



# Auditor's Annual Report for Wyre Borough Council

**Year ended 31 March 2024**

February 2025

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This report is addressed to Wyre Borough 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.

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**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 Wyre Borough 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. Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting 2023/24 (‘the Code’).



**Other information (such as the narrative report)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**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.

<b>Financial Statements</b>	We disclaimed our opinion on the Council’s accounts on 27 February 2025.  We have provided further details of the key risks we identified and our response on pages 8-12.
<b>Other information</b>	Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.
<b>Value for money</b>	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 14.
<b>Other powers</b>	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, Wyre Borough Council (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 five other recommendations relating to the financial statements. For further details see pages 6 to 12.**

## 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 Standards 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 Wyre Borough Council's (the 'Council') 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 a disclaimed opinion on the Council's financial statements on 27 February 2025.

What this means is that we do not express an opinion on the financial statements. The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date"). We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date.

The full audit report is included in the Council's Statement of Accounts 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 as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of land and buildings</b></p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. With regards to general funds assets, a proportion of the assets are valued each year as part of a rolling programme whereby all assets will be valued at least once every 5 years.</p> <p>Valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.</p> <p>The value of the Council's Land &amp; Buildings at 31 March 2024 was £45,233k, as per the accounts.</p> <p>The last full revaluation of general fund assets took place 01 April 2023, and through the rolling programme all assets will have been planned to be valued within the last 5 years.</p>	<p>We have performed the following procedures designed to specifically address the significant risk associated with the:</p> <ul style="list-style-type: none"> <li>• We critically assessed the independence, objectivity and expertise of Aspin and Company Limited, the valuers used in developing the valuation of the Council's properties at 31 March 2024;</li> <li>• 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;</li> <li>• We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</li> <li>• We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used - a recommendation has been raised to formalise the review performed, please see Recommendation 5 on Page 33; and</li> <li>• Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</li> </ul> <p>We were unable to perform the following procedures specifically designed to address the significant risk associated with valuation as a result of the backstop.</p> <ul style="list-style-type: none"> <li>• Challenge the appropriateness of the valuation of land and buildings, including key assumptions within the valuation as part of our judgement; and</li> <li>• Agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</li> </ul>	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed.</p> <p>We did not identify any material misstatements relating to this risk. However, note that planned testing was not completed fully.</p> <p>We raised a recommendation relating to the lack of a management review control over valuation assumptions, as required by auditing standards.</p>



# Audit of the financial statements

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <ul style="list-style-type: none"> <li>Professional standards require us to communicate the fraud risk from management override of controls as significant.</li> <li>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.</li> <li>We have not identified any specific additional risks of management override relating to this audit.</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> <li>Evaluated the selection and application of accounting policies; and</li> <li>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</li> </ul> <p>We were unable to perform the following procedures specifically designed to address the significant risk associated with valuation as a result of the backstop.</p> <ul style="list-style-type: none"> <li>Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;</li> <li>Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates; and</li> <li>Analyse all journals through the year and focus our testing on those with a higher risk.</li> </ul>	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed.</p> <p>We did not identify any material misstatements relating to this risk. However, note that planned testing was not completed.</p> <p>We raised a recommendation with regards to segregation of duties in the posting of manual journals.</p>

# Audit of the financial statements

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of post retirement benefit obligations</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.</li> <li>We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme.</li> <li>Also, 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.</li> </ul>	<p>We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> <li>Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</li> <li>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;</li> <li>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;</li> <li>Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</li> <li>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;</li> <li>Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;</li> <li>Considered the adequacy of the Council's disclosures in respect of the sensitivity of the surplus to these assumptions; and</li> <li>Assessed the level of surplus that should be recognised by the entity.</li> </ul>	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed.</p> <p>Our assessment of the LGPS actuary found them to be independent, objective and of appropriate expertise.</p> <p>Upon review of the process and after discussions with management, we noted that there are no key controls in place around the assumptions. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed – a recommendation has been raised with regards to management review of actuarial assumptions.</p> <p>We have assessed the overall assumptions used by management as optimistic relative to our central rates but within our reasonable range. We identified that CPI was optimistic but still within reasonable range. All other individual assumptions were also balanced and within our reasonable range.</p> <p>We challenged the Council's recognition of an asset surplus in both the current year and prior year as in KPMG's view it was clear that the minimum funding contributions are higher than the future service cost and therefore no surplus is recognisable in respect of a future reduction in contributions. The IAS 19 reports prepared by the LGPS actuary were revised. However, our view was also that an asset could be recognised in respect of the prepaid contributions at the current year end. This resulted in three corrected audit differences.</p>

