

# Auditor's Annual Report on Worcestershire County Council

2021/22

January 2023

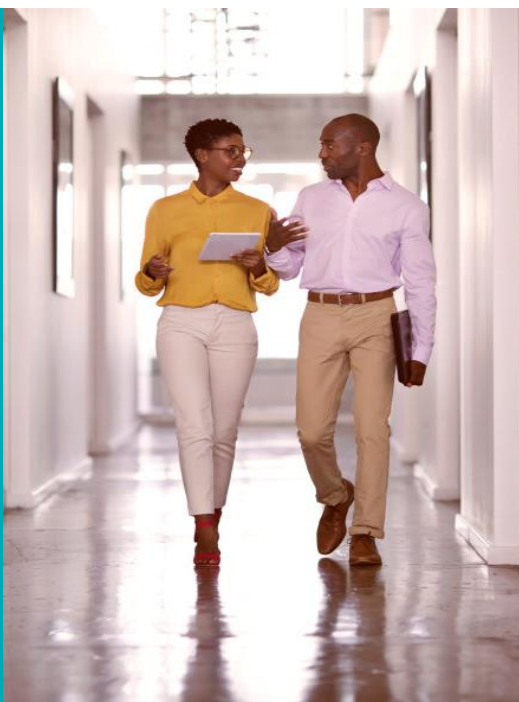


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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice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

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



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

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# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made	No significant weaknesses in arrangements identified, but four improvement recommendations made.	Stable
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made	No significant weaknesses in arrangements identified, but three improvement recommendations made.	Stable
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendations made	No significant weaknesses in arrangements identified, but three improvement recommendations made	Stable

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

Overall we are satisfied that the Council has appropriate arrangements in place to manage its financial resilience. We note that it has an appropriate budget setting and medium term financial planning process.

There remains uncertainty around the future funding of the Council and the plans needed to mitigate the funding gaps in the future. We note that the Council may need to utilise its earmarked reserves in the short term. Although this is not unusual given the financial pressures facing local government, it does not provide a long term solution to ensure the financial sustainability of the Council. The Council will also need to address its ability to plan and deliver on its savings plans.

Due to the high level of reserves held by the Council we do not consider this to be a significant weakness. However, we have made recommendations with regard to the need to address the financial shortfall in the medium term.



## Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and decision making. We have made a number of improvement recommendations to assist the Council in developing and embedding its Risk Management Framework and arrangements.



## Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness. We have made improvement recommendations to ensure reporting performance against the Council's Corporate Plan priorities is launched and published.

We have also provided information from our benchmarking exercise to aid the Council in identifying its high cost services.



We have completed our audit of your financial statements and issued an unqualified audit opinion. Our findings are set out in further detail on 39 and 40.



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

We bring the following matters to your attention:

## Opinion on the financial statements

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

We have completed our audit of your financial statements and plan to issue an unqualified audit opinion. Our findings are set out in further detail on pages 39 to 40.

## Statutory recommendations

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

We did not need to utilise these additional audit powers.

## Public Interest Report

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

## Application to the Court

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

## Advisory notice

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

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

## Judicial review

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



# Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 - 39. Further detail on how we approached our work is included in Appendix B.



# Financial Sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Outturn 2021/2022

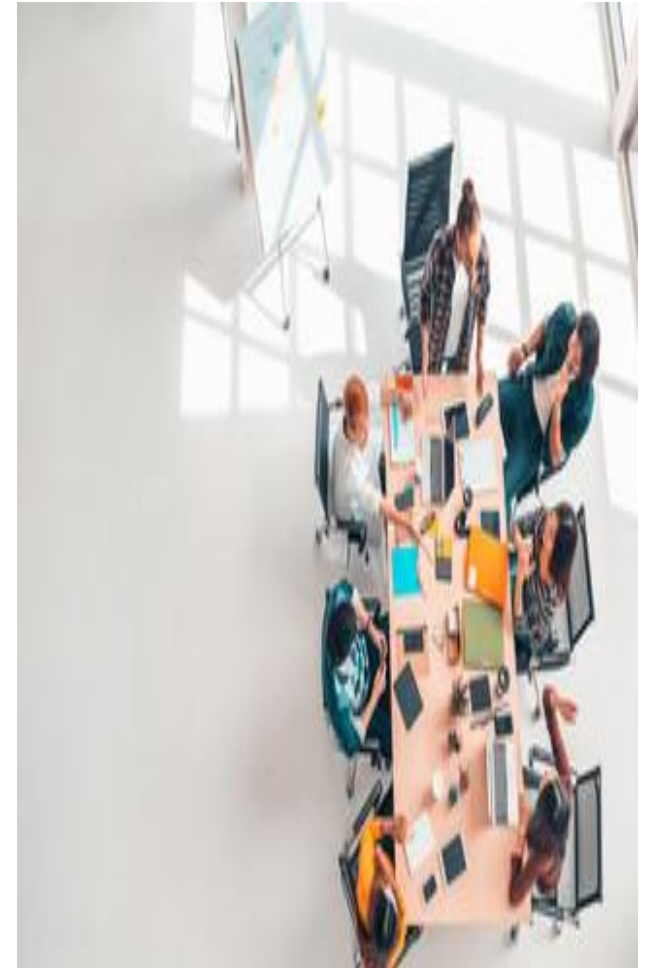
The financial position reported in the Council's Statutory Accounts for 2021/22 was an underspend of £1.336 million against a net £352.5 million budget, that is a -0.4% variance. In addition to the net base budget, the Council had £70.4 million of COVID related grant income available to use in 2021/22; this was made up of £46.9 million received in 2021/22 and £23.5 million brought forward from 2020/21. The majority of these grants were awarded for specific purposes. Those relating to Adult Social Care were allocated directly to providers.

The £1.336 million underspend was added to the Council's General Fund Reserves increasing the balance to £14.3 million, which is equivalent to 3.8% of 2021/22 net expenditure. It is the responsibility of the Section 151 Officer to advise the Council of the minimum level of reserves required based on an annual assessment of risk. In February 2021 the Council's General Fund estimated was £12.2 million. This means the General Fund Reserve at year end was in line with the recommended level.

There has also been an increase of £47.5 million in reserves, £42.9 million of which relates to earmarked reserves taking the balance of useable reserves at 31<sup>st</sup> March 2022 to £144.4 million. Reserves have increased due to unspent grant monies and the establishment of additional reserves for specific areas of risk including financial, Business Rate and Public Health risk as detailed to the Cabinet in July 2022.

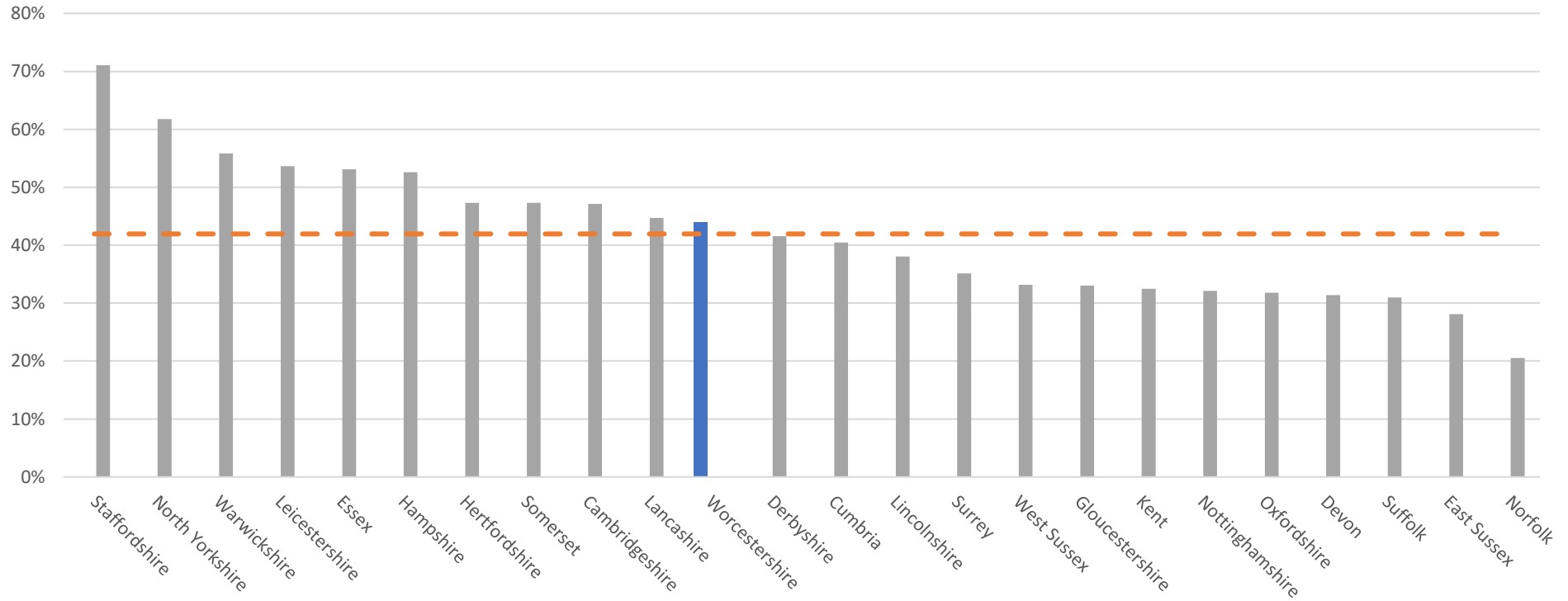
Children's services in Worcestershire are delivered by a company wholly owned by the Council – Worcestershire Children First (WCF). The 2021/22 year end position for WCF reported an underspend position of £0.05 million. This has been added to the Council's earmarked reserves for Children and Family Services.

Using data from the 2021/22 statement of accounts, the total level of General Fund and Earmarked reserves that the Council holds as a proportion of the net cost of services is similar to other county councils at 44% of net budget spend in comparison to the average of 42%. This demonstrated in the table on the following page.



# Financial Sustainability

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



The Average General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure 42%



# Financial Sustainability

## 2022/23 Budget

For 2022/23, in line with legislation, the Council has set a balanced budget at £373.199 million.

The Council has a robust organisational approach to setting the annual budget, which is based on corporate priorities. There is good Member engagement during the budget setting process, with Member budget briefings and review of budget proposals by the Scrutiny Committees.

The Council developed the 2022/23 budget using a 'roll forward' approach utilising the prior year budget assumptions and updating for known changes in expenditure and funding. This roll forward approach is a well-established methodology applied at the Council and across the sector.

The Chancellor's Spending Round 2021 (SR21) announcement on 27 October 2021 indicated overall levels of funding available to councils. Further details of the Provisional Settlement were published 16 December 2021. This included setting a Council Tax referendum limit of 2% for general purpose, 1% for social care and any carried forward percentage relating to Adult Social Care Levy not applied in 2021/22, when a levy was announced and could be spread across 2021-23 capped at 3%. As Worcestershire County Council implemented a 1% Adult Social Care Levy in 2021/22 that enables up to 2% of the 2021-23 levy available to be applied in 2022/23. Therefore, Cabinet proposed 3% (1% plus 2%) to be directed to supporting Adult Social Care to reflect the additional costs and demand on care arising from COVID and ensure the most vulnerable in society are protected.

