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Meeting: Audit and Governance Committee
Date: Monday, 14th August 2023
Time: 2.00 pm
Venue: Council Chamber, The Cube, George Street, Corby, Northants. NN17 1QG

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To:

Members of the Audit and Governance Committee


Councillors Andrew Weatherill (Chair), Jonathan Ekins (Vice-Chair), Valerie Anslow, Kirk Harrison, Bert Jackson, Ian Jelley, Anne Lee, Richard Levell, Paul Marks, and Russell Roberts.

Mr Michael Whitworth (Independent Person)

Substitutes:

Councillors Jean Addison, Paul Bell, Melanie Coleman, John Currall, Tom Partridge-Underwood, Mark Pengelly, Roger Powell, Chris Smith-Haynes and Lee Wilkes

Agenda			
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05	Audit Update - Corby	Ernst & Young	-
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08	Strategic Risk Register Update	Rachel Ashley-Caunt Chief Internal Auditor	93 - 104
Urgent Items			
	To consider any items of business for which notice has been given to the Proper Officer prior to the meeting and the Chairman considers to be urgent pursuant to the Local Government Act 1972.		
Exempt Items			
9	None Notified		
10	Close of Meeting		
<p>Adele Wylie, Monitoring Officer North Northamptonshire Council</p>  <p>Proper Officer 4th August 2023</p>			

This agenda has been published by Democratic Services
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Minutes of a meeting of the Audit and Governance Committee

At 2.00 pm on Monday 12th June, 2023 in the
Council Chamber, The Cube, George St, Corby NN17 1QG

Present:-

Members

Councillor Andrew Weatherill (Chair)	Councillor Jonathan Ekins
Councillor Ian Jelley	Councillor Paul Marks
Councillor Anne Lee	Councillor Bert Jackson
Councillor Richard Levell	Councillor Valerie Anslow

Officers

Janice Gotts	Executive Director of Finance and Performance (S151 Officer)
Claire Edwards	Assistant Director of Finance and Accountancy
Rachel Ashley-Caunt	Chief Internal Auditor
Dean Mitchell	Chief Accountant
Colin Foster	Chief Executive – Northamptonshire Children’s Trust (NCT)
Andrew Tagg	Director of Finance – Northamptonshire Children’s Trust (NCT)
Elizabeth Jackson	Ernst & Young – External Audit
Ciaran McLaughlin	Grant Thornton – External Audit
Callum Galluzzo	Democratic Services

Councillor Lloyd Bunday, Portfolio Holder for Finance and Transformation also attended the meeting.

108 Apologies for non-attendance

Apologies for absence were received from Councillor Cedwien Brown.

It was noted by members that Councillor Bert Jackson was present as a substitute.

109 Members' Declarations of Interests

The chair asked members to declare any interests on items present on the agenda.

No declarations were registered.

110 Minutes of the meeting held on 24th April 2023

Members received a summary which sought to update members as part of the Internal Audit Progress Report including timings on housing repairs.

It was heard that The Housing Strategy for North Northamptonshire Council was on the Housing Service Plan for completion in March 2024 following the appointment Director of the Assistant of Strategic Housing, Development and Property Services. It was also noted that an interim Housing Strategy Lite had been produced as an interim measure.

Members requested that a regular update be provided to the Audit & Governance committee.

RESOLVED That the minutes of the meeting of the Audit and Governance Committee held on 20th February 24th April 2023 be approved as a correct record and signed by the chair

111 **Audit Results Update**

Elizabeth Jackson, Ernst & Young – External Audit attended the meeting and provided a report to the committee which looked to outline the interim audit results.

It was noted by the committee that since the previous update in February that there was no change in any of the materiality or performance materiality or the audit differences threshold at £1.1 Million. £500,000 and £50,000.

Members noted that auditors had identified a large number of errors in the accounts and within the sample testing which would have resulted in significant amendments to the current version of the accounts. As a result, it was noted auditors were unable to conclude on the value of these errors as further information was required.

