

Auditor's Annual Report on Buckinghamshire Council (Interim)

2021/22

April 2023



Contents



We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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) in 2020 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



| Section | Page |
|--|------|
| Executive Summary | 3 |
| Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources | 8 |
| Financial sustainability | 9 |
| Governance | 16 |
| Improving economy, efficiency and effectiveness | 22 |
| Follow up on previous Recommendations | 43 |
| Opinion on the financial statements | 45 |
| Appendices | |
| A – The responsibilities of the Council | |
| B - Risks of significant weaknesses - our procedures and findings | |
| C – An explanatory note on recommendations | |

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

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 | No risks of significant weaknesses identified | No significant weaknesses in arrangements identified, but improvement recommendations made. | No significant weaknesses in arrangements identified, but one improvement recommendation made | ↑ |
| Governance | Risks of significant weakness identified in year end processes owing to late production of draft accounts | No significant weaknesses in arrangements identified, but improvement recommendations made | One significant weaknesses in arrangements identified re financial statements preparation and three improvement recommendations made | ↓ |
| Improving economy, efficiency and effectiveness | Risk identified because of the inadequate rating issued by Ofsted in respect of children in care | Significant weaknesses in arrangements identified, with a key recommendation made. No improvement recommendations made in respect of this area. | No significant weaknesses in arrangements identified, but one improvement recommendation made | ↑ |

| | |
|---------------------------------------|---|
| ■ | 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

The Council has a good record of financial management. It recorded a net underspend of £2.2m for the 2021/22 year and has a capital outturn of £177m against a budget of £196m (this level of slippage was common to most councils and was impacted by COVID 19). A balanced budget was set for 2022/23 with growth pressures of £25.7m being offset by savings/efficiencies, income increases, and a planned use of £6.2m earmarked reserves. A small adverse variance is forecast for the 2022/23 financial year. We note that the current capital programme is under urgent review as the impacts of inflation mean that a number of projects will not be able to be delivered within the approved budget. The Council has actively put in place measures to pause uncommitted capital scheme whilst that review takes place.

During 2021/22, a three-year planning cycle was reintroduced, starting from the 2022/23 budget. This is in accordance with good practice. After accounting for planned savings) the new MTFP set out a balanced budget for 2022/23 and for 2024/25 without use of general fund reserves. In 2023/24 there is a £1.36m gap envisaged. Total savings of £13.2m were identified for 2021/22 with the Council achieving £12.5m (96%), a shortfall of £0.5m. Each year of the MTFP shows a need to make savings. £12.36m, £5.427m and £9.35m of savings are required for 2022/23, 2023/24 and 2024/25 respectively. We consider that, while challenging, these are deliverable by the Council. Earmarked reserves at 31 March 2022 were £170m with a further £47m in General Fund reserves. This balance represents 9.5% of net expenditure, this is well above the generally accepted minimum prudent level of 5%.

We are therefore satisfied that the Council has appropriate arrangements in place to ensure it is financially sustainable.

Governance

Appropriate leadership is in place. The Council operates under a Cabinet system. There has been a good level of engagement with the local community and with stakeholders. Relationships between officers and members appears good with no issues raised in our interviews with key staff. The Monitoring Officer is the Council's deputy Chief Executive, who, alongside the Chief Executive is responsible for ensuring legality and promoting high standards of conduct in public office. Appropriate governance arrangements are in place with regard to monitoring and ensuring that appropriate standards are in place. The Council's complaints procedures are appropriate, although we note that there has been an increase in the volume of complaints to the local Government Ombudsman (this may be partially due to the processing of any backlog of complaints due to the Ombudsman not accepting complaints for 3 months in 2020/21 claims due to COVID 19).

Risk management and Internal Audit arrangements are appropriate, although we note that a total of 34 planned audits were deferred to 2022/23 or cancelled. It is important that audits are undertaken in a timely way if the Council is to receive appropriate assurance (although we accept that the programme was impacted by COVID 19). Budget setting and monitoring processes are appropriate.

The Council has 3 owned companies and one joint ventures. Limited monitoring was undertaken during 2021/22 but we note that improved governance arrangements were approved by Cabinet in March 2022. This included the establishment of a joint shareholder Committee. It is important that these governance arrangements continue to be robust and that the Council's interests are safeguarded.

Executive summary

The financial statements audit for 2020/21 and 2021/22 continue to be delayed. Due to the errors in the 2020/21 financial statements and the resulting delays we consider this to be a significant weakness and have raised a key recommendation with regard to this matter. We note that management now have in place a clear plan to resolve the delay and are working effectively with us.

With the exception of its arrangements for the preparation of its financial statement, we consider that the Council has appropriate governance arrangements in place.

Economy, efficiency and effectiveness

The Council's Corporate Plan was established at the formation of the new authority and delivery is monitored via quarterly performance reports. KPIs and targets are reviewed regularly and appropriate benchmarking arrangements are in place. The Council has a relatively high spend per head of relevant population in SEND, Public Transport, Environmental safety and routine maintenance, and Development Control. Very low spend areas are Adult Social Care and Corporate and Democratic core. The Council will need to monitor these areas to ensure that spend remains sustainable. We note that the Council's position on the CIPFA Financial Resilience Index is good.

With regard to services, continued improvement has been made in Children's Care Services and we no longer consider this area to represent a significant weakness to the Council. Challenges do remain in this area, particularly with regard to maintaining an adequate workforce and in improving Special Educational Needs and Disabilities services. However, the Council has appropriate plans in place to resolve these matters. Partnership working is strong and the Council has a number of arrangements in place to develop and deliver combined services. Procurement and contracting arrangements are appropriate, although we note that continued action is needed to reduce waivers.

Overall, we are satisfied that the Council has appropriate arrangements in place to deliver economy, efficiency and effectiveness.

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 not commenced the audit of your financial statements. Our audit will commence on completion of the 2020/21 financial statements audit.

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 have not issued any statutory recommendations.

Public Interest Report

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

We have not issued a Public Interest Report.

Application to the Court

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

We have not applied to Court.

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

We bring the following matters to your attention:

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.

We have not issued an Advisory notice.

Judicial review

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

We have not applied for a judicial review.

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

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the 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) 3, requires us to assess arrangements under three areas:



Financial Sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas is set out on pages 9 to 37.

Financial sustainability



In our work we considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 Revenue Outturn

The revenue budget for 2021/22 included an anticipated one-off use of General Fund balances of c£2m to fund additional discretionary spend on drainage, street cleaning, planning enforcement and climate change. These are considered priority areas, some of which are key to manifesto commitments, and climate change is seen as a high priority across the council (and is one of the four strategic priorities within the Corporate Plan).

Increased Covid compensation grants and variances in corporate contingency spend however meant that the Council recorded a net underspend of £2.2m for the year which was transferred to reserves. In March 2022, Cabinet approved the principle of transferring unused contingency budgets at year end to an earmarked reserve to help mitigate heightening risks around inflation. The forecast at that time was that £6.2m of contingency budget would be unused however, the position at final outturn was that a further £1.5m of contingency budgets were not required, meaning that £7.7m was transferred to this reserve. This has provided a further buffer against future inflationary pressures. Earmarked reserves at 31 March 2022 were £170m with a further £47m in General Fund reserves. This balance represents 6.6% of the gross operating budget and places the Council in a relatively strong financial position.

There were no significant variances against budget, the most significant were a £3.3m overspend on Education and Childrens Services (increased demand and placement costs) and £5.3m underspend on Corporate Services. The Health & Wellbeing Revenue Covid variance of £2.1m relates predominantly to the cost of additional Nursing care which is anticipated to recur in 2022-23. We note that these variances are not significant in comparison to the Council's overall budget.

Evidence we have gathered from reports, interviews and the CIPFA financial resilience index (see page 23) indicate a broadly positive financial position for the Council.

Financial sustainability continued..

2021/22 Capital Outturn

The Council had set a capital expenditure budget for 2021/22 of £196m. Key variances included an £11.9m underspend on Planning and Regeneration (£3.2m slippage on Waterside North office development and £2.9m slippage on Wycombe regeneration projects due to contractor delayed start; a £4m overspend (48%) on the Leaders Budget (spend made earlier than originally profiled on 2 projects) and £3.2m (36%) underspend on Finances, property and resources budget including £1.2m slippage on Buckinghamshire Network project due to global shortage of IT components and £1.1m slippage across 3 property related projects. Total outturn was £177.5m, this underspend is in line with what we have seen at other authorities. We do not consider this underspend to be indicative of a significant weakness in arrangements over the capital programme, but more a reflection of the difficulties faced by all authorities in carrying out their planned capital works during the pandemic.

2022/23 Budget and Outturn to date

The balanced budget set for 2022/23 included growth pressures of £25.7m with offsetting savings/efficiencies of £12.4m and income increases of £6.8m in 2022/23. The 2022/23 budget was built on a 1.99% increase in basic Council Tax and a 2% increase for the Adult Social Care Precept (including 1% carried forward from 2021/22), giving a total increase of 3.99%. The current strategy around council tax is to keep increases to a level needed to balance the budget. There was planned use of £6.2m earmarked reserves.

The Revenue outturn position as of Quarter 2 is a forecast adverse variance of £1.8m, which is a reduction of £2m from the adverse variance of £3.8m reported at Quarter 1. This is broken down as an adverse variance on spend of £15.7m (£10.4m forecast at Quarter 1) offset by £13.9m (£6.6m forecast at Quarter 1) of corporate mitigations.