Due to the impact of COVID, rise in inflation and current cost of living, Cabinet agreed a 0.94% increase in Council Tax.

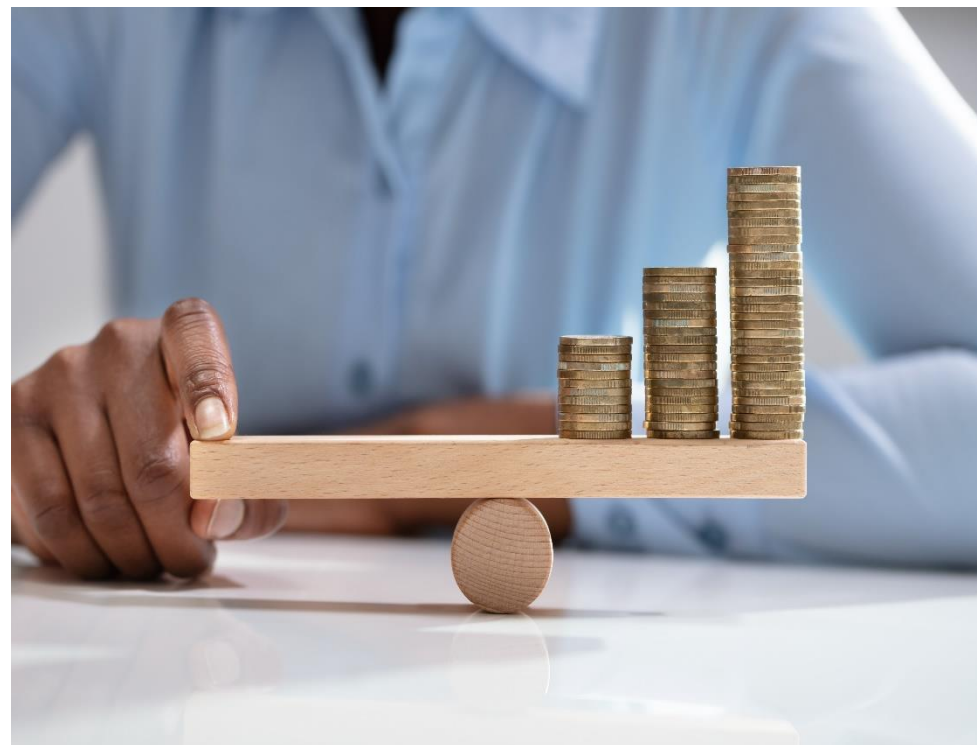
Overall, the Council's income from Council Tax and Government grants gives rise to a total forecast increase in its net income of £40.6 million in 2022/23 when compared to 2021/22.

We consider that the funding assumptions were all in line with expectations and deemed to be realistic based on the information available at the time the budget was produced. Budget inflation, pay and social care costs are those area we would expect to have the largest impact to the spending power of the Council, and all have been sufficiently considered and updated.

A non-pay inflation rate budget of £4m has been identified to reflect the Council's commitment for contracted goods, works and services which is broadly in line with the original MTFP forecast.

Net Service Demand and growth has been budgeted at £28.1m. The Council has also budgeted for a Pay Inflation pressure of £6.2m following the Government announcement to end the public sector pay freeze giving rise to a higher than anticipated pay rise settled nationally in 2021/22 and expected again around 2% in 2022/23.

The budget setting process is a 'live' approach, where the budget assumptions are continuously reviewed throughout the year via the budget monitoring reports and meetings between Finance and the Directorates and so we acknowledge that mechanisms are in place to make updates for key assumptions for example changes in inflation.



# Financial Sustainability

## Medium Term Financial Plan (MTFP)

Financial planning across local government is made more difficult due to the uncertainty created from annual finance settlements and the delay to funding reforms such as the fair funding review, social care reform and the business rate reset. Despite this uncertainty, our review of the Council's financial planning process indicates that it is based on realistic assumptions and arrangements are robust.

The Council continues to update its MTFP annually during the budget setting process. This involves updating for the future funding landscape (known or forecast) and estimating future expenditure forecasts using the current budget as a baseline. In addition, there has been analysis undertaken on expected risks and pressures and these have been incorporated into the budget and MTFP.

Financial planning assumptions are set out and updated through the MTFP and considered by Members in October 2021, January 2022 and February 2022 as part of the budget setting process. Assumptions include treatment of key expenditure drivers such as the pay award, inflation, and demographic and demand changes which are particularly acute in Adult's and Children's Services. The level of inflation currently experienced within the 2022/23 budget would have been difficult to predict, but demonstrates the value of sensitivity analysis for key budget assumptions.

The MTFP and Budget 2022/23 Report, approved by Council in February 2022 identified £8 million of efficiency savings to deliver a breakeven budget position at year end. The budget gap over the next three years is estimated to be £32.5 million. To ensure Financial Sustainability is maintained going forwards, the Council will need to ensure that the intended actions to close the medium-term financial gap are transparent to decision makers, scrutinised at the top level of the organisation and relevant officers held to account where there is a lack of progress. See recommendation 1.

Revenue monitoring identifies significant pressures for the 2022/23 budget, particularly within Adult's Services due to increased demand for residential and nursing placements, and within Children's Services due to external placements. Rapidly increasing inflation is also having a significant impact upon the Council's budget, a theme common across all public sector organisations.

The 2022/23 period 7 budget monitoring report shows a forecast net £13.1 million overspend on services. This includes £0.5 million shortfall in the identification of corporate savings target and £6.6 million Adults Social Care budget due to increased placement activity.

WCF is forecasting a deficit of £2.947 million. Placement numbers and average costs are the most volatile and high-risk area of the Social Care budget.

We have made an improvement recommendation that the Council should continue to develop and implement mitigating actions to address the significant budget deficit forecast of £13.1 million for 2022/23. See Improvement recommendation 2.



# Financial Sustainability

## Efficiency Savings

We concluded that the Council has not been robust in delivering on its savings plans and have included an improvement recommendation to reflect this. See recommendation 2.

The savings target for 2021/22 was £12.3 million, which was broken down between £7.1 million identified in 2021/22 and £5.2 million brought forward from the previous year as Corporate Savings were not delivered. The reasons included “Recovery from COVID had an impact on the Council’s ability to achieve planned savings”.

The savings delivery target for 2022/23 was approved at £8.1 million in February 2022. This included £1.5 million of undelivered savings brought forward from 2021/22. We also noted that £5.1 million of the total savings plan was not identified until budget month 4 which was reported to Cabinet in July 2022. The report notes a £0.5 million shortfall is forecast to be carried forward to 2023/24.

From our review of Committee papers, we concluded that while budget monitoring reports provided a clear overview of the forecast position, including risks and assumptions supporting those forecasts, timely in-year reporting in respect of performance against delivery of agreed savings plans could be improved. We noted that RAG rated savings plans were only included within the monitoring reports for budget month 4 and month 6 reporting to Cabinet in September 2021 and November 2021 respectively. While an overview of individual performance within each directorate is included, an overview of performance against the savings plan was not provided between November 2021 and March 2022. A summary of the year end position was also not evident within the outturn report to Cabinet in July 2022.

We consider that by improving its procedures that the Council could reduce the level of undelivered savings rolling forward each year and the need to draw from reserves. We note that a further £10.2 million of ear marked reserves has been forecast to be used in 2022/23.

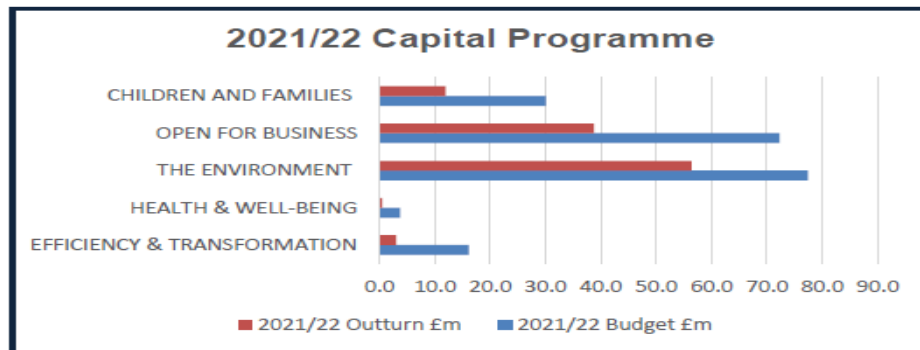


# Financial Sustainability

## Capital strategy and treasury management

In February 2021, the capital programme expenditure for 2021/22 proposed a total value of £76.3 million of works, maintaining a long-term capital programme in the region of £391.6 million. This was revised during the year to reflect changes to the values of capital schemes, due to changes in external income and specific grants expected, and reallocations between schemes to take account of all current information.

The revised capital expenditure budget for 2021/22 was increased to £199 million. Progress was made on a number of significant capital projects during the year. The final year end position was a spend of £110.6 million. This shows slippage of £89 million, which was reported to be largely due to the legacy impacts of COVID, delays in planning approval timescales and delays in grant allocations. Individual projects and their funding will be carried forward to 2022/23 for completion.



It is not unusual to see significant slippage in the capital programme during the year, however we would recommend that the impact of carrying forward these schemes to future years and the ability to deliver is fully assessed. See Improvement Recommendation 4.

In February 2022 the Council approved a capital programme of £146.1 million covering the period 2022/2023 to 2024/25. This maintains a capital programme in the region of £73.4 million for 2022/23. Of that, £52.3 million relates to extended and new commitments. However, we noted that this did not include agreed grant funding as a large number of externally funded grants were yet to be identified, it was reported that the capital programme would evolve during the year. At period 7 we noted that the revised capital expenditure forecast was £181.6 million.

From our benchmarking carried out we noted that Worcestershire County Council has high levels of debt in comparison to other county council peers, ranking 2<sup>nd</sup> for borrowing as a proportion of long term assets as demonstrated by the graph on the following page.

The total debt outstanding decreased from £523.0 million to £486.5 million during the year., from 37% to 33% as a proportion of long term assets. This decrease was primarily of £36.5 million debt repayment. This level of debt is within the Capital Financing Requirement for 2021/22 (£664.1m) and also meets the Prudential Indicators for the authorised limit for external debt (£713.0m) and the operational boundary (£678.0m). All debt is fixed rate and meets the Council's limits on the type of debt it holds (fixed and variable).

No new long-term loans were taken out during 2021/22.

Budget monitoring reports include an overview of the capital programme and progress against spend. Commentary on the assumptions and impact of the programme on borrowing costs is also included as part of the budget and MTFP.