# Audit of the financial statements

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Fraud risk from expenditure recognition</b></p> <ul style="list-style-type: none"> <li>The Council has a statutory duty to balance their annual budget. Where a council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This creates an incentive for manipulation of expenditure recognised in the year.</li> <li>We consider that this risk is focussed around the completeness of manual accruals (i.e. excluding those which are system-generated such as Goods Received Not Invoiced), with the Council looking to push back expenditure to 2024-25 to mitigate financial pressures.</li> </ul>	<p>We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> <li>We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely recorded;</li> <li>We selected a sample of year end accruals and inspected evidence of the actual amount paid after year end in order to assess whether the accruals had been accurately recorded; and</li> <li>We compared the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure accrued for in the 2022-23 financial year have been excluded from the 2023-24 financial statements.</li> </ul> <p>We were unable to perform the following procedures specifically designed to address the significant risk associated with valuation as a result of the backstop.</p> <ul style="list-style-type: none"> <li>Inspect a sample of invoices of expenditure, in the period around 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete; and</li> <li>Inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence.</li> </ul>	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed.</p> <p>We did not identify any material misstatements relating to this risk. However, note that planned testing was not completed fully.</p> <p>We did not raise any recommendations relating to this risk.</p>

# Audit of the financial statements

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of investment property</b></p> <ul style="list-style-type: none"> <li>The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property.</li> <li>As at 31 March 2024, the Council's investment properties were valued at £15,018k.</li> <li>There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.</li> </ul>	<p>We have performed the following procedures designed to specifically address this significant risk:</p> <ul style="list-style-type: none"> <li>We critically assessed the independence, objectivity and expertise of Aspin and Company Limited, the valuers used in developing the valuation of the Council's investment property at 31 March 2024;</li> <li>We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;</li> <li>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</li> <li>We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</li> </ul> <p>We were unable to perform the following procedures specifically designed to address the significant risk associated with valuation as a result of the backstop.</p> <ul style="list-style-type: none"> <li>Compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</li> <li>Challenge the appropriateness of the valuation, including any material movements from the previous revaluations, and challenge key assumptions within the valuation; and</li> <li>Agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</li> </ul>	<p>While we are disclaiming our audit opinion, we are still required to identify our audit findings based on the work performed.</p> <p>We did not identify any material misstatements relating to this risk. However, note that planned testing was not fully completed.</p> <p>We raised a recommendation relating to the lack of a management review control over assumptions made to support the valuation, as required by auditing standards.</p>

**03**

# **Value for Money**

# Value for Money

## Introduction

We are required to be satisfied that Wyre Borough Council (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

We are not required to consider whether all aspects of the Authority’s arrangements are operating effectively. We are also not required to satisfy ourselves that the Authority has achieved value for money during the year.

## 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
<b>Commentary page reference</b>	16	18	21
<b>Identified risks of significant weakness?</b>	No	No	No
<b>Actual significant weakness identified?</b>	No	No	No
<b>2022-23 Findings (Deloitte)</b>	<i>No identified risks of significant weakness or actual significant weaknesses identified</i>		

# 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 Wyre Borough Council ('the 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. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. 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.