The £15.7m adverse includes: £4.7m pressure (£3.1m last quarter) in Health and Wellbeing from demand pressures and fee uplifts in Adult Social Care: £9.5m pressure (£5.3m last quarter) in Children's Services, including £3.2m in placement budgets due to the national lack of available placements and increased complexity of need driving up unit costs; £2.9m in client costs in Children's social care due to demand pressures; £2.1m in Accessible Housing and Resources (£1.5m last quarter), of which £1.1m is attributable to inflation on energy costs; £2m adverse variance (£1.2m last quarter) in Transport Services due to increased contract costs and a 3% increase given to Home to School transport £3.3m (£1.1m last quarter). There is an anticipated favourable variance of Climate Change & Environment from additional income from the sale of electricity from the council's Energy for Waste (EfW).

The £13.9m of corporate mitigations (£6.6m last quarter) include: £4.4m contribution from earmarked reserves to support the Council's overall bottom line. This is as a result of £4.4m of income received in the Climate Change and Environment portfolio following partial resolution of a legal dispute with the council's EfW contractor. There is a £2.0m favourable variance relating to Interest on Revenue Balances due to higher interest rates. There is also £0.8m favourable variance on Interest Payable budgets.

Financial sustainability

2022/23 Budget and Outturn to date (cont'd)

forecast has arisen due to the Council's ability to fund any new borrowing required in year from internal borrowing rather than external Public Works Loan Board (PWL) borrowing. There is a forecast surplus of £0.3m in additional income from un-ringfenced grant income, where the budget was set prudently but a small amount of additional income is expected, and a surplus of £0.1m on loan interest, following extension of a loan agreement. There is also a £6.2m favourable variance forecast on contingencies which the council plan to release to offset the overspends.

A "Mitigating Future Financial Risks" reserve was set up following outturn 2021/22 as a result of unused contingencies and was set at £9.9m. £1.5m of this has been utilised to fund the unconsolidated element of the 2022/23 pay award and £0.15m has been utilised to set up a Staff Hardship Fund, a balance of £8.25m remains which could be utilised if required.

The current capital programme is under urgent review as the impacts of inflation mean that a number of projects will not be able to be delivered within the approved budget. The Council has actively put in place measures to pause uncommitted capital scheme whilst that review takes place. The member and officer Task and Finish group have identified £5.7m that can be recommended for removal from the 2022/23 capital programme with a further £8.1m under further review. This is in line with what we are seeing at other councils.

Financial Planning

During 2021/22, a three-year planning cycle was reintroduced, starting from the 2022/23 budget. An annual budget was set for 2021/22 due to COVID. Growth pressures are expected to total £56.2m by 2024/25, with offsetting savings / efficiencies and income increases totalling c£40m by 2024/25.

After accounting for planned savings (see separate section below on savings plans) the new MTFP set out a balanced budget for 2022/23 and for 2024/25 without use of general fund reserves. In 2023/24 there is a £1.36m gap envisaged.

The plan is to use general fund balances to fund this £1.36m gap with a further utilisation of £2.43m earmarked reserves. Such use of general fund balances have been seen as politically acceptable by members. The Council has confirmed that the use of reserves is for 'one-off' rather than recurring expenditure and that general fund balance remains strong, at £47m (c.9.5% of net operating expenditure). However, the Council needs to maintain its ongoing scrutiny over this, to ensure use of reserves does not become a recurrent feature of the budget. Despite the need to make savings, and this one-off planned use of reserves, the Council still has adequate provision within its reserves to manage potential future one-off emergencies. The Council however estimates that every 1% rise in inflation increases the revenue budget by £4.6m which would significantly impact the Council's MTFP. We have made a recommendation on this.

Nationally, councils have seen a steady decline in the local government funding settlement over the last ten years against a national and local backdrop of rising demand, and the Council's Medium Term Financial Plan (MTFP) is prudent in that it assumes a continuation of this declining trend. Members are therefore made fully aware that the Council's financial plans cannot place reliance on an increasing level of government contributions.

From 2023/24 the Council has assumed 2.99% increase in Council Tax and Adult Social Care Precept. There are significant increases in service income across the 3-year MTFP in Leisure (£2.3m), Property & Assets (£6.2m) and Parking (£3.2m) as income is anticipated to recover from the reduced levels at the height of the pandemic,

Financial sustainability

Financial Planning (cont.)

and new opportunities arise. The Government's Autumn Statement published in November 2022 set out funding priorities for the period 2023/24 to 2027/28, with public spending broadly maintained in the first 2 years, but a tightening in spending thereafter in order to reduce government borrowing. The Council acknowledged that whilst the provisional settlement included increases in funding for Local Government above previous levels, this was not likely to be sufficient to address budget shortfalls and therefore did not revise its plans as a result.

The MTFP has been designed to be integrated with the core strategic priorities of the Council (its Corporate Plan 2020-2023). This planning aims to provide a framework to invest in the Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19. The capital programme also explicitly supports the Council's corporate priorities.

In March 2021, the s.151 Officer produced a report considered by CMT, Cabinet and Audit & Governance Committee, assessing the Council against the findings of the Public Interest Report at Croydon. This review concluded that overall, the council compared favourably to Croydon and that the authority compares well with others in that there is a good record in terms of the legacy authorities managing spend within their overall budgets. As stated previously earmarked reserves at 31 March 2022 were £170m with a further £47m in General Fund reserves. **This balance represents 9.5% of net expenditure, this is well above the generally accepted minimum prudent level of 5%.**

CIPFA undertook a financial management review at the Council during the year. In their report, dated January 2022, they rated the council as 3/5. Most authorities are rated between 2 and 3 out of five, so this is a relatively good score and particularly good when set against the context of its recent creation as a unitary authority and the fact the COVID pandemic coincided with its launch.

CIPFA determined "the budget setting process is robust, member-led, and focused on key Council objectives within a good governance framework that includes an adequate check and challenge process".

CIPFA has identified areas for improvement, and these are not repeated here, as none would indicate a risk of a significant weakness. Some of the areas of lower score related to an insufficient MTFP, as at the time of the review, the Council were using a one-year plan. As stated above a three-year MTFP has now been produced, which should address some of the weaknesses highlighted. CIPFA do identify that the Council needs to resolve issues relating to the completion and sign off of final accounts. We also identified this as a risk of a significant weakness in planning our 2020/21 work, and we remain of the view the Council needs to strengthen its corporate finance team.

Savings plans

The original plan for the new authority recognised an opportunity to make total savings of £18m in moving to a unitary status. All Savings are reported to members on a quarterly basis through the Budget Monitoring report including the £18m anticipated savings in respect to moving to a unitary authority and have also been reported to scrutiny in a separate session. Delivery of the £18m savings is also a specific KPI reported quarterly to Cabinet as part of their performance monitoring. In addition CMT review savings on a monthly basis at CMT Budget Board. In 2020/21 the Council delivered £2.2m of the savings and a further £2.3m is estimated to have been delivered in 2021/22. Continued action is needed by the Council to deliver these savings. We note that the last report was in the Better Buckinghamshire update in December 2021.

Total savings of £13.2m were identified for 2021/22 with the Council achieving £12.5m (96%), a shortfall of £0.5m. Each year of the MTFP shows a need to make savings. £12.36m, £5.427m and £9.35m of savings are required for 2022/23, 2023/24 and 2024/25 respectively. The latest outturn position for 2022/23 shows anticipated small shortfall in savings projections of £0.25m due to overspend on agency staff within

Financial sustainability

Savings plans (cont..)

children's services. The monthly CMT Budget Board receives a detailed budget report, which sets out the outturn for each line of savings within each of the directorates, showing the savings target, amount delivered, amount forecast to be delivered and any shortfall, together with a detailed commentary against each line. There is also another commentary setting out the risks and opportunities, with each saving assigned a RAG rating.

The approach to closing this funding gap is regularly discussed. In addition to formal discussions at Cabinet each quarter, there are monthly Budget Board meetings in each of the Directorates. These provide a high level of detailed scrutiny over each line of the budget and over each line of the savings plans. The s.151 officer and Service Director (Service Finance) also have regular meetings with Cabinet portfolio holders to brief them on budgetary issues relating to their Directorates and a savings tracker, updated by Heads of Finance across the Directorates is discussed at weekly Heads of Finance meetings.

As these funding pressures have been identified by the Council and are being addressed within the Council's financial plans, these savings requirements do not point to a significant weakness in the arrangements in place, albeit there remains a risk in terms of the ongoing financial pressures being faced by the Council.

Managing risks to financial resilience

Risks are considered within the budget and MTFP. These include the risks of financial pressures meaning services cannot be fully funded. The Council is satisfied that its Medium-Term Planning process is a mitigating action to ensure the Council balances its budget and identifies savings that can be made. We have seen this, and also that the budget monitoring reports to CMT and to Directorate Budget Boards set out the

assumptions behind the budget and the risks to the plan. In addition, each lead portfolio member is closely involved in developing and setting the budget for their service area. Risks are discussed at length as part of this process. Overall, members are presented with a good understanding of the risks.

Also, it is set out within the Standing Financial Instructions that there must be monthly budget reporting and monitoring for each service, and within this it stipulates that variances must be reported and supported by an action plan on how this is to be managed by the year end. This also sets out that the savings tracker must be updated and include mitigating actions and key financial risks identified. Where it is forecast that, despite mitigating actions, expenditure is likely to exceed budget then the Corporate Director will "as soon as possible" report it to the relevant Cabinet Member

The Council also has a Treasury Management Strategy and an Investment Management Strategy. These both indicate the Council has a cautious approach to investments, seeking to minimise risk rather than prioritising investment returns. And whilst there are wholly owned subsidiary companies at the Council, the Council did not place reliance on income from these companies in either the 2021/22 outturn or 2022/23 budget. This is also indicative of a cautious approach.

Our work confirms that the budget process is robust, that there is wide consultation across the Council in developing the budget and that challenge mechanisms are in place, from the CMT and from the scrutiny offered by the Budget Scrutiny Inquiry Group, in addition to the challenge provided generally by members.