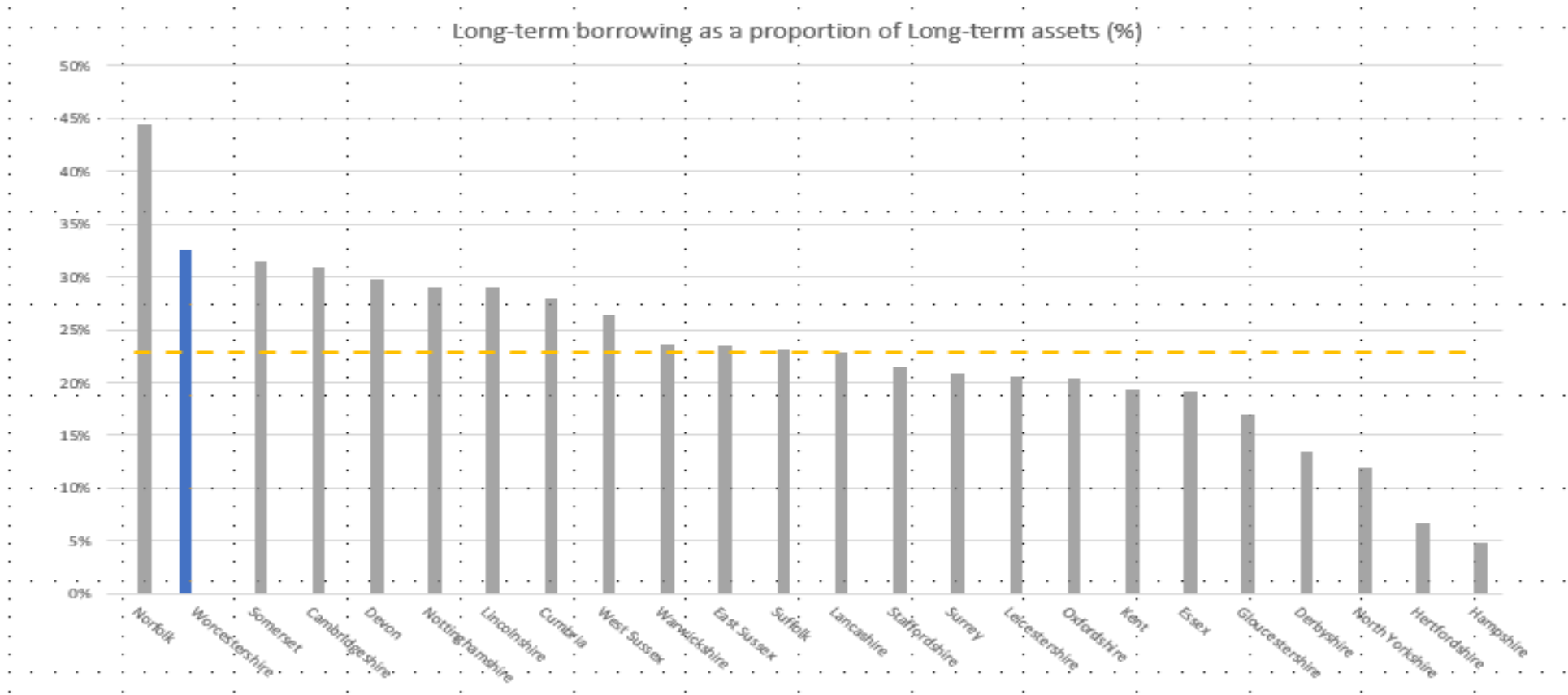
The Council recognises that the affordability of the capital programme is a risk to financial performance and keeps the programme and funding position under review. It is important that the capital financing requirement and corresponding debt levels continue to be managed to ensure they remain affordable, particularly as interest rates are rising.

## Summary

From our work carried out we have concluded that, in general, there are plans in place to address the funding gap for 2022/23 and future years. We have therefore concluded that there is no significant weakness with regards to the Council's arrangements for ensuring its financial stability. We have made some improvement recommendations. These relate to closing the financial gap, delivery of savings and the capital programme.



# Financial Sustainability



The Average long term borrowing as a proportion of long-term assets is 23%



# Improvement recommendations



## Financial sustainability

### Recommendation 1

The Council should continue to develop and implement mitigating actions to address the budget gaps identified in years 2022/23 to 2024/25.

Actions to close the medium-term financial gap need to be transparent to decision makers, scrutinised at the top level of the organisation and relevant officers held to account where there is a lack of progress.

The Council may benefit from developing a formal action plan to address the medium-term financial gap and including this within the annual budget reporting.

### Why/impact

Reducing spend and protecting reserves is important to ensure that the Council maintains financial sustainability in the longer term.

### Summary findings

The budget gap over the next three years is estimated to be £35.129 million.

The Council currently holds a good level of General Fund and Earmarked reserves which is above the average when compared to other County Councils. This provides a level of assurance that the any funding gaps can be balanced in the short term, however this does not provide for a long term sustainability solution.

### Management Comments

Management agree with the findings and will review the current process to engage with SLT and Cabinet to set out a longer term planning process within the confines of the current one year settlement.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 2

The Council should continue to develop and implement mitigating actions to address the forecast £13.1 million budget overspend for 2022/23.

### Why/impact

Reducing spend and protecting reserves is important to ensure that the Council maintains financial sustainability in the longer term.

### Summary findings

Revenue monitoring identifies significant pressures to the 2022/23 budget, particularly within Adult's Services due to increased demand for residential and nursing placements, and within Children's Services.

The forecast overspend reported at period 7 was £13.1 million.

### Management Comments

The Council has a number of actions including managing pay and non-pay spend, including vacancy management; as well as planned use of reserves. Where these issues are of an ongoing nature, for example overspend in adults and children's social care, these have been addressed as part of the draft budget for 2023/24



# Improvement recommendations



## Financial sustainability

### Recommendation 3

The Council should have a robust financial framework in place to ensure that financial sustainability is achieved in future years. This should include having a savings programme which is deliverable and supported by robust processes for ensuring schemes are identified and agreed on a timely basis.

Robust oversight processes should include timely and transparent reporting to Cabinet and escalation procedures to address non-delivery.

To maximise the success and achievability of delivering planned savings, the Council may benefit from additional scrutiny and input in identifying savings in the initial stages of budget setting.

### Why/impact

Reducing spend and protecting reserves is important to ensure that the Council maintains financial sustainability in the longer term.

### Summary findings

The Council has not been robust in delivering on its savings plans:

- In 2021/22 £5.2 million savings were brought forward the previous year as Corporate Savings not delivered and £1.5 million carried forward from 2021/22 into 2022/23.
- £5.1 million of the 2022/23 savings plan was not identified until budget month 4 which was reported to Cabinet in July 2022.
- In-year reporting in respect of performance against delivery of agreed savings plans could be improved.

### Management Comments

Management welcome the comments and will work with Cabinet around the development of proposals and the engagement of scrutiny. At this stage the uncertainties surrounding Government settlement hamper a true effective longer plan and process, however the CFO will undertake to continually improve the process dependent on lessons learnt from the 2023/24 process.



# Improvement recommendations



## Financial sustainability

### Recommendation 4

The Council should ensure there is a robust financial governance framework around its capital programme, including:

- Ensuring the capital programme includes agreed grant funding.
- The Council should assess the ability to deliver and the impact of carrying forward slippage in the Capital Programme into future years.

### Why/impact

There is an affordability risk due to increasing costs and additional pressures due to capacity.

### Summary findings

The final 2021/22 year end position was a spend of £110.6 million against the Capital Programme. This shows slippage of £89 million, which was reported to be largely due to the legacy impacts of COVID, delays in planning approval timescales and delays in grant allocations.

The capital programme, approved with the MTFP does not include agreed grant funding to provide a full overview of the capital expenditure budget.

### Management Comments

The AGS drew out the need to continually improve this process and as such management have introduced a Capital Board which is reviewing and scoping revised procedures which will address the points flagged by external auditors



# Governance



## We considered how the Council:

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

## Risk Management

High level responsibilities for managing risk are documented within the Authority's Constitution which delegates responsibility to the Audit and Governance Committee (AGC) to "ensure that a corporate risk management strategy is drawn up, and to consider, monitor and review the effectiveness of the Council's risk management arrangements".

In April 2020, the risk management function transferred to the Internal Audit Team and a new Risk and Assurance Manager was appointed. During 2021 and into 2022, developments to arrangements have been made including:

- the establishment of a Corporate Risk Management Group (CRMG), chaired by the Chief Internal Auditor and with representation of a nominated risk champion from each Directorate,
- the implementation of "Pentana" a bespoke system which enables the recording and reporting of risk across the Authority,
- an updated Risk Management Strategy and
- developing E-Learning modules for Risk Management.

Our review has noted a number of areas where improvement can be made to further develop and embed the arrangements in place for managing risk. It is evident that the risk management team has input a considerable amount of time and resource in establishing its Risk Management Framework providing a good foundation to move forward. Our recommendations have been made to assist the Council in making progress.

See improvement recommendation 5.

## Risk Management Strategy

Our review of AGC papers noted that, in March 2021, it was reported that an updated Risk Management Strategy and Policy was being developed. However the Strategy was not presented to CRMG until April 2022. We have therefore concluded that the Authority did not have in place a robust Risk Management Strategy during the 2021/22 period.

We also could not evidence that the Strategy presented to CRMG in April 2022 has been ratified by AGC or approved by Cabinet.

Our review of the Strategy noted that it demonstrates the Council's commitment to Risk Management supported by a statement of risk appetite which is defined as "Open". However, we concluded that the Strategy lacks a number of key elements to provide a consistent and robust approach to managing risk at all levels across the Authority. These include, but are not limited to:

- Defined roles and responsibilities for key stakeholders.
- Risk Management approach and process, encompassing:
  - Risk identification and assessment, including scoring methodology and impact assessment criteria.
  - Managing Risks, including determination of controls and assurances.
  - Risk Monitoring and Oversight, including reporting, escalating and de-escalating risks.

We acknowledge that the April 2022 CRMG briefing note indicated that a revised "toolkit" would be circulated. We confirmed with staff that the Toolkit would include the operational procedures and guidance. However, our review of briefing notes between May to September 2022 indicates that this is still under review.



# Governance

## Risk Management - continued

### Risk Reporting

Risk reporting requirements are not explicitly documented within the Risk Management Strategy. Our review of AGC papers between March 2021 and September 2022 confirmed that progress update reports have been prepared. But the information provided did not provide adequate assurance that risks were being appropriately identified and managed across the Authority, particularly in the first half of the year.

Reporting in September 2021 confirms that the Pentana system had been implemented and was being utilised to assist in oversight and reporting. Notable developments were clear within the progress report to AGC with supporting information which included risk profiles across all directorates, an overview of those risks rated very high or high and a summary of Covid-19 related risks.

Reporting in December 2021 and March 2022 includes directorate risk profiles with a comparison to the previous position to provide an overview of trajectory and travel. However the reports did not include an overview of those risks rated high or very high. There is a lack of detail to provide assurance that risks are being managed. While there is notable improvements within some of the progress reports to AGC, the level of detail and assurance provided has been inconsistent throughout the year. This suggests the arrangements in place are not yet fully embedded.