Sample testing was in progress and had to extend a number of samples due to the level of error within the evidence provided to support the item of account. As a result, work was still ongoing and final agreed adjusted and unadjusted differences will be reported as part of the final reporting procedures upon completion of the auditors work. The main areas requiring completion included:

- Property, Plant & Equipment (PPE) including investment property
- Debtors
- Cash
- Creditors
- Provisions
- Leases
- Pension Scheme Liabilities
- Reserves
- Income and Expenditure
- Grant income (including Covid grants)
- Other disclosures

Members heard that there were a number of areas where we are yet to be able to conclude on whether the accounts were materially fairly stated as the testing was in progress. It was noted that the auditors continued to work with management to be able to conclude on the 2020/21 accounts based on the level of information and supporting evidence that has been provided to date. It was then heard that the auditors had agreed a number of amendments to the 2020/21 accounts based on the work and from this the auditors had been able to conclude and set out in the report.

It was noted that the 30th July would be the likely date for the issuing of the completed Audit Report.

Following debate it was:

RESOLVED That the audit update be noted.

112 **Statement of Accounts 2020-21 (Corby Borough Council)**

Members received a report which sought the approval of the draft Statement of Accounts for the financial year 2020/21 for the Corby Borough Council subject to the conclusion of the audit and that there were no material adjustments that impact on the Council's usable reserves. The report also sought to seek that adjustments required to the draft Statement of Accounts in relation to Corby Borough Council be delegated to the Chair of Audit & Governance, in consultation with the Councils Executive Director of Finance & Performance.

Members raised concerns regarding the possible premature nature of the approval of the current statement of the accounts due to the ongoing work.

Members also raised the need to include a strict time frame within the recommendation for delegated authority and to acknowledge councillors levels of concerns, members requested a deadline of 31st July be included.

Following debate it was:

RESOLVED that:-

- a) the draft Statement of Accounts for the financial year 2020/21 for the Corby Borough Council subject to the conclusion of the audit and that there are no material adjustments that impact on the Council's usable reserves be approved
- b) Adjustments required to the draft Statement of Accounts in relation to Corby Borough Council be delegated to the Chair of Audit & Governance, in consultation with the Councils Executive Director of Finance & Performance.

113 **Internal Audit Progress Report**

Members received a report which sought to provide the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

It was noted by members that since the last meeting of the Audit and Governance Committee, the Internal Audit service had been concluding and finalising all assignments from the 2022/23 Audit Plan and progressing fieldwork on 2023/24 assignments. The key findings of 20 audit reports which had been finalised during the period were provided to members for information. It was heard that of the 20 reports finalised, all received an assurance opinion of at least Satisfactory Assurance.

Updates were provided to members regarding S106 monitoring and Corporate Assets which had previously received limited assurance in 2022/23 which had both now moved to a satisfactory assurance opinion with a number of actions being implemented as at the time of the current years audit.

Members heard that a number of areas of weakness had been identified as part of the audit process including contract management within Public Health where performance improvement plans had been in place to deal with these concerns as well as taking into consideration the national issues which when put into context led to a satisfactory assurance opinion.

An update was also provided to members regarding the audit on fleet and fuel with a focus given to fraud risks and how the risk of fraud in managing supplies of fuel and access to fleet vehicles was being managed. The audit identified a number of weaknesses within the data. Members heard that some recommendations had been provided around improving the control framework and that a fraud update would be brought back to committee as a future agenda item.

Members raised several questions relating to the use of Section 106 monies and the importance for effective controls and management within the planning process. Members noted that the Assistant Director of Growth & Regeneration be invited to a future meeting of the Audit and Governance Committee to provide members with clarification around concerns raised.

Following debate it was:-

RESOLVED that the Committee note the progress report attached as Appendix 1 and consider the main issues arising.

114 Annual Internal Audit Report and Opinion 2022/23

Members received a report which sought to provide the committee with the Chief Internal Auditor's Annual Report and Opinion for 2022/23. It was noted that the report helped to inform the Council's Annual Governance Statement and provided a key source of independent assurance for the Audit and Governance Committee.