Capital Strategy

The Council has an ambitious capital strategy which was created by amalgamating the existing plans of the five legacy Councils. The capital programme sees £569m scheduled to be invested over the 4 years to 2024/25. The Council's long-term capital

Financial sustainability

Capital Strategy (cont...)

investment is underpinned by the objectives of the Corporate Plan and assets held (or built) by the Council must fall into specified categories linked to that plan. This overall capital programme is agreed by Cabinet on an annual basis and the reporting on this provides updates on the progress against the plan, costs, sources of funding and the progress of key projects.

Each Directorate reports its capital and revenue spend associated with the capital programme to its Directorate Budget Board monthly. CMT then sees an amalgamation and summary of these reports. Reports on individual, large capital projects are also regularly presented to Cabinet.

There are also four Capital Boards. The Corporate Investment Board (CIB) takes an overview of the capital programme. This is informed by three boards which sit below the CIB covering Property, IT and Highways. (schools fall within property). There is a gateway process for the release of capital funds. An outline then full business case must be produced if bidding for capital expenditure. If each stage is approved, then a detailed project plan is submitted for approval. This is to minimise unnecessary expenditure on speculative early design proposals. Approvals are then granted by the relevant Boards. This is supported by the Capital Project Manager, who sits within Corporate Finance. An internal audit of the Capital programme was due to be undertaken in 2020/21, this was deferred to 2021/22 due to the pandemic but was again deferred until 2022/23. because of resource pressures caused by sickness.

We are satisfied that there is a good level of oversight of the overall capital programme and of individual capital projects.

Conclusion

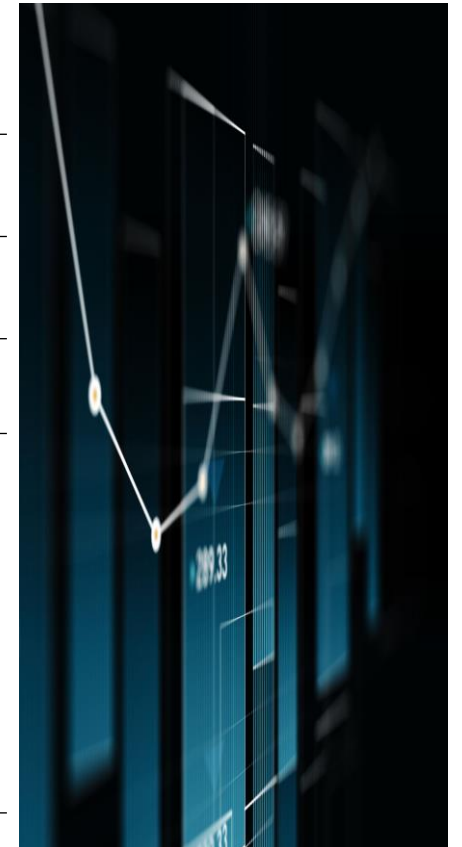
Overall, the Council has a strong capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.

Improvement recommendation



Financial Sustainability

| | |
|---------------------------|---|
| Recommendation 1 | The Council should provide an update report against the specific unitary savings target of £18m identified as potential savings arising from the new unitary authority. |
| Why/impact | Given the level of savings required to achieve a balanced budget it is important to understand which savings are specific to the creation of the unitary authority |
| Auditor judgement | The last report to members was in December 2021. |
| Summary findings | Progress in achieving the estimated £18m savings arising from the creation of the unitary authority has not tracked or reported to members. |
| Management comment | <p>The delivery of all Council-wide savings including unitary savings is reported to Cabinet on a quarterly basis. This report covers all savings and focuses on in-year delivery. We now have far larger savings targets to deliver than just the unitary savings, £19.2m was our income & savings target for 2022-23 (delivered £18.4m); the 2023-24 target is £30.4m. Cabinet are fully sighted on all future savings within MTFP papers.</p> <p>Additionally, Service Improvement Team have oversight of the Better Buckinghamshire savings programme. Delivery of this programme is managed through Service Improvement Board and members are briefed on overall progress. The most recent update was included in the January 2023 Budget Scrutiny report (CM Accessible Housing & Resources) which reported 8 completed reviews, 14 reviews in progress and 100% on target to achieve the planned savings. We will add specific Better Buckinghamshire savings tracker section in the quarterly budget monitoring report over the course of financial year 2023/24.</p> |



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

Governance



In our work 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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates under a Leader/Cabinet system. Councillors are supported by the CMT which is headed by the Council's Chief Executive. The CMT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance in the delivery of council services. Following the elections in May 2021 a new Cabinet structure was agreed, and the Cabinet structure forms the basis for the budget. All budgets have now been mapped against this new structure and papers are presented on this basis. There are scrutiny committees in place which hold the Cabinet to account, and provide an additional level of challenge and consideration over major decisions.

The work of the Council's committees is governed by the constitution. This constitution is scheduled to be regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. We would expect the Annual Governance Statement (AGS) to be read alongside the Council's constitution, which should set out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. However, the AGS was not formally agreed and in place during 2020/21 and the 2021/22 AGS has only recently been agreed in November 2022. We have made an improvement recommendation on this.

There has been a good level of engagement with the local community and with stakeholders and relationships between officers and members appears good with no issues raised in our interviews with key staff.

Monitoring and ensuring appropriate standards

The Monitoring Officer is the Council's deputy Chief Executive, who, alongside the Chief Executive is responsible for ensuring legality and promoting high standards of conduct in public office. The council asserts that they have arrangements in place to meet the relevant requirements of the CIPFA/Solace Framework. There is a Statutory Officers group that consist of the Chief Executive, the Monitoring Officer, the S151 Officer, The Service Director (Legal & Democratic Services and the Chief Internal Auditor that meets on a monthly basis to review cases and reports.

Governance continued...

Monitoring and ensuring appropriate standards (cont..)

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.

In 2021-22 the local Government Ombudsman received 103 complaints relating to the Council, 28 of which were upheld. This compares to 55 received in 2020-21, 13 of which were upheld. We note that the Ombudsman stopped taking complaints for 3 months during 2020/21 which may account for the increase in complaints for 2021-22. The main areas of upheld complaints relate to Special Educational Need (SEND) services and child protection. The highest compensation paid as a result of the Ombudsman was £7350 for delays in dealing with a disabled facilities grant which resulted in the resident living 2 years in accommodation where he couldn't access bathing facilities. SEND is discussed further on p22 of this report and children's services is discussed on p21 and p22.

Council received 1988 stage 1 complaints in 2021/22 compared to 2099 in 2020-21. The highest number of complaints was for Communities and specifically for the Southern Waste and Recycling Team who received 859. 186 Stage 2 complaints were considered in total this compares to 172 stage 2 complaints received during 2020/21.

34 complaints related to members. However, the vast majority related to town and parish council members. There is no evidence of an inappropriate member culture. At the Council. We also note that training was put in place for town and parish council members.

The gifts and hospitality policy at the Council compares favourably with some others we have seen in that gifts and hospitality declined must be declared alongside that which has been received. This demonstrates a high level of standards of expected behaviour and of transparency.

CMT receive and review much of the information to be put to Cabinet and the Audit & Governance Committee in advance of those meetings. Scrutiny committees also fulfil a role in challenging decisions and request a high level of detailed information in preparing those challenges.

All decisions referred to members are set out using a template. That template includes legal and regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.

We consider that the Council has appropriate arrangements in place to maintain appropriate standards.

Monitoring and assessing risk

The Council maintains a risk strategy which is set to be updated annually. Twelve **Strategic Risks were identified at October 2021 including the following key risks rated as high:**

1. Risk of receiving a third inadequate judgement from Ofsted meaning that children and families are not receiving the support they require. The Council has put an improvement plan in place and this is discussed in more detail on p21 of this report. Demand pressures and vacancies/shortage in social workers remains an issue.

Governance

Monitoring and assessing risk (cont...)

2. A risk of major contract commissioning or market failure resulting in the Council failing to act effectively as a Commissioning Authority. A Supply Relationship Manager Group has been established. Procurement risk is discussed in more detail on p25 of this report.

3. A risk of adverse consequences for vulnerable adults as a result of budget reductions and increase in demand. A shortage of mental health practitioners nationally is impacting on the Council. Local plans have been drawn up to try to address this including the development of an Approved Mental Health Professional (AMHP) Programme. This risk is discussed in more detail on p22 of this report.

In addition to these strategic risks recorded on the risk register the Audit Committee, CMT and Risk Management Group (RMG) also considered 'horizon scanning' papers which looked at new and emerging risks including those arising from the cost of living crisis and energy price rises. There is a 'risk champion' in each of the Directorates and the emerging risks document is updated on a regular basis by the Corporate risk lead and discussed by the risk champions. Each directorate has a risk escalation framework, but all use the Pentana system which ensures consistency of approach across the organisation. Each risk and each mitigation action has an owner responsible for it. Pentana prompts when these need to be reviewed. A quarterly risk report is provided to each of the Leadership teams.

The RMG is a sub group of the Audit & Governance Committee and comprises three members of the Audit Committee (one of whom must be the Chair), s.151 officer, Monitoring Officer and Chief Internal Auditor. All members of the Audit Committee are invited to observe. The group is tasked with providing a review of the effectiveness and

implementation of the Risk Strategy. This group has a standing item to consider one of the strategic risks on the **Corporate** Risk Register (in rotation), as well as undertake a deep dive on each of the Directorate Risk Registers in rotation. They also monitor the effectiveness of the escalation processes, of any updates to the Strategic Risk Register and undertake a monitoring of risk management action plans. This ensures there is good oversight of risk at the Council.

Internal Audit

Internal Audit is provided by an inhouse team supported by Mazars. The Internal Audit annual report contains the opinion of the Chief Internal Auditor and provides "reasonable assurance" on the adequacy and effectiveness of the Council's internal control, risk management and governance framework and an unqualified opinion regarding the effective, efficient and economic exercise of the Council's functions for 2021/22.