CRMG is responsible for monitoring very high and high risks and escalates any relevant matters to directorate leadership teams. However, it is not clear if there is upward reporting from CRMG to AGC as this is not demonstrated within the reports.

From our discussion with council officers, we did note that the CRMG meetings were stood down during the Covid-19 pandemic. The CRMG meetings have now been reinstated with effect April 2022. However, our review of CRMG briefing notes between April 2022 and September 2022 noted full representation across all directorates in April 2022. Following this, there were a number of apologies noted and the majority of meetings recorded a “nil response” across most directorates for all meetings. From discussion with staff it was noted that this means there was no advanced items provided by the directorate representative. However, it could suggest there may be a lack of engagement and commitment to the role.

### Risk Register

All risks are recorded on the Pentana risk system. In February 2022 there were 1,322 risks recorded with an additional 79 for WCF. Our review of the register in October 2022 noted this had increased to 1791. The Council should ensure that the number of risks recorded within the register is appropriate, and that risks are identified and evaluated using a consistent methodology with the ability to define those risks which are operational and managed at Directorate level and those that are considered strategic risks to the Council.

We noted a number of areas where the quality of data needs to be reviewed and updated to ensure the information is providing an accurate overview and provides assurance that risks are being accurately scored and managed across the Council. For example:

- The register provided does not provide a RAG rating to provide assurance that risks are on target for being managed within the Council risk appetite and tolerance to risk.
- There are many entries where the target score is the same as the current risk score, and in other cases the target score is showing as higher than the current risk score. This would suggest that either the target score has not been agreed at an appropriate level, or the risk has been fully mitigated in which case would suggest the risk should be closed.
- In the majority of cases we found the “Assigned to” field to be blank, it is therefore not clear that the actions identified to address the risk have been assigned ownership for completion.
- While the register provides a comment, it is not clear where and what controls are in place, the source or type of assurances being received or where there may be gaps which require further action to be taken. Risk Management methodology should identify what controls are in place to mitigate risk, the assurances received or required and any gaps that need addressing.

Using Pentana has provided improved reporting and monitoring functionality, such as the ability to report across themes and departments, identifying and reporting on high risks while providing a view of the risk profile across the whole Council. From review of the heat maps to the risks downloaded from Pentana, it is not clear how the heat map information reflects the risks recorded in Pentana. From discussion with staff we did note that risk profiles have been reported as an average across each Directorate. There is a risk of false assurances being provided, particularly where a Directorate has been rated as low overall but may include a low number of very high risks.

# Governance

## Internal Audit & Counter Fraud

From discussion with the Audit Manager, Interim Head of Internal Audit (HOIA), s151 Officer and Chair of the Audit Committee, all are satisfied there is an effective Internal Audit Service in place.

The 2021/22 Internal Audit Plan was presented to AGC in March 2021. The plan confirms it is risk based and meets with Public Sector Internal Audit Standards (PSIAS) as set out in the Charter.

Individual reviews have not been allocated a specific days allocation, however the areas of focus are listed and the plan confirms a level of contingency and flexibility to meet the Council's needs. The plan and encompasses Counter Fraud and confirms coverage for WCF. Our review confirmed there is a robust Internal Audit Plan in place with good coverage of the core and risk areas to comply with PSIAS and provide an end of Year HOIA opinion.

Progress against the plan is reported to each meeting of the AGC. The update is supported with detail of the current status of each review and any changes to the plan. However the changes, particularly where reviews are removed from the plan, are not supported by a documented reason for the change, or confirmation of approval from the lead audit sponsor / executive lead. The progress reports also provides information in respect of the implementation of agreed Internal Audit actions. Our review confirmed that the Council are generally robust in implementing actions, are not an outlier in its % compliance and do not have a high number of actions reaching six months overdue.

The HOIA Annual report was presented to AGC in July 2022 and provided a "Moderate" Assurance opinion "A moderate rating means that the control framework is adequate and controls to mitigate key risks are operating effectively, although improvements are needed."

Progress reports of Fraud Activity are provided to the AGC as part of the Internal Audit reports.

We noted that the Council has a number of policies in place to manage and mitigate the risk of fraud and fraud risk has been identified and is included within the risk register within some directorates for example procurement fraud risk and increased risk of fraudulent activity within Trading Standards.



# Governance

## Budget Setting

Annual budget setting arrangements are well developed. There are a number of processes undertaken to prepare, agree and scrutinise proposals which, following discussion with key officers are well embedded and understood by those charged with responsibility for setting and approving the budget.

Under the Council's Constitution the responsibility for approving the budget sits with full Council. It includes a Budget and Policy Framework Rules which provides an overview of the approval and consultation process, highlighting that this will be published as part of the "Forward Plan" but does not document these timescales within the policy. See improvement recommendation 6.

The process is based on an incremental budgeting approach that starts with the base budget, predicts known changes, such as inflation, pay awards and considers any new pressures arising from demand or changes in the mechanisms of funding. The process starts in early autumn, with refreshes of the MTFP with department accountants all feeding into the process. Gaps are then identified, and savings plans are evaluated.

Members are involved early in the process with away days and discussions held with officers before the budget is prepared and shared with Cabinet. The first paper is presented to the December cabinet with an update in January and then February before going forward to full Council for approval.

The approach to preparing the budget is in accordance with the Budget and Policy Framework Rules and this reflects the County Council's Corporate Plan 'shaping Worcestershire's Future' and the MTFP. While there is no specific public consultation on the budget, Worcestershire have a viewpoint citizen's panel, which tracks annually the thoughts of residents, this includes questions on priorities and where money should be spent, and these are fed into the MTFP and results are referenced in the budget report to add a public view focus.

Our review of papers and discussion with key officers confirmed this process was in place, with the Budget and MTFP approved by Full Council in February 2021.

As part of the process of setting the budget, savings are split between those where officers have authority to take actions within the existing Council Policy Framework and those where decisions require a change in policy and approval by elected members. Where Cabinet took decisions in 2021/22 or are in the process of consultation then any related savings have been assumed within the base already and the updates will be through separate Cabinet papers. The efficiency proposals for 2022/23 are broken down by directorate within the MTFP.

The draft budget report to Cabinet in Feb 2021, provides the process for Engagement on Proposals, which includes "The proposals have been subject to review and scrutiny by a range of stakeholders, including elected members through the scrutiny process, Trade Unions through meetings with them; and Schools Forum consideration of the Dedicated Schools Grant changes.

The report also provides evidence that there are processes in place for internal and external engagement on proposals, which includes scrutiny by a range of stakeholders, including elected members through the scrutiny process, Trade Unions through meetings with them; and Schools Forum consideration of the Dedicated Schools Grant changes.

Our review of scrutiny committee papers confirmed the engagement arrangements in place, with comprehensive comments and input from overview and scrutiny panel.

## Budget Monitoring

The budget monitoring and reporting process in place is well embedded with detailed budget reports provided to the senior leadership team on a monthly basis. These include an explanation of significant variances and assumptions used, a forecast outturn position, risks to the budget and actions for each chief officer to take.

Public reporting on the budget is provided via the Cabinet. Our review of Cabinet papers confirmed there is clear and transparent reporting in place confirming the Council's current position and forecast year end position. This is further broken down for each directorate to provide an overview of performance and cost pressures council wide.

# Governance

## Informed decision making and compliance with regulatory standards

The Council has in place a Leader / Cabinet model of Governance. The Constitution includes the principles of decision making and the rules, codes and protocols that govern how the Council operates, including Financial Regulations and the Scheme of Delegation.

The Constitution sets out the functions of the statutory posts of Head of Paid Service, Monitoring Officer and the Section 151 Officer, including providing advice to Members on staff management, financial, legal and ethical governance issues.

Processes are in place to ensure Cabinet and Executive decisions are appropriate and comply with relevant legal, statutory, regulatory and budgetary requirements. The Council's triumvirate which is made up of Legal, Democratic and Section 151 Officer representation review all reports prior to formal reporting through the Governance Structure, to ensure appropriate requirements are complied with.

There is evidence of an appropriate "tone from the top" being set in respect of decision making and ethical behaviour from Senior Officers and Members. Codes of conduct are in place for both Members and officers which are contained within the constitution. This is publicly available on the Council website. All Members are required to declare any interests which are recorded along with a register of any gifts and hospitality which are reviewed regularly. We noted that the Council are making developments to move away from manual declarations of interests and these will move to online declarations.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. Through our review we are not aware of any instances where officers or elected members have not complied with the necessary standards.

We confirmed through conversations with key officers and review of key documentation that there are arrangements in place to ensure that relevant information is provided to decision makers on a timely basis before decisions are made and Scrutiny Committees provide for challenge on decisions, policies and performance during the year.

Member budget briefings are also held to provide assurance on the budget and ensure sufficient information is provided to enable an informed decision to be made.

We reviewed the Constitution and noted that it is dated January 2020 and therefore may not fully and accurately reflect the roles and responsibilities of the Council, particularly where changes have been made. From our discussion with key officers we noted that the role titles for Strategic Directors and Assistant Director posts were updated after changes were made to job titles before Covid, however there now needs to be a further review to ensure that the functions delegated are still relevant and appropriate to each directorate. For example the property function has been brought back in house following the closure of Place Partnership and therefore the delegation for that function may need updating.

Any significant governance considerations are reported as part of the Annual Governance Statement (AGS). Our review of the AGS confirmed there were four areas of focus identified in 2020/21 and two new areas in 2021/22, this includes "Non-compliance with Corporate Policies and Procedures across all disciplines". We note that the Council plans to undertake an assurance gap analysis of decision making, including boards and roles of directors to help drive a constitutional refresh to support and strengthen effective business decision making. This will include schemes of delegation and contract procedure rules.

The following action has been reported to be undertaken: "Review of the Council's Constitution and supporting policies and procedures will be performed to ensure that responsibility and accountability is defined and the consequences for non-compliance across Officers and Members are clearly

## Summary

We did not identify any risks of significant weakness in relation to Governance. We have not made any key recommendations, but have included recommendations for improvement, include enhancing and embedding the Risk Management Framework and ensuring the Constitution is reviewed and updated.

# Improvement recommendations



## Governance

### Recommendation 5

The Council should enhance and further embed the risk management framework in place, by ensuring:

- The Risk Management Strategy is approved and endorsed.
- The Strategy sets out clearly defined roles and responsibilities for all key stakeholders.
- The supporting Risk Management Toolkit is promptly developed to ensure there is a council wide robust and consistent approach to managing risk. The Toolkit should include as a minimum, the approach and process for:
  - Risk identification and assessment, including scoring methodology and impact assessment criteria.
  - Managing Risks, including determination of controls and assurances.
  - Risk Monitoring and Oversight, including reporting, escalating and de-escalating risks.
- Risk reporting arrangements including the reporting template and the information required for oversight should be agreed and clearly defined as part of the Risk Management Toolkit. This should include frequency and responsibilities for reporting.
- The Council should review its current framework and arrangements for managing risk to ensure they are effective, working as expected and that those charged with responsibilities for managing risk at a department level are appropriately committed to the role.
- The number of risks recorded within the register is appropriate. To ensure this is appropriately managed, risks should be identified and evaluated using a consistent methodology with the ability to define those risks which are operational and managed at Directorate level and those that are considered strategic risks to the Council.
- The functionality of the Pentana System is investigated to identify any opportunities for improving reporting and monitoring processes. This should include improving the quality of data within the risk register information.
- Risk reporting clearly highlights those risks rated Very High or High and risks are not averaged across service lines.