The Annual Report and Opinion provided an overview of internal audit activity and findings from 2022/23. The assurance opinion was based on the outcome of the planned audit assignments, actions taken by management in response to audit recommendations and other sources of assurance, as considered relevant by the Chief Internal Auditor. The report also reflected upon the performance of the internal audit service over 2022/23 and the value added.

The 2022/23 financial year had been the second year of the Council's operation and the first with an in-house internal audit service. The Chief Internal Auditor addressed the committee and noted that they were satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2022/23. It was the opinion of Internal audit that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2022/23.

Members heard that 173 audit recommendations were made as part of the internal audit process which resulted in agreed management actions during the year. It was noted that of those recommendations 123 had already been implemented with the remaining to be presented as part of the progress reporting. Good and outstanding feedback to the internal audit was also noted by members.

Members raised concerns regarding the limitation of scope associated with the Children's Trust and West Northants Council based activity. Members also raised concerns regarding the absence of the head of internal audit from West Northants Council.

Members raised a cause for concern regarding the levels of assurance received from the Children's Trust.

Following debate it was:

RESOLVED That the Annual Internal Audit Report and Opinion for 2022/23 attached as Appendix 1 be noted.

115 Northamptonshire Children's Trust Governance and Reporting Arrangements

Members received a report which sought to provide a brief overview to members of the Audit and Governance Committee of current governance and reporting arrangements for Northamptonshire Children's Trust (NCT).

Members heard that the contract between the Councils and Northamptonshire Children's Trust (NCT) set out the governance arrangements. The key meeting at the heart of the governance arrangement was the monthly Operational Group (OCG) with the remit 'to provide a joint forum to periodically review each Party's respective performance of this Agreement (in particular the performance of the Services by the Trust and the performance of the Dependencies by the Council) at an operational level'. The terms of reference for the Operational Group were revised in November 2022. The Operational Group reports to the quarterly Strategic Group which 'provides strategic, political and executive oversight and scrutiny to the Agreement'.

The contract also sets out the Performance Framework and the Councils' responsibilities and dependencies. Oversight, discussion and shared problem-solving of issues from Schedules 6 and 4 are the primary focus of Operational Group, along with financial monitoring and support services and property matters.

It was noted that There were four governance committees and the reporting overview was set out as part of the committee report;

- a) NCT Board
- b) Practice, performance and quality committee
- c) Finance and resources committee
- d) Audit committee

Members of the committee heard that the financial reporting model had been mirrored on that directly of North Northamptonshire Council which has been built with assistance from the assistant section 151 officer for North Northamptonshire Council.

It was stated to members that very single element of the NCT budget was open to scrutiny above the requirements of the contract due to the pressures that are being faced both locally and nationally. Open invitations are in place to both Chief Internal Auditors of both North Northamptonshire Council and West Northamptonshire Council.

Members raised questions regarding sources of assurance for Northamptonshire Children's Trust. It was noted that additional information requested by members would be made available at a future meeting of the Audit and Governance Committee as well as an invitation to the chair of the NCT audit Committee.

Following debate it was:

RESOLVED the report of Northamptonshire Children's Trust attached as Annex 1 which sets out the governance and reporting arrangements for the Trust be noted.

116 Urgent Items

An update was provided to members regarding a recent data breach was reported by 'Move It' a software specialist that deals with the transferring of personal/financial sensitive data. It was noted that North Northamptonshire has been affected and the individuals identified as being affected notified.