The 2021/22 internal audit plan was reviewed and updated several times during the year. In 2021/22 a total of 30 reviews were undertaken. 34 planned audits were deferred to 2022/23 or cancelled. Two of the deferred audits had previously been deferred from 2020/21. These included a review of the Capital Programme which was listed as a key financial systems audit as well as an audit of the hospital discharge and adult social care interface. Other deferred audits related to Procurement and Contract Management, this is discussed in more detail on p25 of this report. These deferrals were due to resources pressures and other priority risk areas having been identified mid-year.

Planning for 2022/23 has been communicated to Members, who were advised that the team would ensure adequate resource was in place throughout Q1 and Q2 to support this carried over work. In relation to the governance over these deferrals, the Audit & Governance Committee was advised that these would be discussed at Senior

Governance

Internal Audit (cont...)

Leadership Team (SLT) meetings of the appropriate directorates and would require sign off from the Corporate Director. Given the scale of deferrals to 2022/23 the Council should consider strengthening the resourcing of Internal Audit Service. An improvement recommendation has been made in this respect.

Findings of counter-fraud investigations are reported to the Statutory Officers Group, and this is also included in the updates provided to the Audit & Governance Committee. These updates set out all the work internal audit have completed in the quarter, the assurance ratings on each of their reports and the action plans in place against their recommendations, so there is good oversight of the work of this service. There were 49 investigations into Business Rate Grant Fraud in 2021/22 resulting in 10 potential prosecutions, one prosecution led to a fine of £21,000 for the perpetrator. A detailed Fraud Risk Register is maintained by the Fraud Team and is reported to the Risk Management Group on a regular basis.

The Pentana management actions tracking system is fully embedded as a business management tool which is reviewed periodically by directorate leadership teams and CMT. All open management actions from each of the legacy authorities were carried forward from previous years into the new unitary organisation where they were reviewed and followed up for implementation.

Overall, we are satisfied that the procedures for drawing up the annual internal audit plan are sound and capture the relevant risks across the council. This is based on internal audit having a close integration with management. Internal Audit met with Corporate and Service Directors to review the risks and issues in their area and to jointly assess whether the level of internal audit work being carried out or planned remains appropriate. These meetings represent an opportunity to capture emerging issues and to discuss new or proposed legislation or regulations which will impact the Council. As the Internal Audit service is part of a London Audit Group and part of

a Home Counties Audit Group, they use these interactions to check they have captured emerging issues within local government, including new legislation, and to determine whether these should be incorporated within their work programme.

The Public Sector Internal Audit Standards (PSIAS) require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Council's Internal Audit Service was subject to its first external quality assessment of conformance to the PSIAS in quarter three/four of 2021/22. The assessment was conducted by CIPFA, and the review concluded that the Council's arrangements 'fully conform' to the requirements of the PSIAS.

Budget Setting Process

The development of the budget is highly collaborative. The budget setting process has seven stages;

- An initial assessment of the likely impact of external changes to the previously agreed plans.
- A review of the deliverability and continued relevance of existing Directorate plans.
- The development of new Directorate proposals, incorporating the 'Better Buckinghamshire Reset and Recovery' improvement programme.
- A Leadership review of the Directorate proposals through a 'Check and Challenge' process.
- The refinement of proposals into a draft budget which is approved by Cabinet.
- A political 'Scrutiny committee' review of the draft budget
- Final approval of the budget and Medium term Financial Plan by Cabinet and Full Council.

Governance

Budget Setting Process (cont...)

For the period in question 2021/22 Member portfolio groups did an initial sense check of the initial Directorate budgets. Each directorate has its own finance team, so these budgets should already have been subject to challenge by officers. There is a monthly update to CMT on the budget development process and progress. CMT provide horizon scanning and early challenge at this stage. These challenges include consideration of alternative proposals and scenarios.

The Corporate Management Team and Informal Cabinet receive reports on progress and the proposals made at the end of each development stage to ensure the widest support for proposals and to ensure the consistency of the proposals with the Corporate Plan and to consider any emerging changes to the planned budget.

Individual budget holders have clear roles and responsibilities. Services have their own finance teams. Proposed budgets are then submitted by Directorates. Corporate Finance developed guidance and produced budget templates to assist this process.

The budget setting processes at the Council are appropriate and in line with what we would expect to see for a Council of this size. There is a good level of ownership of and involvement in the budget setting and monitoring process, from budget holders, through executive directors and up to members.

Budgetary control

Budgetary control and monitoring is strong at the Council. There were no significant variances at outturn, the most significant were a £3.3m overspend on Education and Childrens Services (increased demand and placement costs) and £5.3m underspend on Corporate Services which includes favourable variances on capital financing costs. The total favourable variance for 2021-22 was £2.2m which represents 0.5% of the net budget.

As well as detailed budget monitoring reports prepared monthly for CMT, there are also budget monitoring boards for the main revenue spending areas, who also receive monthly reports. Budget Boards are officer meetings and are made up of key budget holders. The budgetary information provided is highly detailed, with extensive commentary provided on variances and a risk assessment against each line of the budget.

During 2021/22, corporate finance provided a monthly outturn to budget monitoring report. This went to CMT monthly and quarterly to Cabinet. This included tracking savings and had narrative commentary on these if they were not being achieved. These also provide information on spend against each Directorate's capital programme.

CMT and the monthly budget boards provide a good focus on finance. In addition the s.151 officer and Head of Corporate Finance have regular meetings with Cabinet portfolio holders to keep them briefed on budgetary issues. This provides adequate opportunity to identify and follow up on budget variances.

We are satisfied that Cabinet members have a good understanding of the budgetary information provided. Each Cabinet member is the portfolio holder for a service. As such, members were highly involved in the setting of their budgets, and are able to understand the detail contained within these reports.

The budgetary reports provided to Cabinet is very detailed. The MTFP also includes multiple appendices. However, this is line with what we have seen at other authorities and provides enough information to inform decision making. There is not an excessive amount of detail as the budget information is at a relatively high level and stands alone, and detailed appendices can be reviewed on an 'as needs' basis.

Governance

Budgetary control (cont...)

There is also a 6-monthly and an annual Treasury Management Report made to the Audit & Governance Committee. This sets out the Council's strategy to focus on lower-risk investments utilising cash balances. The Council has a good liquidity position and has opted to utilise cash as internal borrowing to fund the capital programme, reducing overall borrowing costs, in preference to receiving low yield investment returns on surplus cash. This approach is prudent and represents a good use of cash balances.

Financial Reporting

In planning this work, we had identified a risk of a significant weakness that the requirement to produce draft accounts on time, which were free from major errors or omissions, had not been met. Our audit of the 2020/21 financial statements audit is ongoing. This is due to the poor quality of accounts and working papers prepared for our initial audit. We accept that 2020/21 was the first year of the authority, and that there have been gaps in corporate knowledge and resource constraints within the Corporate Finance team we are concerned about the impact on the 2021/22 financial statements audit (which cannot commence until 2020/21 is completed).

The new finance team has responded well to our challenge and we continue to work constructively with them. The Regulatory and Financial Accounting Team has been enhanced since August 2022 with the management restructure providing a dedicated Assistant Director to provide focused oversight of the area as well as recruiting an experienced Financial Accountant to the newly created Chief Accountant post. In addition further posts have subsequently been appointed to within the structure and staff repurposed from other areas of the finance service to enhance capacity and expertise.

We consider that this is an area of significant weakness for the Council and have raised a key recommendation on this matter. More detail is provided in the financial statements section of this report.

Subsidiary Companies and Joint Ventures

The Council has 3 owned companies and one joint ventures. All members of relevant committees and the directors of the companies have received training covering their roles and responsibilities; best practice in running a company and conflicts of interest.

Improved governance arrangements were approved by Cabinet in March 2022. This included the establishment of a joint shareholder committee as a sub-committee of Cabinet. The first meeting took place in July 2022. This has helped further strengthen the governance arrangements over associated companies.

The main company is Aylesbury Vale Estate (AVE) a joint venture with Akeman Property a private sector company. AVE was established in 2009 by the Aylesbury Vale District Council to manage the legacy Aylesbury Vale estate. The Company has net assets of c£53.6m. The Council has a 50% ownership of the company and secured debts on the assets of c£28m. In March 2022, the Council received a £340k dividend which was £40k over forecast. The strategy was for similar dividends to be paid over the next two years. No issues were raised by the partnerships auditors with regard to going concern.

Consilo Property Limited has net assets of c£35m and is funded via loans from the Council of a similar value. The performance of the company and its ability to repay the debt could impact directly on the Council's finances. No issues were raised by the partnerships auditors with regard to going concern.

Buckinghamshire Advantage has a small net asset balance of c£300k and it is unlikely that the companies finances would have a significant impact on the Council's finances.

The Council is also the Trustee of 2 Trusts. The accounts for these Trusts are reviewed by the Audit and Governance Committee.

Governance

Subsidiary Companies and Joint Ventures continued...

We also note there were no specific internal audit reviews over either these entities or looking at the scrutiny and governance over these companies during the year. We have made improvement recommendations on these areas.

While we note that adequate governance arrangements were not in place during the 2021/22 year we are satisfied that improved arrangements are now in place.

Conclusion

Overall, the Council has good policies in place to promote and maintain good standards of governance. We have identified four opportunities for improvement, set out on pages 17-20. We consider that the delay in preparing its 2020/21 financial statements and the subsequent impact on later years represents a significant weaknesses in the Council's governance. We have raised a key recommendation on this matter. See page 31.