### Why/impact

Risk management is an essential part of delivering good governance, enabling Council's to ensure they are not adversely impacted by threats that could have been foreseen.

### Summary findings

Our review identified areas where there is an opportunity to improve the risk management arrangements in place. Our findings and recommendation have been made to further enhance and strengthen the processes.

### Management Comments

The Council's Risk Strategy will be updated during 2023, and SLT are continually reviewing to improve its processes.



# Improvement recommendations



## Governance

### Recommendation 6

The Council should review and update the Constitution. This should include:

- Ensuring the Constitution accurately reflects the roles and delegated responsibilities of the Council, particularly where changes to job titles and Council functions have been made.
- Documenting the timescales for preparing and approving the budget aligned to the nationally agreed framework.
- Including

### Why/impact

The Constitution sets out how the County Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable. The Constitution should therefore be reviewed and updated on a regular basis to ensure it reflects the current and national position, up to date mandatory and statutory guidance and continues to promote the principles of good governance.

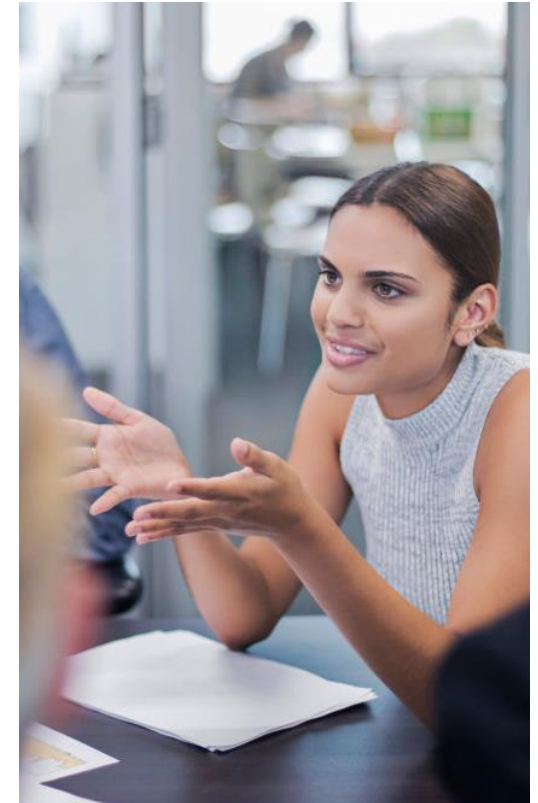
### Summary findings

The Authority's Constitution is dated January 2020 and requires updating. It may not fully reflect the roles and delegated responsibilities of the Council particularly where changes have been made.

The Council's Constitution includes that the responsibility for approving the budget sits with full Council. It includes a Budget and Policy Framework Rules which provides an overview of the approval and consultation process, highlighting that this will be published as part of the "Forward Plan" but does not document these timescales within the policy.

### Management Comments

This is part of the AGS action plans and will be a key task for the new Monitoring Officer.



# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance management

The Corporate Plan 2017 to 2022 articulates the Council's four priorities for the five year period:

- health and well being,
- open for business,
- children and families and
- environment.

The plan looked to change the role of the Council to one which was about enabling individuals, families and communities to do more for themselves, while still being there for the most vulnerable in society.

The Corporate Plan is supported by service plans and a range of indicators to enable officers and members to monitor performance and track delivery. The process for performance reporting is quarterly via overview and scrutiny boards, which are then reported through the overview and scrutiny performance board and twice yearly via performance scorecard which are published within the public domain on the councils website.

Officers acknowledge that during the 12 months of 2021/22, the focus has not been on these 'business as usual' arrangements, and the efforts of both officers and members have been diverted into the pandemic response and recovery. KPIs are also not reported to Cabinet.

We have therefore concluded that for 2021/22 the Council has not demonstrated it has achieved the objectives set out as part of its Corporate Plan priorities.

See improvement recommendation 7.

During this period the Council took the decision to de-commission the system used for performance recording and reporting which was not equipped to comply with public facing reporting and refresh the Performance Framework in place. The Pentana system is now being used for this purpose with reporting being developed through the "Power BI" mode.

Following the outcome of the elections in May 2021, the Council have been working on the new Corporate Plan. The 2022-2027 Plan has now been launched. The Plan is built on the same priorities, harnessing the relationships and partnerships that have developed during the response to the pandemic to produce a plan that will deliver for Worcestershire as a whole.

The Council has been developing a new hierarchy of performance indicators to align to the success measures within the refreshed Corporate Plan. These have been designed to give greater insight of the activities supporting the indicators and the ability to hold to account at all levels of seniority.

Performance reporting has now been developed and approved internally and this is ready to go live pending approval for public facing reporting.

Reporting has been designed to provide a RAG rating attached to each of the Pillars (priorities) within the Plan, therefore where an individual activity is RED, this prompts the entire pillar to be rated RED. This is intended to provide greater oversight and strengthen accountability.

From review of the developing framework, it was noted that the Corporate activity to have performance reporting in place was RAG-rated RED. We acknowledge that while the development of the arrangements is making progress these have still yet to be launched.

# Improving economy, efficiency and effectiveness

## Performance Reporting & Benchmarking

Although corporate performance management processes were put on hold, there has remained oversight of directorate performance through the overview and scrutiny boards. There are six scrutiny boards in place and from our review of the dashboard information, we confirmed these provide a comprehensive overview of services performance including performance against the budget. They allow for robust challenge and discussion, and in turn identify any cost pressures or potential quality or effectiveness risks. We reviewed a sample of the reports and noted the following:

Reporting for WCF is provided through the Children and Families Overview and Scrutiny Committee. We reviewed the 2021/22 year end performance data and noted that the timeliness of action taken is good. For example, the number of contacts and referrals had increased by approx. 4400. The timeliness of decision making in 24 hours had been maintained at 80% compared to 78% through 20/21 and 72% through 19/20. There is a recognition that conversion rates from “contact” to “referral” - SWA (social work assessment) are a concern and work is being carried out with partners to understand the accessibility and effectiveness of other supporting services.

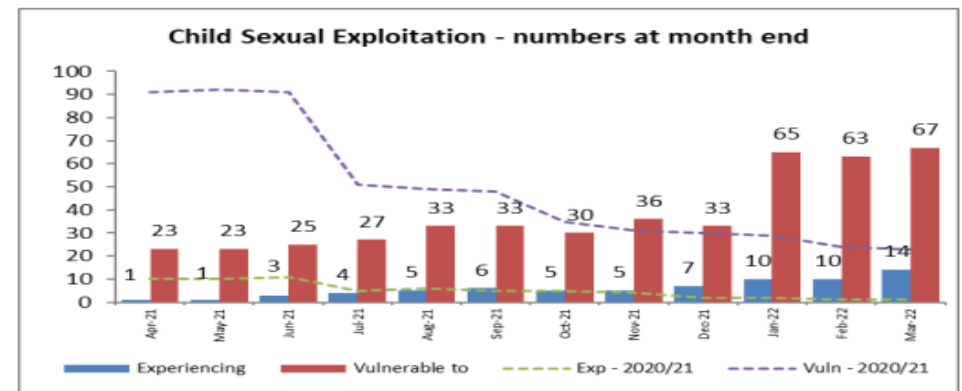
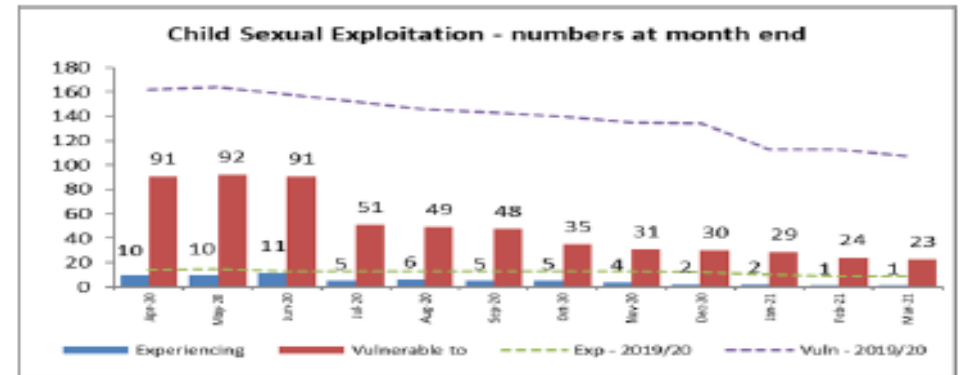
Our review of KPI information showed that for one indicator, there was a significant increase for the period January to March 2022, when comparing the month on month figures in 2019/20 to 2021/22. The indicator reports the number of children vulnerable to child sexual exploitation. While we recognise the initial trend in reducing numbers aligns with the national lockdown period, the narrative in the overview report doesn’t provide specific reasons for the increase or confirm that further investigation had taken place to provide further clarity.

See improvement recommendation 8.

‘GET SAFE’ is the Worcestershire Safeguarding Children Partnership’s title for the identification and management of multi-agency support and protection for children and young people at risk. The purpose of the Partnership Group is to develop and co-ordinate the strategic and tactical action plan to support and protect children and young people at risk of or who are experiencing exploitation.

As a result of the partnership working, there has been an increase year on year of young people being identified as in need of support to reduce their vulnerability to exploitation. This is positive as it means that young people are supported at the earliest opportunity and support and intervention can be offered by any partner or commissioned service ensuring that the child and their family get the right help and support.

The Partnership provides annual and quarterly reports to the Committee detailing the activities undertaken and focus of future activity. Our review of the reports confirmed that in the reporting period October 2021 to September 2022 the partnership approach to prevention, protection, and pursuit of exploitation was a key priority. This was supported by Operation Bordeaux in Quarter 4 of 2021/22. We consider this focus to align with the outcomes and increase in the indicator information:



# Improving economy, efficiency and effectiveness

## Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

The Council does not routinely undertake financial comparisons or benchmarking of service performance with other local authorities. Instead, it considers benchmarking in a more targeted way when looking at individual service areas.

We have previously reported that, overall, Worcestershire is a low spending county per head of population when compared to other county councils. This was based on the most recent data of actual spend, which is 2019/20 Revenue Outturn (RO) submissions to the government.

We have completed further benchmarking using our management tool 'CFO Insights', which compares the unit costs for a range of services and identifies areas where the unit costs were very high or very low in comparison to other county councils.

Our analysis is based on the latest available data, which is the approved budgeted spend (RA data for 2022/23) per "Service Line". We have then associated a unit to the service line to calculate a unit cost, for example for Children's Social Care this is based on population aged 0-17, or for Adult Social Care this is population aged 18+. The unit score analysis then benchmarks against the comparator group eg other County Councils. A "Very High" score would place the Council in the top 20%, with "Very Low" placing in the bottom 20%.