117 Close of Meeting

The meeting closed at 4.12 pm

Chair

Date

Briefing Note Title:	Update on s106 matters			
Date:	14/08/2023			
Author(s):	Rob Harbour, Assistant Director of Growth & Regeneration			
Intended Audience(s):	Audit & Governance Committee			
Purpose:	Decision	Discussion	Ratification	Information ✓
Purpose:	To provide an update on several s106 related issues raised at the last Audit & Governance Committee			
Recommendation:	To note the update			
Background:	<p>At the last meeting of the Audit & Governance Committee on the 12 June 2023, an Internal Audit Progress Report was received by the Committee from the Chief Internal Auditor. This included an update on s106 monitoring which reported a satisfactory level of assurance.</p> <p>During consideration of the Internal Audit Progress Report, some comments were made by Committee Members regarding the monitoring of s106 agreements and as a consequence, the Chair of the Committee requested this note be brought to the next Committee meeting to provide an update on the matters that were previously raised.</p> <p>This note provides the updates as requested:</p> <p>1. Two s106 obligations with 7 months to expiry</p> <p>The matter was raised with Committee that there are three s106 obligations in the Rothwell area that only have 7 months left until expiry and there were local concerns that these contributions may not be spent before the deadline.</p> <p>The three contributions in question are:</p> <p>i) Brachers Field Allotments - identified improvements to the allotments. s106 sum - £4,287</p> <p>Update: The Developer Contributions Team are in a dialogue with the Rothwell Allotments Association, who have put forward a number of potential uses for this contribution. This matter is therefore progressing to ensure the funds are transferred and used in full before the January 2024 expiry.</p> <p>ii) Well Lane Recreation Ground - drainage enhancement of the football pitch. s106 sum - £11,433</p> <p>Update: This project is proceeding through NNC's governance arrangements. It has been taken to both the Place & Economy Directorate Capital Board</p>			

and Strategic Capital Board. A final decision is to be made by Executive on the 17th August. The Grounds Maintenance Service plan to use this funding for the creation of drainage systems on the football pitch at Well Lane in line with the s106 agreement. Assuming that the money is released in August then the Grounds Maintenance Service are confident that this project will be completed before January 2024.

- iii) Manor Park - Completion of a study commissioned to address the feasibility of restoring the historic features of Manor Park around the old carp pond
S106 sum - £7,146

Update:

Grounds Maintenance officers understand that the ponds were once fed by a river, which no longer runs through the park, and consequently the ponds are gone. If therefore this obligation can no longer be used for its original purpose, NNC will need to approach the developer to confirm they are happy for it to be used for an alternative scheme. Rothwell Town Council have therefore been requested to liaise with the Developer Contributions Team to agree a firm set of proposals as to how they envisage the funds could be used instead which will enable NNC to hold a dialogue with the developer.

The Developer Contributions Team have met with representatives from Rothwell Town Council within the last few weeks and are in a dialogue with them to in relation to the contributions outlined above and other developer obligations relating to the Rothwell area.

2. Sharing of s106 spreadsheet

The audit report is correct in that significant progress has been made with cleansing, updating and reconciling the s106 information inherited from the former North Northamptonshire authorities and compiling this onto a spreadsheet where appropriate to do so. Some data is also held within proprietary planning back office systems and therefore sits separately to the spreadsheet. As such, the work to consolidate all s106 data is not yet fully complete and is linked to the procurement of a single IT system for the Planning Service (including developer contributions), which will ultimately provide the single s106 database that we are working towards as our long term solution.

Whilst it is not feasible to share a single list of s106 data given the list held across North Northamptonshire extends to thousands of records, we can look into specific allocations of interest. In time it will be increasingly easy to interrogate and report on the data. At present, it is not held in a single place, as the report that was received by the Audit & Governance Committee indicates, and it is work in progress to cleanse and validate all the data, as well as migrate it into a single system.

3. Can s106 obligations be re-assigned?

S106 obligations are always negotiated to comply with the relevant legislative requirements. At the current time these are encompassed within the Town & Country Planning Act, the Planning Act and the Community Infrastructure Levy Regulations.

Regulation 122 of the Community Infrastructure Levy Regulations 2010 makes it unlawful for any planning obligation to be taken into account as a reason to grant a planning permission if it does not meet the 3 tests set out in the Regulation. That it is:

- i) necessary to make the development acceptable in planning terms
- ii) directly related to the development
- iii) and fairly and reasonably related in scale and kind to the development

It is essential therefore that when negotiating either a new s106 agreement or considering any variation to an existing agreement, that this regulation is complied with.

s106 agreements can usually only be modified or discharged under s106A of the Town & Country Planning Act.

This section enables modification or discharge of an obligation to be achieved either by an agreement with the local planning authority (which must be executed as a deed), or by an application to the local planning authority.