## Local context

- Wyre Borough Council serves an area on the coast of Lancashire with a population of around 115,000 residents. Key towns served by the Council are Poulton-le-Fylde, Cleveleys, Fleetwood, Garstang, Preesall and Thornton.
- Expenditure in relation to services increased from £53m in 2022-23 to £54m in 2023-24, and overall expenditure decreased from £76m in 2022-23 to £73m in 2023-24. The General Fund balance increased in 2023-24 by £2.2m.
- Within this movement, the main underspend was due to the release of two provisions which were no longer required, for pension contributions (£0.5m) and Covid-19 related funding (£0.4m). This meant the need to draw down on the Non-Domestic (Business) Rates Equalisation Reserve was reduced. Also, global supply and demand issues in relation to vehicles meant nearly £0.5m of predicted 2023-24 was deferred to 2024-25. The remaining movement is made of smaller valued items.
- During 2023/24 the Council has been operating in an environment under significant financial and service pressures, like many in the wider local government sector. This has included high inflation and increasing staff costs.
- The original finance plan for 2023-24 included anticipated efficiency savings of £0.18m, and a net cost of services figure of £20.6m. Efficiency savings of £0.14m were achieved, and the net cost of services figure was revised upwards to £22.6m, however the outturn was £18.7m representing a positive variance of £0.19m and £3.9m to the original and revised finance plans respectively.
- The Council is in the midst of a four-year (2024-28) transformation programme.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023-24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023-24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023-24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

### Summary of risk assessment

#### *Budget setting and challenge of budget assumptions*

- The processes for setting the 2023-24 financial plan to ensure that it is achievable and based on realistic assumptions have been assessed with no significant risk in relation to financial sustainability identified.

#### *Challenge and review of final budget*

- Finance business partners meet with spending officers to review and revise their budget requirements as well as any overall, financial plan (MTFP) implications. Heads of Services are also involved in this process and budgets are scrutinised through quarterly meetings with the finance business partner for each service line.
- When presenting the budget, key issues, budget assumptions and proposals are presented at Cabinet meetings.

#### *Identification and delivery of efficiency savings*

- Emerging cost pressures are identified through, amongst other processes, the budget monitoring by the finance business partners in conjunction with spending officers and Heads of Services. The 2023-24 MTFP was reviewed by the Cabinet in February 2023 and recommended to Council for approval the following month.
- Our understanding is that the Council does not have a formal efficiency programme in place, and this is something that will be part of the new Transformation and Change Directorate. A review of the MTFP showed the Council forecast a budget gap for each year 2024-25 through to 2028/29. We recognise the Council has positive reserves overall, however over time these deplete as per the MTFP.
- Given the current environment of the financials becoming more challenging in the next few years we make the performance improvement observation (PIO) that the Council should implement a formalised efficiency programme. This would incorporate development of plans for how efficiencies will be achieved, regular monitoring of performance against the required level of efficiency, reporting of performance against the required efficiency target to an appropriate committee, and a process in place for identifying actions where projects are falling behind plan. The plan should aim to reduce the level of the forecasted budget gap within the MTFP to improve the council's overall financial position. Having a formalised, structured efficiency programme now will help manage the budgeted gap in the future. Currently, a high-level document on efficiencies is reported alongside the MTFP on an annual basis in February.



# Value for money arrangements

## Financial sustainability (cont.)

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023-24 budget to ensure that it is achievable and based on realistic assumptions;
- How the 2023-24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the budget set for 2023-24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the budget.

**Summary of risk assessment (cont.)**

*Consistency of financial and operational planning*

- The processes for ensuring consistency between the financial plan set for 2023-24 and the workforce and operational plans have been considered. Currently there is no workforce plan, however this is in early development and currently the hybrid working policy bridges the gap as the Council produces an appropriate policy post Covid-19. Review of the Council plan and the MTFP has shown they are aligned. Consistency is demonstrated through inclusion in the MTFP of the strategic objectives from the Council plan, and setting out how it is to be used in conjunction with the Council’s business plan, capital investment plan and asset management plan.

*Identification and Management of financial sustainability risks*

- The processes in place for assessing and managing risks in relation to financial sustainability have been considered and found to be appropriate. These processes include; having various committees to monitor the finance function, including the Full Council, Cabinet and Overview and Scrutiny Committee; regular updates and review of the MTFP; monitoring and challenge of the business plan quarterly performance statement, and review of the performance reporting tracker, at the Overview and Scrutiny Committee; and inclusion in performance reports of relevant performance indicators.