Improvement recommendation



Governance

| | |
|---------------------------|---|
| Recommendation 2 | The Annual Governance Statement (AGS) should be reviewed, updated and published in a timely manner |
| Why/impact | This statement sets out the Council's assessment on the effectiveness of its arrangements in place. If the AGS is produced late in the year this could delay the identification of issues. |
| Auditor judgement | The AGS has not been produced in a timely manner. |
| Summary findings | The Council did not agree or adopt a 2021/22 AGS during the year. The 2020/21 AGS was not agreed until March 2022. The 2021/22 AGS was agreed in November 2022. |
| Management comment | <p>The delays in achieving approvals for the AGS for 2020/21 and 2021/22 are linked to the delays in finalising the respective Statement of Accounts, alongside which they are intended to sit; together with Covid.</p> <p>The 2021/22 AGS was actively commented on by the Committee, in draft form, in September 2022/23 which laid out the main governance issues and findings; the draft was not substantively changed with only certain minor amendments made at the November 2022 final approval meeting. This was in line with the statutory deadline of publishing the accounts for that year.</p> <p>Importantly, the Committee was informed that CMT had outlined a more integrated approach to preparing the AGS going forward. This would involve input from Business Managers and Statutory Officers, as well as CMT and the Committee; and would impact the content and design. For the 2022/23 AGS, consultation is already under way with Business Managers and Committee members, and following CIPFA best practice guidance; together with Business Manager assistance on developing a Local Code of Corporate Governance.</p> <p>This recommendation has now been implemented for the financial year 2021/22 and will continue to be updated on an annual basis and published in line with the Statement of Accounts deadlines going forward.</p> |

Improvement recommendation



Governance

Recommendation 3

The Council should consider strengthening the resourcing of Internal Audit Service

Why/impact

Inadequate coverage of Internal Audit Reviews could impact the level of assurance that can be provided by the Head of Internal Audit

Auditor judgement

There is a risk that key audits will not be conducted in a timely manner.

Summary findings

34 planned audits were deferred to 2022/23 of these 2 had previously been deferred from 2020/21. This was due to resources pressures and other priority risk areas having been identified mid-year. Planning for 2022/23 has been communicated to Members, who were advised that the team would ensure adequate resource was in place throughout Q1 and Q2 to support this carried over work.

Management comment

This recommendation not agreed. The findings do not provide the context behind the deferral of the planned audits. A Business Assurance Strategy Update report is presented as a standing item to each of the A&G committee meetings, and includes an update on changes to the Internal Audit plan, including the reasons for deferred audits and audits which are added to the original plan. The reports also include details of other assurance work which is not in the Internal Audit Plan. The plan needs to remain fluid to respond to emerging risks and urgent priorities. All changes to the plan are agreed by the Audit Board and A&G Committee.

The CIPFA external assessment of the Business Assurance Team during 21/22 confirmed full conformity with the Public Sector Internal Audit Standards.

The Business Assurance team was restructured in November 2022 with additional posts included in the structure, and the call off arrangement with the APEX Audit Framework enables a flexible level of resource.

Improvement recommendation



Governance

Recommendation 4 Internal audit should consider whether work on associated companies should be included within the annual audit plan.

Why/impact There is a risk that there is insufficient scrutiny and oversight over companies closely associated with the Council.

Auditor judgement Whilst internal audit may not deem there to be sufficient risk to include this within the plan, consideration of the risk, both reputational and financial to the Council should be included within the internal audit planning cycle.

Summary findings No reviews of associated companies were undertaken by internal audit during 2020/21.

Management comment An internal audit review of the Council's companies and joint venture will be included in the annual audit plan for Q1 2023/24. This will allow time for recent enhancements/changes to be implemented.

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



Improving economy, efficiency and effectiveness



In undertaking our work we considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council's Corporate Plan was established at the formation of the new authority. This sets out the four key 'priority objectives' of

- Strengthening our communities
- Improving our environment
- Protecting the vulnerable
- Increasing prosperity.

These four objectives are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget, capital programme and MTFP.

There are quarterly performance reports to Cabinet which track the outcomes of Council activities. These are set out against 115 key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken where slippage does occur. The report is set out by members' portfolios, and they present their KPIs with a verbal report to Cabinet, which helps ensure members remain focused on agreed objectives and priorities.

These KPIs are well contextualised. They are categorised as red, amber and green, and in addition, "not due to be reported", which is KPIs the Council will be reporting, but on which they don't currently have the data (as a new organisation, the data has either not yet been collected or comparator data is not applicable). Within the performance report and performance scorecard, outturns which are performing at or better than target are classified as Green, those which are within 5% of the target are Amber and those which are more than 5% off the target are Red. At the end of Quarter 4, 93 of the 115 indicators had outturns reported with a Red, Amber or Green status. Of these, 66 were Green (71%), 7 were Amber (8%) and 20 were Red (22%).

Whilst the overall performance report goes quarterly to Cabinet, services also look at their own KPIs more regularly. The quarterly performance report is signed off in advance by each Directorate to confirm the data is accurate. It is then also seen by CMT before it is presented to Cabinet. So, there is regular oversight over performance data, which provides comfort over the accuracy of the data being used by and presented to Cabinet.

Improving economy, efficiency and effectiveness

Performance review, monitoring and assessment (cont...)

KPIs and targets are reviewed annually and members were highly involved in developing and reviewing these at the end of the year. They have used the prior full year's data as a basis for consideration as to whether the KPIs were useful, relevant and timely. This, and the setting of the indicators and targets displayed against each KPI, is signed off by Cabinet.

We have reviewed a sample of performance reports and identified the following key areas where improvement is needed:

1. The percentage waste collection for recycling was rated red all year with performance worsening in the latter part of the year. Although the Council's performance has fallen and is now below the South East average, it remains above the England average. Driver shortages were the main reason given by the Council for this. The Council is offering incentives to try to attract drivers. However the Council notes that there are competitive challenges with other sectors offering more lucrative packages including hospitality, retailers and supermarkets.
2. Flood management was red but reported green by end of year however the target does not take account of volume of incidents so it is difficult to see if there has been actual service improvement or not.
3. The percentage of children's social care assessments completed in 45 working days was green at the start of the year but was rated red at the end of the year. The overall number of children that the social care service is working with rose by 22% in the year ending March 2022. As a result, the number of assessments starting rose by 30% between 2020/21 and 2021/22. In response to this increased demand, capacity within the service was increased leading to signs of improved performance during Q3. The Improvement Board and oversight of the CSC performance has helped contribute to the improvements.
4. The percentage of children in need seen within 4 weeks is also below target. The Council has reported increased demand and complexity of referrals leading to pressure across the service.
5. The number of households living in temporary accommodation (TA) for over 12 months was also above target at the end of Q4. There were 85 households against a target of 32. The Council reported a significant 65% increase in demand for TA compared to pre-pandemic levels (361 households in TA in March 2022 compared to 218 at Dec 2019). This increase in volume has a knock-on effect in that some households then spend longer in TA.

Improving economy, efficiency and effectiveness

Benchmarking

Benchmarking information is included within the Cabinet performance report with a number the KPIs benchmarked against national and regional datasets. For example, the Council benchmarks employment rates against national figures and takes action as appropriate. We note that the Council uses the following indicator as a benchmark 'LEA1 Percentage unemployed in Buckinghamshire to be less than 55% of the Percentage unemployed nationally compared to National figures'. This indicator compares the Buckinghamshire Claimant Rate with the National Claimant Rate of those claiming 'out-of-work' benefits as a proportion of the working age population. Pre-Covid-19, the Council's Claimant Rate tracked at 55% of the National Rate. As such, reducing the Council's Claimant Rate to be below 55% of the National Rate forms the target for this measure. The Council's performance at Q4 2021-22 was 67% and so the Council had established a number of improvement actions.

We carried out our own financial benchmarking against similar Council's. This identified relatively high spend per head of relevant population in SEND, Public Transport, Environmental safety and routine maintenance, and Development Control and reflects local political choices. Very low spend areas are Adult Social Care and Corporate and Democratic core. The high spend on SEND reflects statutory responsibilities and the national trend of increasing demand ,the increase in resources put into this area as a result of critical Ofsted inspection discussed in more detail on p21 of this report. The Council will need to monitor its spend in low cost areas to ensure that it remains sustainable and that service performance is appropriate.

We also reviewed the Council's position on the CIPFA Financial Resilience Index. The index is an indicator of financial stress. The Council actually performs well across all of these indicators indicating a low level of risk in this area.

Overall, we are satisfied that KPI, benchmarking and other performance reporting is strong at the Council.

Improving economy, efficiency and effectiveness

Children's Services

Throughout much of the 2021/22 year, there was an inadequate rating in place from the most recent (2018) Ofsted review of children's services at the predecessor County Council. In December 2021 Ofsted performed a full reinspection at the new authority, and the rating has moved from inadequate to 'requires improvement'.

Ofsted have recognised the high level of activity and the improvement in some key performance indicators, such as the timeliness of initial assessments and initial child protection conferences. OFSTED reported that the Council has made notable progress since the last inspection, increasing the number of children with the Council's foster carers, reducing the number of children placed with parents under court orders, and increasing the number of children staying put with their carers by 20%. As a result of this continued improvement of services, the revised Statutory Direction issued to the Council in July 2018 has been lifted and the Council is now in a period of 'support and supervision'. This is in line with all authorities who exit formal intervention.

Whilst this revised rating is positive, and reflects the progress which has been made over the year, it is acknowledged there is still scope to improve the service and there remain elements of inconsistent practice across the Council's 12 frontline children's social care teams. This demonstrates a positive trajectory as the Council has been focussed on the implementation of its improvement plan. There has been regular monitoring of progress against this plan. Governance of the service has been good with progress updates against the improvement plan being considered by Cabinet twice during the year. These reports showed progress against performance measures which are RAG rated. We note that the main oversight of the plan rests with an Improvement Board which has been purposefully retained (and a request for it to be funded by the DfE was accepted) which met monthly throughout the period. This Board has an Independent Chair and the Chief Executive and Lead Member attends these meetings along with representatives from the Department for Education and states there is sufficient challenge over the work being done. The Chief Executive also has one-to-one meetings with the Director of Children's Services and receives weekly KPIs on the service. The Improvement Board papers are available to Corporate Management Team for an additional layer of challenge.