This means that a developer can seek to vary an obligation by making an application to the local planning authority which must then be determined, or that the local planning authority can seek to vary an obligation but this must be agreed with the developer and executed as a deed of variation. A local planning authority cannot unilaterally vary a s106 agreement.

The time periods within which applications to modify or discharge an obligation can be made, are as follows:

- For obligations entered into on or before 6 April 2010 – an application can be made at any time
- For obligations entered into after 6 April 2010 – an application can be made after 5 years beginning with the date the obligation has been entered into to

Where a developer applies to modify a s106 agreement through a s106A application, if this application is refused by the local planning authority, there is a right of appeal under section 106B if any application is refused.

Originator:	Rob Harbour, Assistant Director of Growth & Regeneration
Contact details:	Rob.harbour@northnorthants.gov.uk

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Audit and Governance Committee 14th August 2023

Report Title	Auditors Annual Report 2021/22
Report Author	Ciaran McLaughlin, Grant Thornton

Appendices

Appendix 1 – Auditors Annual Report on North Northamptonshire Council 2021/22

1. Purpose of Report

1.1 This report provides the Auditors Annual Report 2021/22 for North Northamptonshire Council which has been produced by the Council's external auditors, Grant Thornton.

2. Executive Summary

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

2.2 Auditors are required to report their commentary on the Council's arrangements under specified criteria.

2.3 As part of its work, the external auditors 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. The conclusions are summarised as follows:

Criteria	Risk assessment	21/22 Auditor Judgment	
Financial sustainability	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made

2.4 The attached report (see appendix 1) sets out the detail of the findings and subsequent recommendations.

3. Recommendations

3.1 It is recommended that the Committee note the report.

3.2 Reason for Recommendations:

- For the Committee to exercise its duties and responsibilities within its Terms of Reference for receiving reports and considering the main issues arising.

4. Report Background

4.1 Each year the Council's external auditors are required to consider whether the Council has put in place the proper arrangements to secure economy, efficiency and effectiveness in its operations to comply with the National Audit Office Code of Audit Practice.

4.2 The Council's external auditors, Grant Thornton, have reviewed the position for 2021/22 and issued a report setting out their annual opinion for the year which is attached as Appendix 1.

4.3 The report concludes that for the main areas of financial sustainability, governance and improving economy, efficiency and effectiveness that there were no risks of significant weakness identified but there were still improvements that could be made to achieve best practice as these are set out in detail in the report, with a total of 16 recommendations being made.

4.4 The report acknowledges that the Council's 2021/22 accounts are yet to be completed due to the delays in the finalisation of the accounts from legacy Councils.

4.5 As the report is a retrospective view of the financial year, a number of the recommendations have already been completed during 2022/23 as part of existing work plans. However, some will not be able to be implemented until 2023/24. Each recommendation sets out the intended completion date for any action and these will be monitored throughout the year.

5. Issues and Choices

5.1 The report provides an overview of the governance and assurance arrangements for the Council setting out recommended improvement to practice. The management response to those recommendations and subsequent actions are also included with the report. There are no alternative options proposed.

6. Implications (including financial implications)

6.1 **Resources and Financial**

6.1.1 Not specific to this report.

6.2 **Legal**

6.2.1 Not specific to this report.

6.3 **Risk**

6.3.1 The report provides an opinion on the Council's arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness and identifies areas for possible improvement in its recommendations.

6.3.2 The recommendations will be followed up as part of the Council's response to the report.

6.4 **Consultation**

6.4.1 Not specific to this report.

6.5 **Consideration by Scrutiny**

6.5.1 Not required on this occasion.

6.6 **Climate Impact**

6.6.1 Not specific to this report.

6.7 **Community Impact**

6.7.1 Not specific to this report.

7. **Background Papers**

7.1 None.

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Auditor's Annual Report on North Northamptonshire Council

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

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



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

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Executive summary



Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 21/22 is the second year that we have reported our findings in this way across the sector. 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.

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Criteria	Risk assessment	21/22 Auditor Judgment	
Financial sustainability	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but improvement recommendation made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 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

Although we have raised some improvement recommendations in our work we have not identified any significant weaknesses in the Council's arrangements for securing financial sustainability.