*Performance against budget*

- Performance for the year against the financial plan was assessed with no significant risk in relation to financial sustainability identified. The Council planned a £0.4m deficit in 2023-24 as per the MTFP, with the use of the general reserve to meet the budget gap. The General Fund balance actually increased from £14.5m to £16.8m. The Council has underspent against its forecasts in previous years (2022-23: £1.4m) although the amount can vary significantly year-to-year. Page 15 sets out some of the reasons for the underspend in 2023-24.

**Risk assessment conclusion**

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023-24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

**Summary of risk assessment**

*Identification, monitoring and management of risk*

- The processes for the identification, monitoring and management of risk have been assessed with no significant risk in relation to governance identified.
- The audit team considered the Council’s systems and processes in relation to identifying emerging risks and assessing the impact and likelihood of these. The risk management policy was approved by the Audit and Standards Committee in July 2023 and includes detail on methodology for calculating risk scores, risk identification, challenging and evaluating risk scores assigned to risks and developing actions to mitigate risks.
- Operational risk workshops are held with heads of directorates as well as quarterly strategic risk workshops. Strategic risk actions are developed through the quarterly workshops, and as per the risk management policy risk owners take ownership of the actions they are responsible for, with the new GRACE risk management system used to continually monitor and update identified risks. Reporting, monitoring and challenge of risk management is undertaken by the Cabinet, Full Council and relevant sub-Committees.
- Whilst not constituting a significant risk, we make the following performance improvement observations (PIO):
  - We suggest that the discussion at strategic risk workshops are minuted to formally note discussion of key risks and actions so as to help create an audit trail for the development and discussion of actions, and facilitate further monitoring.
  - The risk management policy could be updated to include the Council’s overall risk appetite as it is not currently defined. This would enable the whole Council to operate towards the same risk appetite, which would support the risk identification process.
  - The risk management policy states the Cabinet responsibility is to risk manage the Council in delivering its core purposes, priorities and outcomes and, to consider and challenge the risks involved in making key decisions. However, our review of minutes identified that risk registers are not formally reported to Cabinet, although they are uploaded in the members portal. We suggest risk registers should be reported at Cabinet.

*Anti-Fraud controls*

- The controls in place to prevent and detect fraud have been assessed with no significant risk in relation to governance identified. The audit team considered the various policies in place such as anti-fraud corruption and bribery, anti money laundering, gifts and hospitality and registering interests and whistleblowing, they were found to appropriate and in line with the Code of Practice on Managing the Risk of Fraud and Corruption, and subject to review by the Audit and Standards Committee. The Council has financial regulations and financial procedure rules in place, and appropriate internal controls (as assessed by internal audit).

# Value for money arrangements

## Governance (cont.)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023-24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

### Summary of risk assessment

#### *Management of financial risks*

- The review and approval of the 2023-24 financial plan by the Council, including how financial risks were communicated has been assessed with no significant risk in relation to governance identified. The audit team found the 2023-24 version of the MTFP was reviewed and approved by the Cabinet. The Council provides biannual updates to its five-year MTFP reports to Cabinet. A finance focused risk register forms part of this update, in October each year. A review of minutes of the Cabinet, Full Council and relevant sub-committees identified that financial risk is sufficiently detailed and balanced to enable management to take informed decisions.
- The processes for monitoring performance against budgets and taking actions in response to adverse variances have been assessed with no significant risk in relation to governance identified. The audit team found that at least quarterly the finance business partners for each service area meet with budget holders and the heads of services to review the actuals to date against budget; and investigate the resulting variances. These meetings are tracked.
- A review of minutes of the Cabinet, Full Council and relevant sub-committees identified that variances are reported to the Audit and Standards Committee via the outturn position. Whilst not constituting a significant risk, we make the process improvement observation (PIO) that the Council should implement formalised reporting for the revenue updates against budget, in line with the capital monitoring reports. Capital monitoring is presented quarterly to Cabinet, detailing the budget compared to actuals and commentary provided, however Revenue does not have the same level of reporting and therefore it is unclear whether the budgets are favourable or adverse throughout the year. We have evidenced the comparison to budget at the outturn position presented to Audit and Standards Committee, however we have not evidenced sufficiently detailed reporting throughout the year to provide members with oversight of how revenue spend is against budget.