Under the Inspecting Local Authority Children's Services (ILACS) inspection framework, Ofsted held an annual conversation with the Council in July 2022 and in preparation for that meeting with Ofsted, the Council shared its own self-assessment and performance data for both children's social care and education. Feedback received from Ofsted at the end of the annual conversation was positive and the Council's self-assessment was accepted in full. In October 2022, in line with the ILACS framework, Ofsted conducted a Focused Visit that looked at our services and support offered to care leavers. Whilst this was not a graded inspection, Ofsted has now published their findings from this visit. A number of positive practices were identified including

- support to care leavers in Buckinghamshire has improved since the last OFSTED inspection
- Leaders in Buckinghamshire have an understanding of the strengths of the service, the areas for development and the future challenges.

Improving economy, efficiency and effectiveness

Children's Services (cont...)

Inspectors also identified four areas of practice that need to improve. The Council therefore intends to continue to follow a cycle of improvement, reviewing and testing of its practices and oversight. The aim of this work is to ensure that the Service is making progress and creating actions to address our priority areas. The Independent Improvement Board chaired by John Coughlan, CBE, will continue to have oversight and provide challenge to the Council on this work. In September 2022 HMIP inspected the Youth Offending Service and gave an overall judgement that the service was Good. The Improvement Board received the priorities and transformation plan presented by the DCS which was endorsed by the IB and it was accepted as an appropriate plan to achieve good.

One of the challenges faced by the Children's Services Directorate has been staff recruitment and retention. We note that one of the Council's initiatives to address this has been the creation of a 'Social Care Academy'. This has been set up to bring in cohorts of trainee social workers in groups of 20 and has so far successfully recruited 3 cohorts i.e. 60 additional workers. The intention is to train them to qualified social worker status. Whilst the Council will incur the up front costs in running this academy, the intention is to save on agency costs later.

We are satisfied that the Council has established appropriate arrangements to ensure the improvement of services.

Children's Services – Special Educational Needs and Disabilities Service

A Special Educational Needs and Disabilities (SEND) inspection took place between February and March 2022 and was undertaken by Ofsted and the Care Quality Commission (CQC). The inspection raised significant concerns about the effectiveness of the area. As a result of the inspection findings, the local area was required to submit a Written Statement of Action (WSOA) to address significant areas of weakness. These relate to the provision of specific health services for children and young people with SEND. The local authority and the area's Clinical Commissioning Group (CCG) were jointly responsible for submitting the written statement to Ofsted.

The WSOA was approved in August 2022. The WSOA has three strands which are interdependent: integrated therapies; new pathways and developing more community paediatricians. The aim is to reduce waiting lists through earlier intervention and access to services without the need for a full assessment or diagnosis. An Independent Improvement Board has been established to monitor progress with the WSOA. The Board has representatives from across the Council and Health Services. A WSOA working group has been established which reports to the Board.

A key challenge will be ensuring the WSOA working group has adequate resourcing given other competing priority areas for both the Council and the Health Services. The Department for Education (DfE) conducted its first monitoring visit in December 2022 with positive feedback received. One of the areas for improvement highlighted by DfE related to the need for the Council to measure the impact of the lived experience of those impacted by the service. This is a 2-3 year piece of work for which funding has recently been released. A further challenge is the number of clinical specialists available to undertake assessments and requirements including funding impacts are still being assessed.

Improving economy, efficiency and effectiveness

Children's Services – Special Educational Needs and Disabilities Service (cont...)

A broader 'Better Buckinghamshire' transformation plan is being developed and as part of this the Council plans to look at the strategic design of the Children's Service. The Council's MTFP has been updated to reflect these plans. There is a risk that demand for services will continue to grow which will put further strain on necessary budgets. The Council has already seen an increase in unaccompanied Asylum seekers as a result of nationally mandated policy. Many of those cases have more complex needs as a result of trauma and therefore are relatively more expensive. The Council is looking to address this through more strategic commissioning and meeting more complex needs through in-house placements. In addition SEND is also a priority for the Executive Place Based Partnership

We note that the current SEND Dedicated School Grant deficit is c£4m. While this is low in comparison to many other councils it is important that the cost of this service is effectively managed while also responding to the WSOA

A planned internal audit in this area was deferred to 2022/23 and was undertaken in Q1 2022. . A Childrens SEND Payments Process Assurance Audit was undertaken in Quarter 1 2022/23. The review found a number of issues which were classified under six key headers: Unclear Roles and Responsibilities, Query Backlog, Unreliable Data, Lack of Management Information, Lack of Key Performance Indicators and Excess of Spreadsheets. Recommendations on improvement initiatives are being implemented by the Council. The Council will need to carefully monitor progress with implementing the WSOA. An improvement recommendation has been made in this respect.

Overall, we are satisfied the Council has good arrangements in place to monitor and assess its response to regulatory findings.

Improving economy, efficiency and effectiveness

Partnership working

For transition to Unitary there was a workstream called ‘Strategic Partnerships for the Transition. There was an established Strategic Partnership Board for Day 1, and this was operating in shadow, to enable ongoing communications with stakeholders, including newsletters as well as ongoing meetings. There has always been a lot of focus on the voluntary sector, and now the authority is working with c 2,400 charities.

There Council has in place four strategic partnership boards. These are

- i. The Buckinghamshire Safeguarding Children Partnership
- ii. The Buckinghamshire Safeguarding Adults Board
- iii. The Buckinghamshire Health and Wellbeing Board (encourages joined up health and care services)
- iv. The Safer Buckinghamshire Board (sets out a community safety plan and monitors its progress)

A joint chairs protocol is in place across these four boards to support effective joint working. The joint chairs meeting, chaired by the Bucks CEO, meets three times a year to identify synergies, cross cutting themes and learning opportunities. They are joined by NHS and police representatives, as well as the Adults and Children’s Corporate Directors. This was set up in early 2020 and is scheduled to be reviewed and updated annually. This was operating in shadow, so it was here they thought about the risks and opportunities for working with partners in the move to unitary status.

Boards are also tasked with maintaining strong links with other strategic groups, including for example the Police and Crime Commissioner Panel, the Children and Young People’s Partnership, the Voluntary Sector Recovery Board and the Local Enterprise Partnership Board. These workstreams helped identify the active partnerships in place, enabled communication to partners and identified what was already working well and what would and wouldn’t need to change under unitary. They also identified that not all arrangements needed to move to the county wide new unitary, some were better off remaining at a district level.

Through this, there is good oversight of the bodies that work together on/with these boards.

From the Corporate Plan 2020-2023

Getting involved: community boards

Community boards enable a focus on local solutions. There are 16 boards across the county. They bring together councillors and local communities to help solve local issues, take local decisions and influence local service design and delivery.



Improving economy, efficiency and effectiveness

Partnership working (Cont'd)

There is an officer steering group, which supports the four Strategic Partnership Boards. This meets monthly. This group develops briefing materials and collates metrics and evidence to assist with the Board's work. There is a significant amount of information and intelligence sharing between these Boards, and each produces an annual report and work plan and monitors and reports on progress, impacts and outcomes. This is reported to the Communities and Localism Select Committee. Members either Chair or participate in partnership bodies, so they are well networked across partnership arrangements. CMT also include partnership conversations in their weekly meetings.

The Council has also set up 16 Community Boards. Each of these Boards has a Chair and an additional member from the Council. Town and Parish Councils, voluntary sector, health, fire and police colleagues all sit on these Boards. The work done by these Boards during transition meant they had a good local understanding and were able to help establish practical support within 2 days of the pandemic lockdown. The Council put in place Community Board area coordinators who could work in tandem with the pop-up community groups which emerged in the pandemic.

In September 2021 the Cabinet received its first Community Board Annual report. Key achievements: reported included:

Seven Community Boards partnered with Buckinghamshire Business First to deliver the Be Your Own Boss initiative to support small business start-ups as a part of Covid recovery. By working in collaboration, each Board was able to fund 12 places on the scheme for residents in their area, with events taking place throughout 2021.

Five Community Boards in the north of the country collaborated with Aylesbury Vale and Milton Keynes Sexual Assault and Abuse Support Service to set up a pilot counselling service for 14 months, in response to the increased need for support services due to the pandemic.

Three Community Boards partnered with Transitions UK, and other local partners including local housing associations Paradigm and Red Kite to pilot youth mentoring and support for 12 young people, aged 13-21, at risk of offending, criminal exploitation or wanting to change direction following offending.

New Community Board KPIs have been included in the main KPI reporting to Cabinet for 2022/23.

From the Corporate Plan 2020-2023

Getting involved: community boards

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Improving economy, efficiency and effectiveness

Partnership working (Cont...)

The Youth Offending Service Partnership is a multi-agency partnership between the Police, Children's Services, Health Services, Probation, Community Safety and both voluntary and private sector providers. The Youth Justice Board (YJB) has set three national outcome indicators which form the baseline for performance information included within the Partnership's plan. These are as follows: Reduce the number of First Time Entrants (FTE) to the Youth Justice System; Reduce Re-offending, and Reduce the Use of Custody. The Youth Offending Service Partnership Board provides Strategic Overview and will monitor performance against these indicators.

The Council agreed a Domestic Abuse Strategy in Dec 2021. This falls under the umbrella of the Safer Buckinghamshire Board. The multi-agency Board helped co-design the strategy and will oversee an action plan to commission and deliver support to victims and their children within safe accommodation services. In drafting the strategy, the Board considered research from the 2021 Director of Public Health's annual report, the 2021 needs assessment and consultation feedback. Buckinghamshire has received £850,000 from the government for specific elements of the new statutory duties. More detailed allocations will be formed following the development of SMART action and delivery plans. KPIs are monitored through the Bucks Safeguarding Adults Board. This indicator shows the number of physical and domestic abuse reported as a rate per 100k of the adult population in Buckinghamshire. There were 131 enquiries relating to physical and domestic abuse concluding in Q3 (2022/23), which equates to 31 per 100k population. This is lower than both the equivalent benchmark rate for the South East (44) in 2021/22 and Buckinghamshire's rate for the same period in the previous year (2021/22) of 64.