Finance is at the forefront of both the Sector, and the Council's attention as future funding sources remain uncertain and the impact of Covid-19, the cost of living crisis and inflation are forecast to increase expenditure significantly. The Council reported an underspend for 21/22 of £1.7m despite some overspends in individual services which have been able to mitigated by non-recurrent sources of funding or off-set by underspends in other services.

The Council has set a balanced budget for 22/23 in line with legislation, with a net budget position of £295.9m. The assumptions used in developing this position are realistic although emerging risks in the sector around inflation and pay mean that these assumptions will need to be reviewed on an ongoing basis. The Council has mechanisms in place in order to review the budget and make amendments throughout the 22/23 year. The Council has set aside contingency and smoothing reserves in order to respond to any emerging or unexpected pressures that were not apparent at the time the budget was set, evidence demonstrates that the Council updates its plans as risks emerge and that it has a sufficient level of reserves to respond, based on best information available at the time of the budget prior to the completion of the disaggregation of predecessor Council reserves. The use of reserves planned in 22/23 has partly been facilitated by a contribution to reserves in 21/22 and therefore the Council's financial management has contributed to addressing unexpected pressures.

The Council continues to forecast a financial gap in the medium term, which stands at £59m for the period to 24/25. This has reduced by £30m over the same period since the MTFP was developed in 21/22 as a result of balancing the budget for 22/23, reviewing assumptions and identifying savings. Further actions to respond and to reduce the gap and respond to emerging pressures are expected to be developed in 23/24 as part of the budget setting process which commenced in October 22, and via the in-year budget monitoring.

Delivery of the Council's savings programme each year is vital in ensuring it performs in line with budget. The Council had 4% of savings undelivered in 21/22 and 50% either still in progress at year end or only partially delivered. Despite not achieving the programme in full the use of nonrecurrent funding allowed an overall underspend position to be achieved. 22/23 savings performance to date has shown improvement although further work is required to ensure schemes currently in progress or partially delivered can be full realized at year end.



Governance

Although we have raised some improvement recommendations in our work we have not identified any significant weaknesses in the Council's governance arrangements.

The Council's risk management processes have been operating effectively throughout the year. The Council is committed to an ongoing improvement journey and this has been evidenced by updates to the Corporate Risk Register, in particular, following a review after the Council's first full year of existence. The updates to the register have ensured that decision makers have an appropriate suite of information with which to inform their discussions and decisions around risk, although some minor improvements to the format and review of the register have been suggested. The risk management strategy has been in place for a year and was due to be reviewed, in order that processes remain relevant we have suggested this review is undertaken as expected by the Audit & Governance Committee. The Council have been well supported in their risk management process by their Internal Audit function, which has been delivered by an in-house team from April 2022 and therefore there is an opportunity for the Council to externally assess its risk maturity and risk management processes and embed any lessons learned to achieve ongoing improvements.

A robust budget setting process was in place in both 21/22 and 22/23 which incorporated a strong level of engagement from a range of stakeholders, both internally and externally. Despite a time consuming approval process through the Council's governance structures the budget was approved prior to the start of the financial year in both cases. The Council has an opportunity to review and streamline its decision making processes to ensure they are operating as efficiently as possible and that an appropriate amount of time is allocated to each key decision.

A legal case inherited from a predecessor Council has been well managed in order to bring the case to a conclusion with appropriate challenge, communication and collaboration observed during the process.

Executive summary



Improving economy, efficiency and effectiveness

Although we have raised some improvement recommendations in our work we have not identified any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.

The Council effectively reports on its non-financial performance and seeks to adapt the arrangements, iteratively, in order that they are fit for purpose and of the most benefit to decision makers. The Executive has received the Council's evolving KPI dashboard sufficiently regularly in 21/22 and the frequency of reporting has been updated to reflect the risks being faced. By year end performance overall is positive with a small number of red-rated underperforming KPIs. The actions that the Council is taking to respond are clear.

