 2023 and was approved by full Council in February 2023. The 2023/24 budget was developed with key pressures and risks in mind, including contractual inflation, pay, estimated increases in demand-led services as a result of demographic changes, and corporate priorities.

Service leads at the Council have overall responsibility for budgets and meet monthly with the s151 officer and Director of Finance to review financial performance and ensure corrective actions are taken. Quarterly reports are presented to Cabinet and include financial and performance data. The 2023/24 finance outturn report presented to Cabinet on 12 June 2024 reported an underspend of £10m against the approved revenue budget of £567m.

Savings targets and efficiencies for each directorate are identified as part of the annual budget process. Forecast delivery against these targets is specifically included within the quarterly budget monitoring reports to Cabinet. As with most councils nationally, there are cost pressures within both Adults and Children’s Services. The Council recognises the risk as a result of the financial pressures and has implemented increased monitoring through the Children's Services Financial Recovery Board and the Transformation and Savings Board.

The Council updates its Medium Term Financial Strategy (MTFS) annually, with the 4-year plan covering 2024/25 to 2027/28 reviewed and approved by Cabinet in January 2024. The s151 officer reported within the Section 25 Statement that the Council’s reserves are adequate and the financial standing of the Council is sound in the context of the key risks. The Council’s MTFS assumes that £5.9m of reserves will be required to be used to balance its budget in 2024/25. The Council’s earmarked reserves (excluding schools) as at 31 March 2024 were £97.9m, a decrease of £7.8m compared to prior year.

The predecessor auditor raised a key recommendation in relation to contract management. We have observed evidence that the improvements noted are in place, such as the contract register and the pipeline report that is published on the Council’s website. No similar issues have been identified as part of our audit work in 2023/24. We therefore do not consider there to remain a risk of significant weakness.

The Council is operating with a growing deficit against its Dedicated Schools Grant (DSG). The DSG deficit increased by £17m in 2023/24 to £45.8m, compared to a General Fund balance at year end of £32.4m. From our review of documentation and discussions with key management, we are aware that the development of a recovery plan for DSG is still in progress. We consider a more formal plan to be particularly important given the significant value of the deficit at the Council, and the pace at which it is increasing. If the current statutory override was to be removed then the deficit would need to be met through use of General Fund balances, putting significant pressure on budgets and financial sustainability.

Significant Value for Money Risk

1 Deficit on Dedicated Schools Grant

Risk that value for money arrangements may contain a significant weakness linked to financial sustainability

Significant Value for Money Risk

The Council is operating with a growing deficit against its Dedicated Schools Grant (DSG). If the current statutory override was to be removed then the deficit would need to be met through use of General Fund balances, putting pressure on budgets and financial sustainability.

There is a risk that the Council does not have adequate arrangements in place to prevent the DSG deficit from increasing.

Our response

As presented on the earlier slide, this risk arose as a result of the significant weakness reported by the Council's predecessor auditor in their 2022/23 Auditor's Annual Report and the continued deficit increase during 2023/24.

We have reviewed finance reports to Council and discussed the progress on developing the recovery plan with management, including the Executive Director for Children.

Our findings

Findings

The DSG deficit increased by £17m in 2023/24 to £45.8m, compared to a General Fund balance at year end of £32.4m. From our review of documentation and discussions with key management, we are aware that the Council has been part of the Delivering Better Value programme, which was intended to produce a recovery plan. However, it was identified that the scale and scope of the challenge is bigger than the programme was able to address as a result of a number of factors outside the Council's direct control, such as rising demand and current funding levels. Work is ongoing to consider further options for recovery, including earlier schools intervention to better target where specialist provision is required. As a result the development of a recovery plan for DSG is still in progress, with no actions or milestones formally identified.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to financial sustainability.

Governance

How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

The Council has a risk management policy in place which sets out the Council's approach to risk management. Strategic risks are recorded and identified using the Strategic Risk Register is overseen by quarterly reporting to Cabinet and the Corporate Overview & Scrutiny Committee, with reports provided to the Audit & Governance Committee for assurance. Our review of the risk register found this was sufficiently detailed to effectively manage key risks.

The effectiveness of internal controls is monitored by the Audit & Governance Committee through reporting from Internal Audit, who have an agreed work plan and reports progress to each Audit & Governance Committee, with an annual report taken at the end of the year. Internal Audit is provided by Audit Risk Assurance (ARA) under a shared service agreement between the Council. Stroud District Council and Gloucester City Council. There is a dedicated Counter Fraud Team (CFT) within ARA (Internal Audit). The Annual Report of the Head of Audit Risk Assurance 2023/24 was presented to the Audit & Governance Committee in July 2024 and included the Head of Internal Audit opinion that, overall, an Acceptable Level of assurance can be provided in connection with the Council's internal control, governance and risk environment.