The table opposite provides an overview of a sample of those Directorates where the unit cost is assessed as very high compared to those where the unit cost is low. (Source: RA Returns 2022/23).

The table on the following page of this report provides an overview of the Council's cost per unit of Directorates when compared to its nearest nine County Council's.

Service	Total Budget Cost 22/23 £000	Units	Unit Costs £	Unit Cost Score
TOTAL CULTURAL AND RELATED SERVICES (RA) £/head	11,221.00	598,070.00	18.76	Very High
TOTAL CENTRAL SERVICES (RA) £/head	18,691.00	598,070.00	31.25	Very High
TOTAL PUBLIC HEALTH (RA) £/head	52,706.00	598,070.00	88.13	Very High
TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17	104,038.00	119,353.00	871.68	High
TOTAL EDUCATION SERVICES (RA) £/aged 0-18	262,419.00	125,503.00	2,090.94	Low
TOTAL ADULT SOCIAL CARE (RA) £/aged 18+	199,120.00	478,717.00	415.95	Low
TOTAL SERVICE EXPENDITURE (RA) £/head	716,290.00	598,070.00	1,197.67	Low

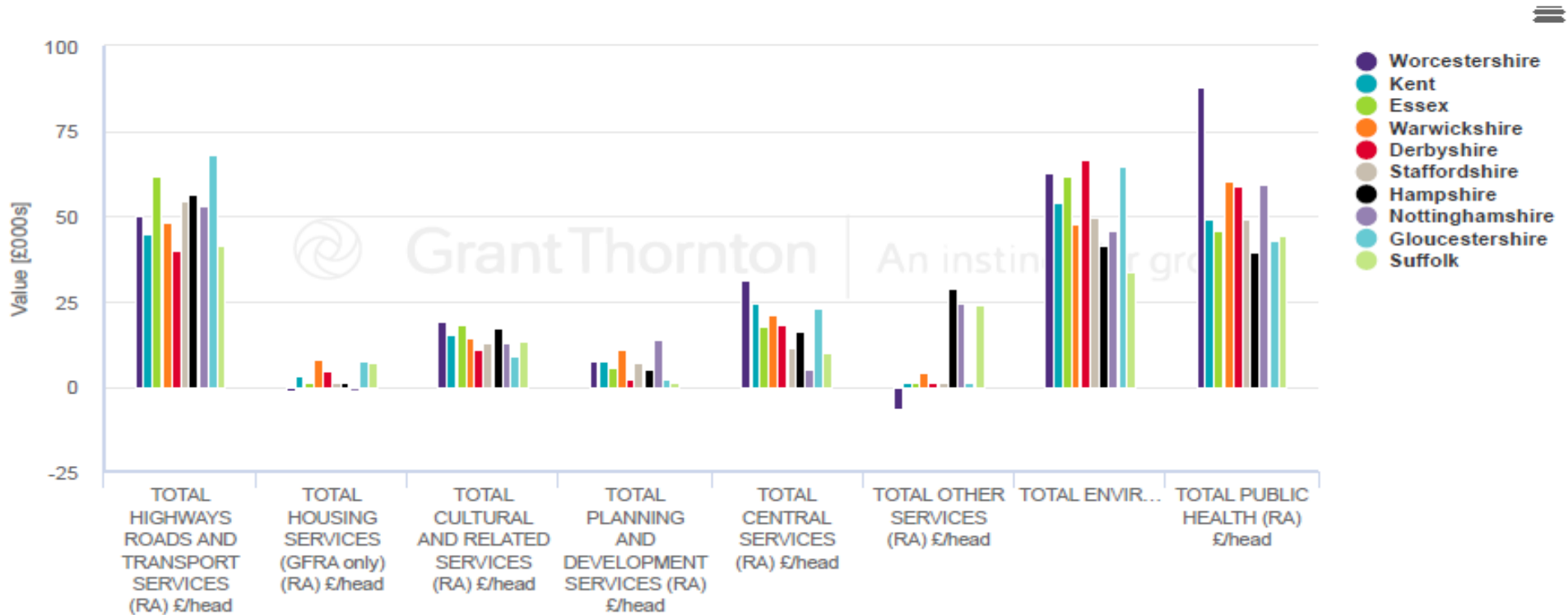
Comparator County Council group data:

- Kent
- Essex
- Warwickshire
- Derbyshire
- Staffordshire
- Hampshire
- Nottinghamshire
- Gloucestershire
- Suffolk

# Improving economy, efficiency and effectiveness

## Benchmarking

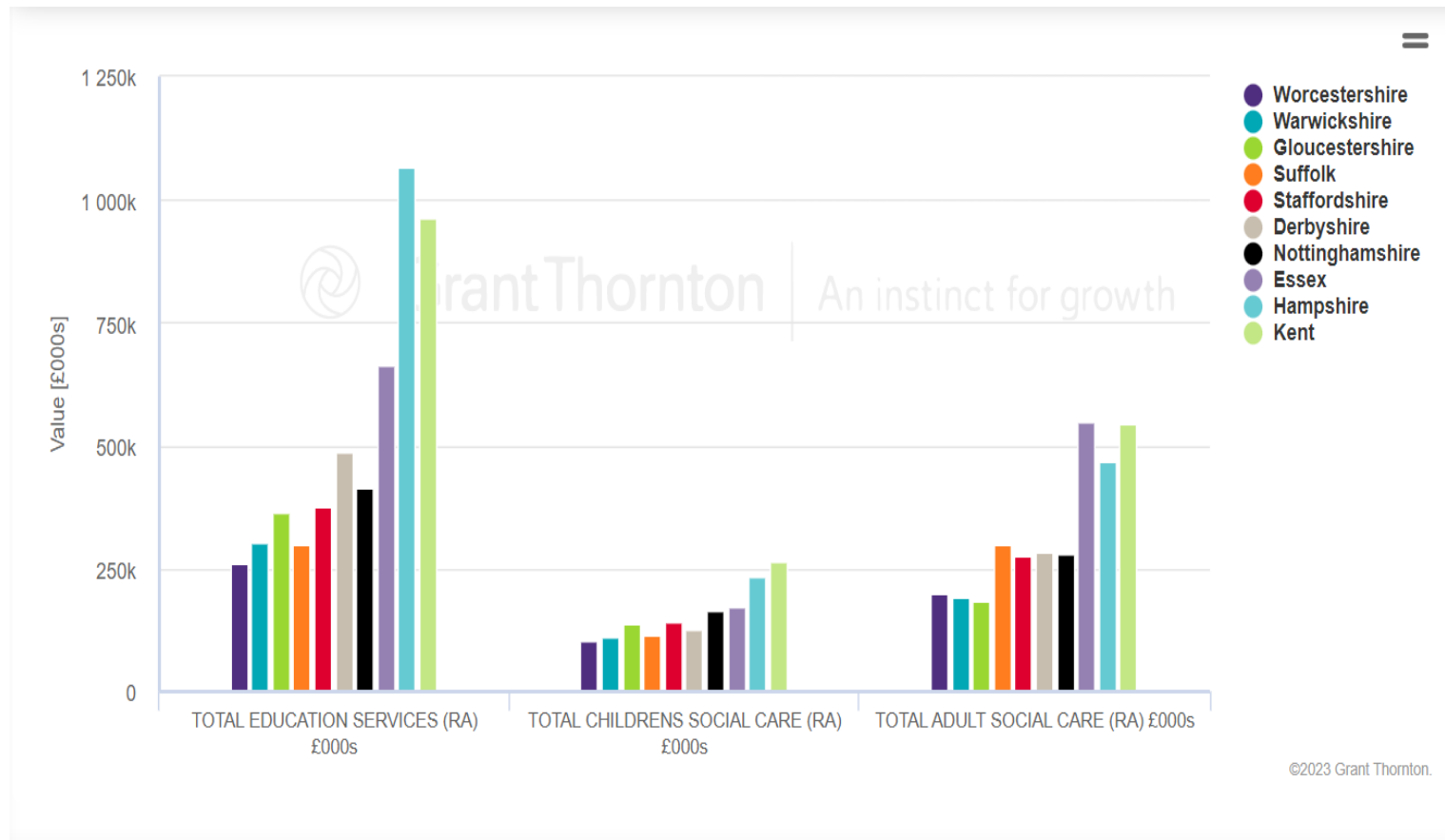
Unit Costs Analysis chart - showcasing budgeted spend within each service area, compared against its Nearest Neighbours





# Improving economy, efficiency and effectiveness

## Benchmarking continued



# Improving economy, efficiency and effectiveness

## Benchmarking

Where we have identified potential outliers when compared with others, officers have a clear understanding on why the data suggests either high or low spend when compared to others.

The costs for culture, in particular the libraries service, are very high when compared with others. However this is not unexpected, the key driver for this is the private finance initiative (PFI) scheme of The Hive. In January 2010 the County Council entered into a PFI contract for the construction and provision of a new Worcester Library and History Centre (The Hive). The Hive became operational in January 2012 and opened to the public in the summer of 2012. The Hive is a partnership initiative between the County Council and the University of Worcester for the provision of a fully-integrated public and University library, plus the Worcestershire Record Office, Worcestershire Historic Environment and Archaeology Service and Worcestershire Hub Customer Service Centre. However, the Hive does not replace the existing community libraries which remain operational.

Spend on public and sexual health is high when compared to others. The Council have targeted certain preventative measures, and have used the public health grant to fund these initiatives. The information provided on the following page provides an overview of spend and may be useful to carry out any further targeted investigation.

The 2021/22 year end outturn provided a breakeven budget position overall. The unit cost of adult social care per person over the age of 18 is assessed as low when compared to neighbours.

Reports to Adult Care and Wellbeing Scrutiny Panel noted that over the period 2019-21, the rate of admissions to permanent care fell overall. The March 2021 figure was particularly low due to the pandemic. Admission rates have risen in the year and at the end March 2022 returning to near pre-pandemic levels.

The Council have established an action plan to focus on demand and spend. High cost packages, authorisation and actions post review are being scrutinised as part of this. Ongoing work with Commissioners looking at extra care provision, Continuing Health care decisions continues as does the scrutiny of all new placement.

We also noted that reporting in July 2021 for Adult Social Care the Percentage of people in services for twelve months who had a review completed in those twelve months or whose review is in progress at that point has been reported as RED and below target for more than 2 years. The narrative in the report provides assurance that there is some improvement and action is now being taken to address this by commissioning an external provider.

Children's Social Care costs are High when compared to nearest neighbours. This includes the unit cost of Children Looked After which is assessed as Very High. Performance reporting to scrutiny includes narrative to support this as looked after children total numbers have risen throughout the 2021/22, with the Council remaining above statistical neighbours and England averages.

In comparison, Education costs are assessed as Low, with primary, secondary and special schools provision being Very Low. We noted that Ofsted Performance has remained relatively stable over the last few years, with the % rated Good or Outstanding being 82%, however we noted this was just below the England average of 86%.