The Council has a significant partnership in the Northamptonshire Children's Trust who deliver Children's Services, with the exception of Education Services, on behalf of the Council. There are robust governance arrangements in place which are formalised and strictly adhered to by both parties. There is an appropriate flow of performance information between the Council and the Trust as a result of the governance structures set up outside of each of the organisations own committees structures. Some minor improvements have been noted in the format of finance reporting and sufficiently updating the Council Executive but overall the arrangements appear adequate. Though as Ofsted noted in their recent inspection of the Children's Trust it requires improvement to be good.

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 21/22

Delays in completion of the 20/21 audits for predecessor bodies has delayed the production of the Councils draft 21/22 accounts and therefore our audit of them. We therefore issue our Annual Auditors Report in draft form pending completion of the 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

No such issues identified

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.

No such issues identified

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.

No such issues identified

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.

No such issues identified

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.

No such issues identified

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

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

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

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

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



Financial Sustainability

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



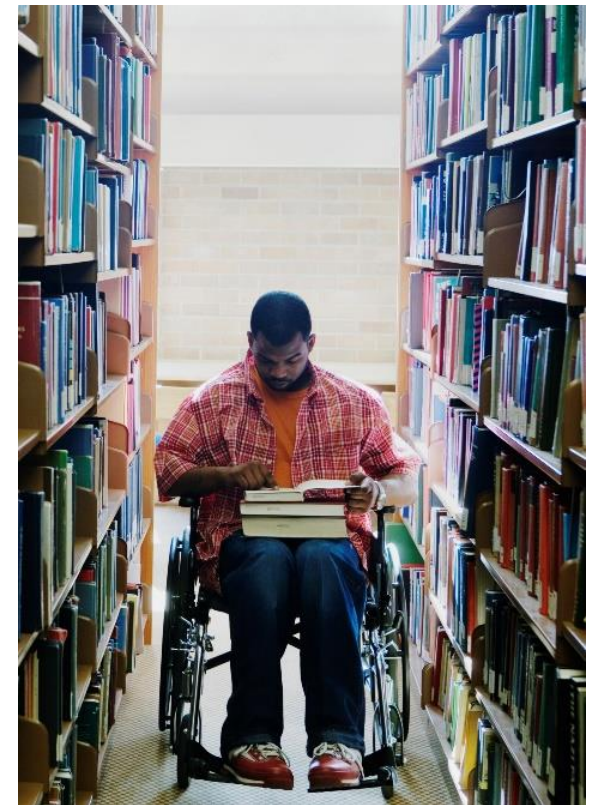
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 42.

Financial sustainability



We considered how the Council:

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

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21/22 Financial Planning Arrangements

The first draft Revenue Budget for 21/22 and Medium-Term Financial Plan for North Northamptonshire Council was initially presented to the Shadow Executive 7th December 2020, this committee received a further updated budget in January 2021 and the final budget was received at the meeting on 10th February 2021 prior to the start of the 2021 year. This demonstrates that there was an iterative process to budget setting prior to its finalisation with multiple opportunities for members to scrutinise and challenge the budget and amendments to be made as required.

The announcement of individual authority allocations in the Provisional Local Government Finance Settlement was announced on 17th December 2020 and the Final Local Government Settlements published on 4 February 2021 and therefore the timing of the final budget, and this iterative process, allowed for the budget to be updated for new information as it became available to ensure that assumptions were as realistic as possible.

The Shadow Executive was put in place to ensure that appropriate steps were taken to allow North Northamptonshire Council to be ready for its formal creation on 1 April 2021, to provide governance functions to the Council and ensure that strategic leadership was in place in creating the newly established Council. In addition to the Shadow Executive, a Shadow Authority was created to fulfill the role of Full Council prior to the Council coming into being and therefore allow statutory decisions to be effectively signed off in a timely manner. This included key policies and the final approval of the 21/22 budget on 25th February 2021.

The Shadow Executive and Authority were effectively supported through the budget setting process by the Shadow Overview and Scrutiny Committee who reviewed and challenged all aspects of the budget for 21/22 each time it was scheduled for presentation to the Shadow Executive. As well as comments from this panel of Council members, residents, local partners and other stakeholders had the opportunity to provide feedback on the budget via a seven-week consultation period and there is evidence of ongoing engagement with elected members throughout the process.