The Communities and Localism Select Committee undertook an inquiry during 2021/22 into the effectiveness of covid-19 grants. This report recognises the effectiveness of strategic partnerships, especially with the voluntary sector. This is good as it reflects a recognition that the distribution of grants must be aligned with corporate and strategic priorities.

Partnership working is a key theme running through the Corporate Plan and working with partners is mentioned throughout. In reading the plan, these aims and aspirations are clear.

We are satisfied that the Council has taken appropriate steps to identify and design its role with significant partnerships.

From the Corporate Plan 2020-2023

Getting involved: community boards

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Improving economy, efficiency and effectiveness

Procurement

Following its establishment as a unitary council, management noted a variability of contract management approaches across the previous legacy councils. To ensure a consistency of approach a Supplier Management Group was established. This is a steering group that looked at Supplier Relationship Management and identified areas for improvement. This group aims to promote consistent and high-quality Supplier Relationship Management across the organisation, maximise value for money, promote social value and understand and promote supplier resilience. The Procurement team have helped deliver £3.2m in contract savings from the commencement of the unitary authority, economies of scale are a key factor in this achievement.

In order to develop a new positive culture and ensure a high level of assurance, a Strategic Procurement Team was also set up. This team has provided training on several areas. This level of training is above what we have seen at some other Councils covering: Understanding Procurement training ; ProContract e-Sourcing Tender portal training ; Contract Management Development training ; Contract Management Application (CMA) training; Modern Slavery in the Supply Chain training, and Best Practice Self-Assessment training.

Procurement rules form part of the standing financial instructions contained within the Constitution and there is further guidance on the Council's contracts and procurement intranet site. The general procurement rules require all contracts over £25k to be subject to competition. Waivers are permitted in certain circumstances. These waivers must be authorised by the s.151 officer, Chief Monitoring Officer, relevant Corporate Director and relevant Cabinet Portfolio holder. Any such contract waivers or breaches are regularly reported to Audit and Governance Committee and managers involved in breaches can be invited to the Committee. The Committee report sets the highest and lowest value waivers in the period, together with a commentary on why these were used. The Procurement team also monitor the use of waivers. All contract managers and responsible for breaches are subject to mandatory training.

We note that there were 32 waivers in quarter one and two with a value of £8.5m This included a medium risk rated CAHMS contact for £4.2m There were a further c£17m of waivers in quarter 3 and 4 of 2021/22. In the 6-month period from April 2022 to September 2022 there were 28 waivers, 14 of which were raised retrospectively. The total value of the 28 waivers was £7.2m with the value of retrospective waivers £2.4m. We note that even where waivers do follow the correct process of authorisation it still means that the Council may not be achieving the full benefits of competition. We note that in one instance the Council breached of the Public Contracts Regulations 2015 during this period. The highest value waiver in Quarter 1 and 2 of 2022/23 was for a contract of £2.17m. The table below shows the volume and value of waivers over the previous 12-month period.

Improving economy, efficiency and effectiveness

Procurement (cont..)

The Procurement team intends to take a more proactive approach going forward to work with service managers and identify a pipeline of contracts required. A new category management approach is also being introduced by the Procurement team to reduce the number of waivers.

Procurement

| Directorate | Quarter 3 FY 21/22 | | Quarter 4 FY 21/22 | | Quarter 1 FY 22/23 | | Quarter 2 FY 22/23 | |
|-----------------------------------|---------------------------|-----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| | No. of Waivers registered | Total Value | No. of Waivers registered | Total Value | No. of Waivers registered | Total Value | No. of Waivers registered | Total Value |
| ADULTS & HEALTH | 0 | £0.00 | 2 | £98,317.00 | 4 | £327,058.00 | 2 | £1,235,980.25 |
| CHILDRENS SERVICES | 2 | £82,008.00 | 1 | £305,000.00 | 1 | £120,000.00 | 2 | £217,000.00 |
| COMMUNITIES | 2 | £49,381.74 | 3 | £223,745.00 | 2 | £70,383.96 | 3 | £1,224,318.00 |
| DEPUTY CHIEF EXECUTIVE | 1 | £635,000.00 | 2 | £69,831.00 | 0 | £0.00 | 0 | £0.00 |
| PLANNING, GROWTH & SUSTAINABILITY | 4 | £13,773,221.58 | 9 | £566,294.33 | 4 | £313,495.78 | 5 | £2,305,999.60 |
| RESOURCES | 1 | £35,136.85 | 3 | £1,117,225.00 | 4 | £1,390,551.68 | 1 | £15,000.00 |
| TOTAL | 10 | £14,574,748.17 | 20 | £2,380,412.33 | 15 | £2,221,489.42 | 13 | £4,998,297.85 |

Table 6: Summary of all Waivers registered in the past 12 months

Improving economy, efficiency and effectiveness

Procurement (cont...)

There is a Supplier Management Policy in place which forms part of the Council's Commissioning Model and provides best practice guidance on the processes that are to be followed to enable effective management of contracts. The Supplier Management Policy specifies the mandatory documents and data fields that should be populated on the Contract Management Application (CMA) system for each contract. This includes setting out the contracts that should have a Best Practice Self-Assessment (BPSA) carried out on an annual basis.

Contracts with suppliers where there is an ongoing relationship and who have an aggregated value of £5k or more must be entered on the CMA. All contracts held on CMA are segmented according to the annual spend and criticality, looking at risk and supply threats of the product or service supplied.

We note that the CMA is a manual system and that it does not link up to the SAP payments system. As such, SAP cannot allocate spend to a particular contract. This inhibits effective reporting and monitoring of actual spend against contract value. It is also not possible to verify that appropriate factoring or discounts built into contracts are being applied to actual payments made. The Procurement team are working on a fix to this by utilising Microsoft Power BI reporting tools and also by utilising additional functionality within the SAP system.

Spend on Procurement Cards is currently exceeding £2m per annum. Procurement cards are a useful tool for officers to ensure that goods and services can be provided in a timely manner. However, this flexibility does need to be balanced against value for money and where possible officers should purchase goods and services using contracts with approved suppliers exist. Our analysis of spend for one month identified some notable large areas of spend including £13k at amazon marketplace; £43.5k at AO (household appliances); £19.5K at the Buckinghamshire Hotel; and £13k spent at Argos. Discussions with the Council indicated that the expenditure reflect its Helping Hands and Ukrainian refugee support and reflects the need to purchase goods in short periods. The Council has confirmed that it is satisfied that the expenditure is appropriate. We note that Internal Audit's 2020/21 review of purchasing cards found some deficiencies in control, although the overall rating of the report was reasonable.

We also reviewed the Council's Internal Audit Reports on Leisure contracts, Supplier viability, Energy from waste contract, and Waste collection contract. All reports received reasonable assurance and no significant issues were reported.

Overall, based on the information we have reviewed, we can consider that the Council's procurement arrangements are reasonable but note that continued action is needed to reduce the level of waivers. We will monitor the progress the Council is making in this area.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified one improvement recommendation, set out below.

Improvement recommendation



Improving Economy, Efficiency and Effectiveness

| | |
|---------------------------|--|
| Recommendation 5 | The issues identified in the internal audit of Childrens SEND Payments Process Assurance should be carefully monitored. |
| Why/impact | Any system failure in children’s services is likely to have a significant impact, both to the service users and to the Council staff involved as well as to the reputation of the Council. |
| Auditor judgement | There have been significant concerns about the effectiveness of this area. |
| Summary findings | <p>A Special Educational Needs and Disabilities (SEND) inspection took place between February and March 2022 and was undertaken by Ofsted and the Care Quality Commission (CQC). The inspection raised significant concerns about the effectiveness of the area. As a result of the inspection findings, the local area was required to submit a Written Statement of Action (WSOA) to address significant areas of weakness. A planned internal audit in this area was deferred to 2022/23.</p> <p>A Childrens SEND Payments Process Assurance Audit was undertaken in Quarter 1 2022/23. The review found a number of issues which were classified under six key headers: Unclear Roles and Responsibilities, Query Backlog, Unreliable Data, Lack of Management Information, Lack of Key Performance Indicators and Excess of Spreadsheets.</p> |
| Management comment | <p>We are not aware of Internal Audit referenced in the recommendation above as we did not do a SEND audit in 2021/22. However, in March 2022, the local area SEND Inspection identified the following 3 areas of significant weakness:</p> <ol style="list-style-type: none"> i. The lack of a cohesive area strategy to identify and meet the needs of those children and young people requiring speech and language, communication and occupational therapy ii. Waiting times for assessments on the autism and attention deficit and hyperactivity disorder diagnosis pathways and the system-owned plans in place to address this iii. Waiting times to see a community paediatrician. <p>In response, the ICB has made a commitment to invest £4.6m SEND transformation funding this year across these three areas to increase the workforce capacity in order to stabilise waiting lists this year so that children and young people in Buckinghamshire receive a more timely service.</p> |

Opinion on financial statements

We have not commenced our 2021/22 financial statements audit. Our work has been delayed due to the ongoing audit of the 2020/21 financial statements audit.

Status of 2020/21 financial statement audit.

Buckinghamshire Council was formed from 5 Council's on 1 April 2020. 2020/21 is the first set of unitary council financial statements for Buckinghamshire Council. The Council had planned to provide draft accounts at the end of July 2021, in advance of the national deadline of 31 August 2021. However draft accounts were not provided until 5 October 2021. The draft financial statements provided for audit were not complete, with significant elements missing – including the Statement of Cash Flows, group accounts, the expenditure and funding analysis, and grants disclosure. The Balance Sheet was also missing brought forward balances in respect of the Council's plant, property and equipment.