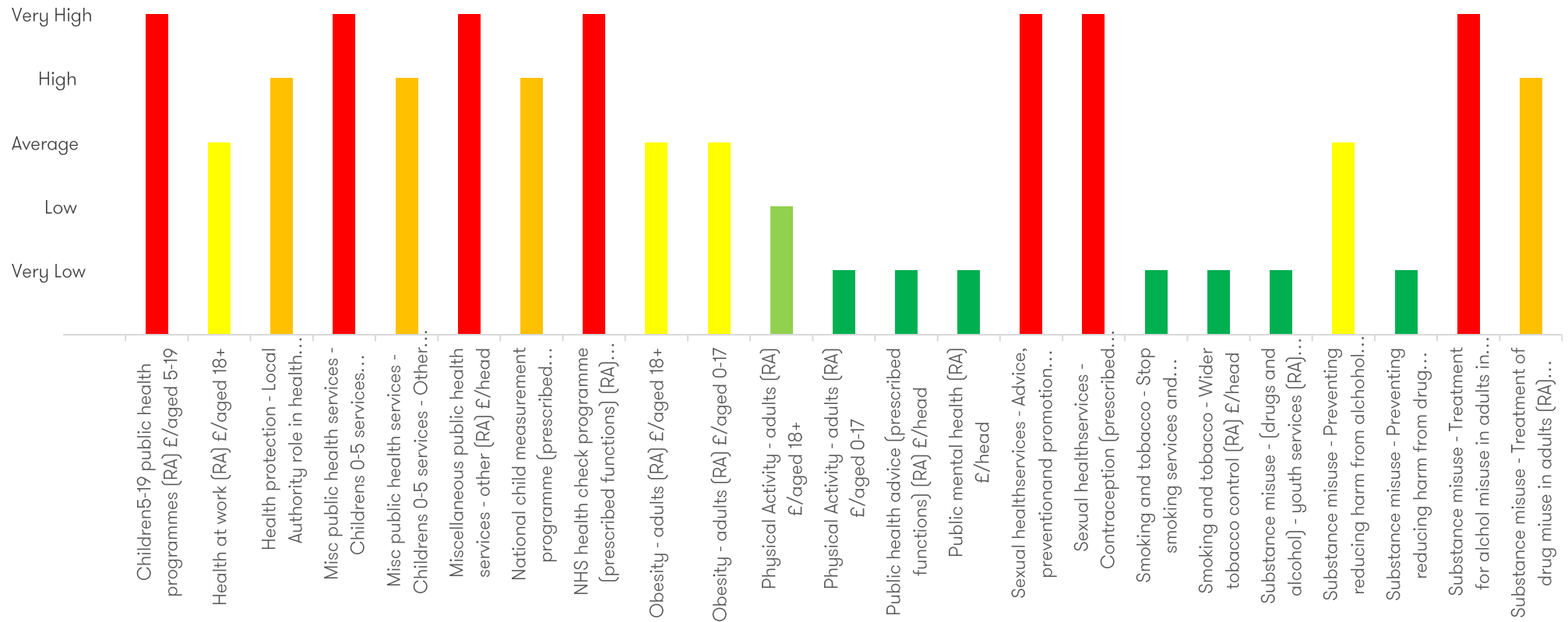
Costs for highways and transport services has been reported as low in recent years. The Council's commitment to invest in this area aligns with the benchmark data which has seen the cost per unit increase to "Average" overall for budget spend in 2022/23:

Service	Total Budget Cost 22/23 £000	Units	Unit Costs £	Unit Cost Score
TOTAL HIGHWAYS AND TRANSPORT SERVICES (RA) £/head	29,840.00	598,070,00	49.89	Average



# Improving economy, efficiency and effectiveness

Public Health Services Unit Costs Benchmarking



# Improving economy, efficiency and effectiveness

## Service User Feedback

The Council is pro-active in seeking feedback from key stakeholders including its staff and service users. This is carried out in a variety of ways including through its consultation processes when changes are proposed to services, part of the public view point questionnaire or to gauge satisfaction feedback in respect of individual service areas. Examples during 2021 include but are not limited to:

### 2021 View point:

In 2021, 4,295 view point questionnaire completion requests were mailed out to panel members, 89% of these via email and 11% by post. 2,048 responses were received which is equivalent to 48%.

Satisfaction with the local area is a key indicator about public service delivery. 81% of Worcestershire residents said they were satisfied with their local area as a place to live. However, this is a decrease from the 86% satisfied in 2020 and 2019 when 82% were satisfied. Likewise 54% of residents are satisfied with the way the County Council runs things. This is a significant decrease from the 62% satisfied in 2020.

When asked for the top five things that most need improving in the local area, road issues including traffic congestion and road/pavement repairs were consistently top.

### IT and Digital User Satisfaction Survey

Analysis of the survey indicated overall good levels of satisfaction with the IT service. The outcome of the report has enabled the Council to identify areas where further improvement can be focussed, including:

- Better engagement with professional and front-line staff to enable them to appropriately influence ICT developments.
- Better strategic engagement with the People Directorate and WCF.
- Improving the ease of contacting ICT support staff.
- Improving speed of response to requests for assistance.

The outcomes of this data have been summarised and benchmarked against other County Council's where possible to inform decision making for as part of its budget setting spending and investment decisions. This is evidence through the Council's continued investment through its Highways and Transport budget.

## Comments and Complaints

The Council's comments and complaints process also allows for any learning to be developed and embedded into operational processes for example for Adults Social Care, Comments and Complaints are reported to the Adult Care and Well Being Overview and Scrutiny Board. The outcome of and numbers received are also included as part of the Directorate Annual Report which is published on the Council's public facing website.

From our review of the 2021/22 Annual Report, we noted that while the number of complaints received in 2021/22 had increased when compared to the previous year, there were none that were categorised as high risk. The report provides a clear overview of the service area for complaint and provides examples of some of the actions that have been taken to address the issues, for example re-iterating and reminding front line staff of processes in place.

Level	2020-21	2021-22
Low Risk	95	190
Moderate /High Risk	28	43
Informal	22	14
LGO	7	13
<b>Total</b>	<b>152</b>	<b>260</b>

Our review of the minutes from the Adult Care and Well Being Overview and Scrutiny Board confirmed robust discussion, challenge and scrutiny has taken place.

### Worcestershire Children First

The WCF Quality Assurance Board sets an annual programme of deep dive reviews across front-line Social Care and Education services. This includes seeking the views and opinions of children and young people on the impact of interventions and how the WCF continuously learn and improve to be better. Reports are presented to WCF board.

Outcomes are reported as part of the WCF annual report.

In 2021 the annual Voice of the Workforce (VOW) survey was introduced; a system health check and a barometer of our services that enables staff to share their views and feedback on the strengths and areas for development to support continuous improvement. The survey was completed by 61% of the workforce and its findings support the key priorities of our quarterly Workforce Board. The key issue raised related to workload where on 65% said this was manageable.

# Improving economy, efficiency and effectiveness

## Significant Partnerships

2021/22 was the second full year of operation of Worcestershire Children First (WCF). WCF is a wholly owned company of the council which was created to deliver children's services following a Direction issued by the Secretary of State. In November 2021, the Council received formal confirmation that the Direction would be removed, confirming the significant improvement made in services since the 2016 Ofsted inspection. This would not have been possible without the commitment of both officers and members of the Council and members of the company board to continue to work together to deliver the required improvements.

A key strand of the business plan for WCF is the need to work in partnership with the County Council. There is a recognition that the plan for the company is not just about its own priorities and visions for children and families, but also important to see them as members of the Worcestershire Community.

County Council priorities of open for business, the environment and health and well being are as important for the children and families supported by WCF as they are for the whole Worcestershire community. There is a real commitment to work together to get the best outcomes for young people and their families.

There is a clear understanding of the interdependence of the Company and the Council, but equally an understanding of the different roles that members of the board play, compared to the roles played by members of the Council. Governance structures are appropriate and there are arrangements in place via the WCF Quality Assurance Framework to analyse business and performance information on a regular basis. While this information is primarily for the company, it is shared with officers of the Council with reporting through the Children and Families Overview and Scrutiny Committee.

The Council continues to recognise the importance of Children's services, and following submission of a detailed business plan from WCF which sets out the continuation of the Council's improvement journey to good, and the financial plan around key areas such as safeguarding, schools and early years, has approved a further investment of £7.9m as part of the budget for 2022/23. Further funding has also been set aside for potential pressures on the placements budget





# Improving economy, efficiency and effectiveness

## Procurement of Services

Worcestershire County Council currently spends £633M per annum with external organisations for goods, services and works to support the delivery of the Council's priorities. High level responsibilities for procurement are documented within the Constitution which states "The procurement of works, goods, materials and services shall be made in accordance with the Procurement Strategy, the Council's Contract Standing Orders and the Procurement Code".

The Council has in place a Corporate Procurement Strategy 2022 – 2025 which provides an overview of the Council's vision to be a "procurement partner of choice" and defines how it intends to meet the priorities of the Council, as well as how the national procurement strategy for Local Government aims and objectives are reflected in its approach. The strategy gives an overview of its three key themes which have been identified to provide the basis of the Procurement Outcomes Framework.

From our review of Committee papers, we did not see evidence of reporting against KPI metric's to provide assurance of its achievement of agreed procurement outcomes or to demonstrate a efficient and effective service and compliance with procurement rules. However, we were informed that there are 65 KPIs adopted from the local government association, which current performance has been assessed against and subsequently a plan has been developed for improvement where needed.

We were also informed that there are 15 specific KPIs which have been agreed for monitoring performance at a service level (savings, supplier reviews, category strategies etc), and these will be implemented from 1st April 2023.

We reviewed the Council's Financial Regulations and Contract Standing Orders (CSOs) and found that it is not clear what thresholds have been agreed for contracting or what levels of approval have been set. The CSOs are also vague stating "Standing Orders give Chief Officers freedom to enter contracts in such manner as seems to the Chief Officer to be appropriate and subject to the provisions of Financial Regulation 36, each Chief Officer shall establish, in writing, detailed arrangements for the handling of such contracts." Without detailed guidelines for procuring and contracting, there is a risk of an inconsistent approach that may result in inappropriate use of waivers and not achieving best value and could increase the risk of loss through error or fraud.

We noted that the Council does maintain a register of "Exceptions". This outlines where contracts have been awarded outside of the tendering rules ie using a waiver, or where contracts have been extended beyond their agreed limit. However, we did not see evidence of oversight through reporting to Audit and Governance Committee to provide assurance of compliance with CSOs.

We were informed that it has been agreed and approved at COG in December 2022 that the Commercial Board will be re-established. For 2022/23 the Council has developed an MS form for capturing both exemptions (approved and necessary) and non-compliance and both will be reported to the commercial board.

See Improvement recommendation 9.