The Council has in place a staff code of conduct and whistleblowing policy. Specific guidance is in place for teams and managers via standards of behaviour for these roles. The Whistleblowing Policy is reviewed and refreshed as necessary by the Monitoring Officer and approved by the Constitution Committee. A register of interest is in place together with a policy for gifts and hospitality with regular reporting of entries on the register taking place to the Audit & Governance Committee.

The Corporate Legal Team have responsibility for monitoring compliance with legislation. Compliance is monitored through the Annual Governance Statement process with compliance statements produced by each Directorate.

Service leads at the Council have overall responsibility for budgets and meet monthly with the s151 officer and Director of Finance to review financial performance and ensure corrective actions are taken. Quarterly reports are presented to Cabinet and include financial and performance data.

The predecessor auditor raised a key recommendation in relation to governance failings being included in the strategic risk register and Annual Governance Statement. We have observed evidence that the relevant risks are now included and no similar issues have been identified as part of our audit work in 2023/24. We therefore consider this issue to have been resolved.

Key strategic decisions are made via the Council's governance process. A scheme of delegation is in place which sets out where different decisions/approvals should take place. Major decisions require business cases to be approved through the relevant oversight group.

Improving economy, efficiency and effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council 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; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

The primary mechanism for budgetary planning is the Medium Term Financial Strategy (MTFS) which details the level of financial support available to deliver the Corporate Strategy. The Council uses benchmarking to compare its service performance and costs to its statistical neighbours and has a good understanding of the unit costs of its services.

The Council's corporate strategy "Building Back Better in Gloucestershire – 2022-26" was approved by the Council in February 2022. Performance against this strategy and associated service plans is monitored through the quarterly performance monitoring to the Corporate Overview and Scrutiny Committee. The performance reports contain comprehensive performance scorecards which cover the priorities as set out in the corporate plan and include details on whether performance measures were on target or below target, the reasons for underperformance and any actions being taken to address the issues.

The corporate strategy explicitly identifies the importance and input of specific partnerships, such as with NHS Gloucestershire Integrated Care Board, to achieving the Council's objectives. The quarterly performance reports to the Corporate Overview and Scrutiny Committee includes performance monitoring for key partners.

Gloucestershire Fire and Rescue Service was previously inspected by His Majesty's Inspectorate of Fire & Rescue Services (HMICFRS) in 2021/22, as a result of which an improvement plan was developed and agreed. HMICFRS undertook a further inspection in November 2023 and published its report in May 2024. Out of the 11 areas assessed, the Service was rated as "Requires Improvement" in 6 areas and "Inadequate" in a further 3 areas.

Significant Value for Money Risk

2 Findings from Fire Service inspection

Risk that value for money arrangements may contain a significant weakness linked to improving economy, efficiency and effectiveness

Significant Value for Money Risk

His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) published an assessment of Gloucestershire Fire and Rescue Service in May 2024, from an inspection carried out in November 2023. Out of the 11 areas assessed, the Service was rated as "Requires Improvement" in six areas and "Inadequate" in a further three areas.

Although the report was published after the year end, it provides evidence that services may not have been provided effectively during the year. There is therefore a risk that the Council does not have adequate arrangements in place to ensure effective Fire and Rescue services.

Our response

We have discussed the findings from the inspection report with the Chief Fire Officer & Director of Community Safety and the Assistant Chief Fire Officer and Director of Improvement.

We have reviewed evidence of monitoring of, and progress against, action plans from previous inspections, appropriate reporting to committees, and identification and tracking of risks relating to the effectiveness of the service.

Our findings

Findings

Following the previous HMICFRS inspections, the Council established a Transformation Programme which addresses the Causes of Concern and Areas For Improvement identified in the inspection. Progress against the action plan is reported and scrutinized in a number of forums, including the GFRS Improvement Board, the Fire Performance Oversight Group and the Service Improvement Group. The reinspection report from January 2023 noted that the service improvement board provides robust, objective and independent oversight and scrutiny. The report also noted that additional resources, knowledge and experience were needed to implement the improvement programme. As well as guidance and advice from specialist organisations including the National Fire Chiefs Council and the Local Government Association, additional revenue and capital budget requests were made as part of the MTFS process.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	The Authority is operating with a growing deficit against its Dedicated Schools Grant. The Dedicated Schools Grant deficit in the current year has increased by £17m in 2023/24 to £45m. If the current statutory override was to be removed then the deficit would need to be met through use of General Fund balances, putting pressure on budgets and financial sustainability. We recommend that the Authority develops a robust recovery plan that clearly identifies key actions and milestones for implementation.	The Council acknowledges that the growing DSG deficit is a significant risk to the Council's financial sustainability – this is stated in the S151 officer's section 25 statement in the MTFS document and in the quarterly monitoring reports to Cabinet. The Deputy Chief Executive / s151 officer and the Executive Director of Children's Service meet monthly with senior staff from the Education and Finance Departments to discuss options and formulate a recovery plan building on the work undertaken as part of the Delivering Better Value programme. Developing a robust recovery plan is work in progress.