Our technical review of the draft accounts identified many areas of the financial statements and notes requiring investigation and/or rectification by Finance. The audit team worked with Finance to identify areas of the audit that could be progressed, such as review of the fixed asset register and IAS 19 testing, whilst the draft accounts were being updated but the trial balance was not available until early October 2021, which held up much of our substantive testing.

Since October 2021 there have been many iterations of the draft accounts, with the most recent version provided to audit in September 2022, version 15. In this revised set of accounts the Council's net expenditure position in the Comprehensive Income & Expenditure statement reduced by £23.548m (from £64.9m in the original draft accounts to £41.352m). Significant movements in the Balance Sheet have also occurred with the net assets position increasing by £30m (from £925.675m in the original draft accounts to £955.707m).

In February 2023 we issued a position statement to the Council. This highlighted that our audit was ongoing and that we continue to have a number of concerns with regard to the quality of accounts and working papers presented for audit. We noted that management have worked closely with us on the restatement of the accounts and continue to provide the information needed to the best of their ability given the legacy systems that they have inherited.

Our position statement highlighted:

- Areas where work is substantially complete pending review
- Areas where further work is required and it is deemed reasonable for us to complete
- Areas where we have issues with the listings and so taking to Internal Panel for consideration.



Opinion on financial statements

Status of 2020/21 financial statement audit (cont..)

The last area represented our primary concern, which was whether a number of balances presented for audit were suitable for audit. For example, the operating expenditure balance (£680m) contained material debit and credit entries that result in an auditable balance of £2bn. Due to the large amount of contras we reported that it is not possible to gain assurance over some balances as presented. In response management have begun to undertake additional work to remove both debit and credit balances that do not form part of the final balance.

The methodology proposed by management will require considerable input by both management and ourselves as auditors. Given the unusual circumstances it is not possible to estimate when the audit will be completed. We note that the response lessens but does not entirely remove the risk of a modified audit opinion being given on the Council's financial statements. Due to the level of error noted in the financial statements and the matters highlighted above we have reduced the level of materiality applied. This will also increase our testing.

Status of 2021/22 financial statements audit

Due to the issues outlined above with regard to the 2020/21 financial statements, the Council have not been able to prepare a set of financial statements for 2021/22 and we have not commended our audit work on 2021/22. We have agreed a timetable for completion of the 2020/21 accounts by Autumn 2023 and for completion of the 2021/22 accounts audit by April 2024.

Conclusion

Due to the matters outlined above with regard to the council's 2020/21 financial statements audit we have concluded that the Council does not have appropriate arrangements in place for the preparation of its financial statements. We have raised a key recommendation on this matter.



Key recommendation

Financial Statements

| | |
|-----------------------------|--|
| Key Recommendation 1 | <p>The Council should ensure that:</p> <p>Appropriate arrangements are in place to ensure that its 2020/21 financial statements audit is completed by December 2023</p> <p>Quality control checks are put in place with regard to the 2021/22 financial statements to ensure that they are free from material error and are supported by appropriate ledger listings and working papers.</p> |
| Why/impact | <p>The 2020/21 financial statements presented for audit contained material errors and were not of an appropriate quality. This has significantly delayed the completion of the audit. As such the Council does not have independent assurance over its financial position for 2020/21 and 2021/22.</p> |
| Auditor judgement | <p>The Council does not have appropriate arrangements in place for the preparation of its financial statements.</p> |
| Summary findings | <p>The 2020/21 financial statements presented for audit contained material errors. This has resulted in delays in the audit and the need to significantly restate the 2020/21 financial statements. Due to the delays in 2020/21 process the Council has been unable to complete the preparation of its 2021/22 financial statements.</p> |
| Management comment | <p>The service review of the Financial Reporting was completed in March 2023. We have appointed to the Chief Accountant role and most of the vacancies within the team. The team is working on addressing the audit queries for 2020/21 and preparation of draft statement of accounts for 2021/22. Quality Controls for working papers and the consolidation processes are now implemented which would lead to production of Statement of Accounts without material errors. 2020/21 was the first year of Unitary Council and It is anticipated that there would be a more 'normal' approach with future Statements of Accounts work.</p> |



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

Pension fund

Pension fund

Overall responsibility for administration and governance of the Buckinghamshire Pension Fund lies with Buckinghamshire Council as the administering authority.

In order to discharge these responsibilities the Council has established:

- a Local Pension Committee which is responsible for management of the fund. Membership of this Committee is made up of members of the Council and of admitted bodies within Buckinghamshire, and also includes a number of non-voting staff representatives. The Committee met quarterly throughout 2021/22 and held an annual meeting in order to discharge its responsibilities to oversee investment management strategy and governance.
- a Local Pension Board under Regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended) which operates independently of the Local Pension Committee, and whose role is to assist the County Council as the Administering Authority and Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme. The Board met quarterly throughout 2021/22 and publishes the Pension Fund Annual Report.

The Pension Fund publishes an annual Governance Compliance Statement which is included in the Pension Fund Annual Report and sets out how the fund has complied with its governance and investment management responsibilities.

Our audit of the 2021/22 Pension fund financial statements is nearing completion. No material errors have been identified from our audit work.

Conclusion

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



Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? |
|---|---|------------------------|-------------|--|---|
| 1 | There should be a continued keen focus from the Council on identifying and agreeing savings over the next three years, to meet the shortfall identified in the Council's MTFP. | Improvement | Dec 2022 | The Committee disagreed with this recommendation and requested for this to be removed | No, the recommendation was not agreed by the Council. |
| 2 | The Corporate Finance Team should be strengthened to enable a timely final accounts process. This will require close oversight over the coming months, and we may consider it necessary to elevate this to a significant weakness and a key recommendation if progress is not seen over that timeframe. | Improvement | Dec 2022 | A dedicated Financial control and reporting is now in place lead by the Chief Accountant and have recruited to all the vacancies within the team. The team is working on addressing the audit queries for 2020/21 and preparation of draft statement of accounts for 2021/22. Quality Controls for working papers and the consolidation processes are now implemented which would lead to production of Statement of Accounts without material errors. | Yes |
| 3 | The Annual Governance Statement (AGS) should be reviewed, updated and published on an annual basis. | Improvement | Dec 2022 | The 2021/22 AGS was actively commented on by the Committee, in draft form, in September 2022/23 which laid out the main governance issues and findings; the draft was not substantively changed with only certain minor amendments made at the November 2022 final approval meeting. | Yes |
| 4 | Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests by committee, party or ward. | Improvement | Dec 2022 | A link has been added to the Council's web site on the Councillors page which provides a central, online reference to all Members' ROIs. Cross-referencing Members' ROIs with links already in place with memberships, councillors by party, and councillors by ward will present the opportunity to ascertain such information by committee, party, or ward. | Yes |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|---|---|-------------------------------|--------------------|--|-------------------|------------------------|
| 5 | Training should be provided for members and officers acting in directorship and/or representative roles on associated companies and joint ventures. | Improvement | Dec 2022 | Training took place on 23/09/22 which covered roles and responsibilities as well as best practice in running a company. Conflict of interest guidance has been developed and formally adopted by the committee in January 23 | Yes | |
| 6 | There should be regular reporting to TCWG of the activities and financial plans and performance of associated companies. | Improvement | Dec 2022 | A Shareholder Committee (sub-committee of cabinet) has been set up from July 22n and meets quarterly to review and scrutinise the governance arrangements, financial plans, activities and performance of the Council's companies and joint ventures | Yes | |

Opinion on the financial statements



Audit opinion on the financial statements

We have not yet started our work on the 2021/22 financial statements. The reasons for this are reported on page 15 of this report.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

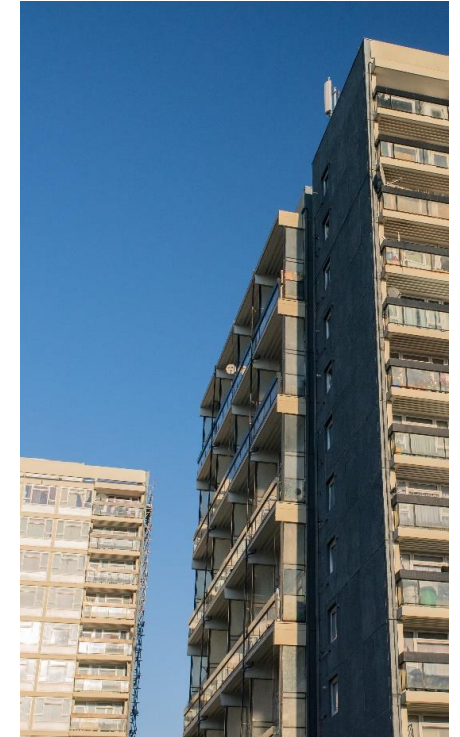
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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 |
|---|---|--|---|
| The predecessor County Council received an inadequate Ofsted rating in respect of Children's Services. | Reviewed progress against and actions taken as part of the Improvement Plan. Discussed this with Senior Officers. | Ofsted have now been able to perform a full reinspection at the new authority, and the rating has moved from inadequate to 'requires improvement' | Our conclusion is that this is not a significant weakness |
| The Corporate finance function had not produced draft accounts on time which were free from significant omission. | Liaised with the financial statements audit team to consider whether this was indicative of a significant weakness. Discussed this with senior officers at the Council. | Whilst there are resource constraints within this team, we are satisfied this is a capacity issue, not a result of a lack of expertise. The inability to recruit permanent members of staff to Council finance teams has been seen at a number of other authorities. | Our conclusion is that this is not a significant weakness |

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. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report. | 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'. | Yes | Opinion 41 |
| 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 | FS Governance 15 Improving economy, efficiency and effectiveness 23-25 38 |