An area of more unusual procurement activity to note is the involvement of the Council in West Mercia Energy (WME). WME is a publicly owned energy brokerage operating as a public buying organisation. There are four member authorities in the arrangement, including Worcestershire County Council. WME is managed via a Joint Committee, and there are two members of the Council that sit on the committee. WME distributes a portion of trading surpluses between the member authorities.

While the operation of a joint committee as a public buying organisation for energy is unusual, it does not present the same level of risk associated with owning or part owning an energy company. Many public sector bodies buy energy via a public buying organisation, rather than buying directly, and this arrangement has operated without significant issue for a number of years. Like other Council's, increasing energy costs will continue to place pressure on budgets in future years, and officers and members are looking at ways to mitigate this wherever possible.

An annual report is prepared for members on the activity of WME, including a discussion of the risks. The most recent report notes the challenges faced by the market and the increasing costs of energy, which would increase the financial pressure to the Council. The Council's commercial team continues to monitor the evolving position and is working through the implications of different procurement strategies and contracting models. It is acknowledged that this is a fine balance between mitigating the impact of increasing unit costs, whilst minimising risk.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 7

Performance reporting against Corporate Plan priorities to be launched as soon as possible. This should be supported by public facing reporting to provide assurance and transparency of how well the Council is operating.

## Why/impact

To provide assurance internally and externally of how the Council is progressing in meeting its priorities for the County.

## Summary findings

The Corporate activity to have performance reporting in place was RAG rated RED. We acknowledge that while the development of the arrangements is making progress these have still yet to be launched.

## Management Comments

Agreed, the Strategic Director for CoaCh will lead this implementation



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 8

Performance reporting should provide detailed narrative of action being taken where spikes or dips are evident.

## Why/impact

Without detailed narrative explain any changes in information or performance, the council may not be assured that appropriate investigation has been carried out and that mitigating action is being taken.

## Summary findings

Our review of papers noted that the dashboard for one indicator shows a significant increase when comparing the month on month figures in 2019/20 to 2021/22. The indicator reports the number of children vulnerable to child sexual exploitation. While we recognise the initial trend in reducing numbers aligns with the national lockdown period, the narrative in the report doesn't provide specific reasons for the sharp increase in numbers between January and March 2022, or confirm that further investigation had taken place to provide further clarity.

## Management Comments

Agreed, the Strategic Director for CoaCh will lead this implementation



# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 9

The Councils Financial Regulations and Contract Standing Orders (CSOs) should clearly articulate the roles and responsibilities for procuring, awarding and approving contracts. This should include threshold boundaries and a transparent process for waiving these rules.

The Council should also have in place appropriate oversight and reporting processes to provide assurance of its achievement of agreed procurement outcomes or to demonstrate a efficient and effective service and compliance with procurement rules.

## Why/impact

Without detailed guidelines for procuring and contracting, there is a risk of an inconsistent approach that may lead to inappropriate use of waivers, not achieve best value and could increase the risk of loss through error or fraud.

## Summary findings

The Council does not currently have in place KPI metrics to provide assurance of its achievement of agreed procurement outcomes or to demonstrate a efficient and effective service and compliance with procurement rules.

Review of the Councils Financial Regulations and Contract Standing Orders (CSOs), noted that it is not clear what thresholds have been agreed for contracting or what levels of approval have been set.

## Management Comments

Agreed, the CFO will lead this implementation in tandem with the review of the Constitution with the Monitoring Officer in line with the planned AGS work.



# Council Financial statements audit

## Council Audit

We commenced our post-statements audit in July 2022 and issued an unmodified audit opinion in February 2023. The financial statements and working papers presented to us for audit were of a good quality.

The Council chose to make a non-material adjustment to the financial statements in relation to grants received in advance which had incorrectly been included in creditors in the draft accounts. As a result, £8.2m was moved into grants received in advance from creditors. This did not affect useable reserves. We found a similar non-material error (£6.1m) had occurred in 2020/21. Whilst reviewing the above matters, a related error was identified where material grant income (£23.2m) which should have been charged to income in 2020/21 (as there were no unfulfilled conditions on the grant income) was instead treated as a creditor. As this error affected the amount of income charged in the year, this increased useable reserves. As the combined error was material in the prior year, a prior year adjustment for both 2020/21 errors was necessary.

A prior year adjustment was also required for 2020/21 as we noted that both debtors and creditors (£20.6m) were both overstated. This was not a 2020/21 creditor as the £20.6m payment to Worcestershire Childrens First related to the 2021/22 financial year. Also it was not a payment in advance (debtor) as the actual payment was not been made in 2020/21 as it had been intended. This had no impact on useable reserves.

Finally an adjustment was made to reduce your net pensions liability by £6.3m as your share of the Pension Fund's assets had grown from that estimated earlier in the year.

There were three unadjusted errors, all of which were estimated or extrapolated. The largest of these was the assumed increase (£11.336m) in value of PPE assets not revalued in 2021/22. Other unadjusted errors related to the extrapolated overstatement in value of creditors and accruals (£2.095m) based on errors we found in our testing sample and an extrapolated understatement (£1,054,000) of the pensions liability based on our sample testing of your share of pension fund derivatives assets. Please see Appendix C for more detail.

The Code requires infrastructure assets to be valued at depreciated historical cost. It also requires that where a component of an asset is replaced, the carrying amount (i.e. net book value) of the old component is derecognised to avoid double counting. Most local authorities have been unable to comply with the requirement to assess the net book value of the replaced component and will therefore have treated the amount of the replaced component as zero. This is because the replaced component is considered to have been fully used up at the point that it is replaced. However, there is often a lack of evidence to support this assumption and some subsequent expenditure, is often in addition to the previous asset rather than being a direct replacement. There was a significant risk that local authority financial statements could be subject to qualified audit opinions in this area if no action is taken. The Department for Levelling Up, Housing and Communities (DLUCH) therefore prepared a temporary statutory override with regards to infrastructure assets, whilst a permanent solution was developed by CIPFA. This statutory override was effective from 25 December 2022. In parallel to this, CIPFA revised the Code so that it reflects this temporary statutory override. We have now assessed that there could not be a material risk of misstatement for the Council.

We have also raised a number of recommendations for management as a result of our audit work. These are included in the Audit Findings Report.

The draft financial statements were presented for audit in accordance with the agreed timetable and were supported in the main by good working papers. We received prompt responses to our transactional based queries, with inevitably our more challenging judgemental queries on PPE and grants taking a bit longer. This reflects the continuous raising of the bar and auditors providing greater challenge to the Council each year especially in the areas subject to greatest estimation and uncertainty.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.



# Pension Fund Arrangements

## The Pension Fund

Overall responsibility for managing the Pension Fund lies with the Council. The responsibility for the management and administration of the fund is then delegated to the Chief Financial Officer. The Chief Financial Officer is advised by the Pensions Committee and also take appropriate advice from the Fund's actuary and the Fund's appointed investment advisor. The Pensions Committee received recommendations from the Pension Investment Sub-Committee to enable it to discharge its responsibilities effectively. These governance arrangements are set out annually in the governance policy statement, which is published as part of the pension fund annual report. This demonstrates that the fund is compliant with the guidance. The picture opposite outlines, some of the key governance features of the pension fund.

From the work undertaken, we have not identified any significant weaknesses in the governance arrangements for the Pension Fund.



# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
1	The Council should review the MRP charge to ensure it meets the statutory guidance and sufficient resource is available to support future debt repayments. The outcome of this review should be clearly reported to members.	Improvement	June 2021	The Council's MRP provisions have been reviewed to ensure they are in line with statutory guidance and regulations.	Yes	No
2	All remaining actions arising from the task and finish group on risk management should be implemented, including a review of effectiveness.	Improvement	June 2021	We were informed that all of the actions identified by the Task and Finish Group have now been implemented. Our report does includes a number of improvements actions to further improvement the arrangements for managing risk going forward.	Yes	Yes
3	Formal arrangements to monitor progress against the new Corporate Plan should be put in place, following their suspense due to Covid-19 related activities.	Improvement	June 2021	The Council's Corporate Plan has now been refreshed and launched. Formal arrangements to monitor progress against the plan are still in progress.	No	Yes

# Opinion on the financial statements



## Audit opinion on the financial statements

We have substantially completed our audit of the Council's financial statements including pension fund financial statements. The only issue outstanding relates to the valuation of infrastructure which is a national issue.

## Other opinion findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

## Audit Findings Report

More detailed findings can be found in our two Audit Findings Reports, which was published and reported to the Council's Audit & Governance Committee on 30 November 2022. These reports set out the adjustments made to the accounts as a result of the audit.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and on the whole the supporting working papers continue to be of a good standard. There was scope to improve working papers in relation to property valuations and some breakdowns of accounts balances. Joint working with the external audit team was very good.

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

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



# Appendices

# Appendix A – Responsibilities of the Council

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

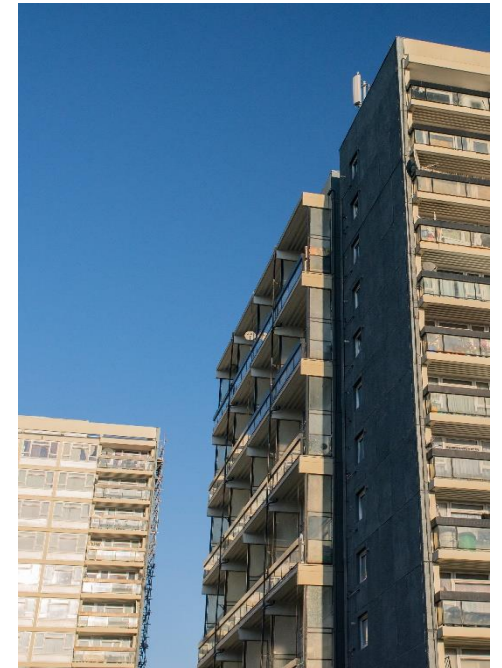
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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





# Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Financial sustainability was identified as a potential significant weakness:</p> <p>“The Council has set a balanced budget for 2022/23. This was achieved through a combination of factors including identifying efficiencies (£8M) and a use of earmarked reserves. The medium financial outlook is more uncertain, with budget gaps of £12.2 million in 2024/25 and £9.6 million in 2025/26. Due to the inherent uncertainty we have concluded that there is a significant risk of weakness in arrangements for delivering financial sustainability.”</p> <p>We will review the plans the Council has in place to close the gaps, paying particular attention to the robustness of any savings plans.</p>	<p>We have reviewed and considered the Council’s arrangements in place during the year for monitoring and reporting on its short and medium term financial position.</p>	<p>From our work carried out we have concluded that, in general, there are plans in place to address the funding gap for 2022/23 and future years.</p> <p>See report pages 7 – 17.</p>	<p>Appropriate arrangements are generally in place.</p> <p>We have therefore concluded that there is no significant weakness with regards to the Council’s arrangements for ensuring its financial stability.</p> <p>We have made some improvement recommendations. These relate to closing the financial gap, delivery of savings and the capital programme.</p>

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Financial Sustainability: pages 14 – 17 Governance: pages 23 – 25 3Es: pages 36 - 38