#### *Monitoring compliance with laws and regulations*

- The method by which compliance with laws and regulations is monitored has been assessed with no significant risk in relation to governance identified. The audit team found that the Council's constitution covers various acts that need to be followed, and that individual policies reference those laws applicable to them.

#### *Monitoring officer compliance*

- The processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality have been assessed with no significant risk in relation to governance identified. The audit team found that a number of policies have been put in place and are reviewed by the Audit and Standards Committee each year including anti-fraud corruption and bribery, anti money laundering, gifts and hospitality and registering interests and whistleblowing. These policies provide useful knowledge for all staff and contain details of channels of communication and processes to follow for anyone who has concerns or suspicions of malpractice. The policies are in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption.

# Value for money arrangements

## Governance (cont.)

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2023-24 budget by the Council, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

### Summary of risk assessment (cont.)

#### Scrutiny of decisions

- The method by which the Council ensures decisions receive appropriate scrutiny has been assessed with no significant risk in relation to governance identified. The audit team reviewed the Council's constitution which sets out the decision-making process, stipulating the approval process and what is delegated to each role/body. If the decision is outside budget or policy framework it will be referred to the Council as a whole.
- There is an Overview and Scrutiny Committee which supports and scrutinises the work of the Cabinet and the Full Council. It conducts reviews and submits reports and recommendations which advise the Cabinet and the Full Council on their policies, budget and service delivery. The Overview and Scrutiny Committee also monitors the decisions of the Cabinet. The Council has a set template for business cases. This directs staff to ensure they include information required to enable the reviewers and decision makers to review. The business case template includes financial matters to be considered (cash savings, costs and efficiency savings) as well as quality and performance. Compliance with relevant legislation in areas such as equality and diversity is documented via the front cover of the business case when it is submitted to the relevant committee meeting.

External bodies' report and other findings	2023-24
Control deficiencies reported in the Annual Governance Statement	None noted.
Head of Internal Audit Opinion	Reasonable Assurance  <i>"reasonable assurances can be given on the overall adequacy and effectiveness of the council's governance, risk management, and control processes (i.e. the system of internal control)"</i>

### Risk assessment conclusion

Based on the risk assessment procedures performed we have not identified any significant risks or significant weaknesses in the Council's governance arrangements.

# Value for money arrangements

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholders and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

**Summary of risk assessment**

*Monitoring of costs and benchmarking*

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved have been assessed with no significant risk in relation to improving economy, efficiency and effectiveness identified. The audit team found external benchmarking is used by the Overview and Scrutiny Committee, and deep dives are periodically undertaken to identify any opportunities that are being missed. The results of benchmarking studies inform value for money reviews as part of the Overview and Scrutiny Committee’s annual work programme. The audit team have also evidenced the use of benchmarking results within cost profiles presented to Cabinet.

*Monitoring of performance*

- The processes in place for assessing how the performance of services is monitored and actions identified in response to areas of poor performance have been assessed with no significant risk in relation to improving economy, efficiency and effectiveness identified. The audit team have noted how the CIPFA resilience index compares a number of areas against their equivalents at 15 neighbouring entities, and the linked reports drill further down into comparison of specific expenditure such as on highways, transport planning and street lighting. In the current year nothing new is emerging from the benchmarking, and while cultural spend is high relative to neighbouring entities, review of documents and management inquiries suggest the drivers of this are understood by the Council and options are being considered.

*Engagement with stakeholders and local partners*

- Discussions with Heads of services identified examples of stakeholder engagement across different services. Key services subject to contractual obligations are performance managed within each service, including outsourced arrangements.

**Risk assessment conclusion**

Based on the risk assessment procedures performed we have not identified any significant risks or significant weaknesses in the Council’s arrangements for improving economy, efficiency and effectiveness.



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