Value for Money: Recommendations

Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Grading	Issue, Impact and Recommendation	Management Response	Update as of September 2024
1	Other	The Council should develop an approach to manage and reduce its DSG deficit that is not overly dependent upon securing additional external funding.	The DSG high needs deficit is a national issue and needs and national solution. The Council is part of the Delivering Better Value programme with the Department of Education and is working in partnership with Swindon Borough Council to help identify a recovery plan and a long term solution. It is generally accepted that the Statutory Override will need to be extended until a long term national solution is found. The risk of this DSG deficit impacting the long term sustainability has been acknowledged in the s151 officer's section 25 statement in the MTFS documents approved by Council each February, in each quarterly finance report to Cabinet and as part of the Council's overall funding risk – see strategic risk 2.4b. It is ranked as a high risk on the Strategic Risk Register – impact "Major" and risk "Possible" so overall score is 16.	The DSG deficit has increased by £17m in 2023/24 to £45m. From our review of documentation and discussions with key management, we are aware that the development of a recovery plan for DSG is still in progress. We therefore consider that there continues to be a significant weakness in arrangements around financial sustainability.
2	Other	The Council should ensure that significant governance failings are included within its strategic risk register and Annual Governance Statement (AGS) and actioned in a timely manner. Monitoring arrangements should be in place to ensure both confidential and non-confidential items are brought to the attention of members on a regular basis.	The key governance failings referred to by this recommendation are covered by two overarching risks in the Strategic Risk Register – 3.1 (Failure to ensure ICT remains fit for purpose) and 3.2 (Failure to protect the Council's key information and data from Cyber Security). The risks in question were not specifically identified in the Strategic Risk Register due to the confidential nature of the risk. However, these risks have been identified and action has been taken over a number of years to reduce/mitigate these risks. The governance failings identified in the internal audit report have now been addressed and Internal Audit are due to commence a follow up audit prior to the end of this financial year.	We have observed evidence that the relevant risks are now included in the strategic risk register. No similar issues have been identified as part of our audit work in 2023/24. We therefore consider this issue to have been resolved.

Value for Money: Recommendations

Below we have set out our findings from following up recommendations raised in respect of significant weaknesses identified in prior periods:

#	Grading	Issue, Impact and Recommendation	Management Response	Update as of September 2024
3	Other	The Council should improve its contract management arrangements to enable it to effectively monitor spend, identify issues and take action as required. This is likely to include: • Introducing a central contracts register and pipeline report to enable monitoring of spend against contract limits • Review its processes for the direct award of contracts to ensure all cases above £25,000 are recorded and that processes exist below £25,000 to guard against fraud and manipulation of the contract procedure rules (CPR) • Ensure regular updates on the extent and value of direct contract award is provided to the Audit and Governance Committee as per the Council's CPRs • Investigate further its contract management arrangements, to identify if effective arrangements are embedded across the Council	Improvements have been made in this are since 2022/23. The current position can be summarised as follows: • The Council currently have a EProcurement System that provides a Contract Register – the New SAP upgrade will need to deliver and enhance this functionality and automated need – to also allow the council to ensure compliance with the NEW Procurement Act obligations from October 2024. • The Council currently publish a Pipeline for over £2m contract, on a quarterly basis – this is not currently a mandatory obligation, however it will be from October 2024 – so the council is on track and ahead of the curve with this mandate which again will need to be automated. • Direct Award Process – work is underway to improve the reporting – the approach to regular updates to the Audit committee is being built into that work • Contract management is decentralised as observed, however, the core Strategic team do provide a CM toolkit for the organisation • The council provides high-value monitoring on a quarterly basis – this is provided to Contract Managers by the core team – this was an area of improvement as stated in the previous AGS.	We have observed evidence that the improvements noted are in place, such as the Contract Register and the pipeline report that is published on the Council's website. No similar issues have been identified as part of our audit work in 2023/24. We therefore consider this issue to have been resolved.

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