Even though the Council Finance function was not fully established at the time of the 21/22 budget being set, with finance teams at predecessor Councils required to fulfil their existing obligations, the Council was able to successfully set a budget in line with the expected timeline and undertake a comprehensive and extensive review process. The process was effectively led by an Interim Chief Finance Officer (CFO) in the first stages with the current Council CFO joining the Council and the process as it was progressing, this has ensured a level of retained knowledge taken forwards into the 22/23 process and ability to make improvements following lessons learned.

21/22 Financial Position

As a result of the 21/22 budget process the Council was able to set a balanced budget for 21/22 in line with Local Government legislation, this resulted in a net revenue budget position for 21/22 to be achieved of £292.5m fully funded by government grants per the Local Government Settlement, Council Tax, Business Rates and fees and charges for Council services.

The robustness of the 21/22 budget setting process and the appropriateness of the assumptions developed through this process is evidenced by the positive outturn position achieved for 21/22 which was a small underspend of £1.7m. Underspends were observed consistently across all but one directorate and corporate budget, with an overspend of £198k occurring in Enabling and Support Services. This is not significant in the context of the overall budget and has been funded in full by underspends in other directorates. At a service level the largest underspend in 21/22 was in relation to contingency budget held to meet unforeseen or unplanned/unbudgeted costs which was unused and transferred to reserves to effectively contribute towards potential future budget pressures.

Consideration has been given to the level of cash reserves the Council holds. Strong cash reserves are indicative of a sustainable financial position for the future. The Council monitor their cashflow position and update their year end forecast daily, this is undertaken by a dedicated member of the Finance Team for Treasury Management. This is effective and strong financial management which allows action to be taken immediately should deviation from expected cash position be observed. The Council ended 21/22 with cash, cash equivalents, short term investments and long-term investments of £252.8m and is currently forecasting to reduce these to £193.3m by the end of March 2024. Despite the reduction this is a substantial level of cash to hold and is comparable to the balances observed at London Boroughs and large unitary Councils. The high balances held are a result of the disaggregation process being in progress and payments and receipts in relation to shared services with West Northamptonshire Council not yet settled. The Council is holding the balances so that a net inflow or outflow position can be agreed for these services rather than transferring large sums of money between the two Councils. This is considered efficient management of the Council's resources and ensures cash is available to support payments in the meantime.

[22/23 Budget](#)

The Council followed a similar budget setting process and timeline for 22/23 as noted for 21/22 but under its established, rather than shadow arrangements, these are described in more detail in the Governance section of the report.

The Budget for 22/23 and updated medium term position were finalised and approved by Full Council in February 2022 ahead of the start of the 22/23 financial year. During the development of the 21/22 budget and medium term position the Council forecast an £18.5m budget gap for 22/23 however, because of the 22/23 Local Government Finance Settlement, the Council's internally developed savings and efficiency plan and updates to assumptions across funding and expenditure the Council has been able to set a balanced budget for 22/23. This equates to a net position of £295.9m for directorates and corporate services and therefore is a 1.1% increase on the 21/22 position.

We would expect the Council to review and update assumptions in relation to key sources of funding (from Council Tax, Business Rates, Fees and Charges and Grants), key source of expenditure (Inflation, Adult Social Care and Pay), Savings and Efficiencies and Reserves each year during the budget setting process. Review of the budget and MTFP has noted that each of these has been considered and updated in line with expectations.

Having reviewed the funding assumptions these were all in line with expectation and deemed to be appropriate based on the information available at the time the budget was produced. Council tax increase being set at the maximum permissible amount of 2.99% (1.99% increase in the Core Council Tax as announced in the provisional Local Government Finance Settlement and 1% increase for the Social Care precept) is appropriate as this remains the most stable and predictable form of income within the local government sector. All grant income included in the budget is as per the local government settlement announcement and fees and charges have been rolled forwards from predecessor Councils which was the best available information at the time of setting the budget. Fees and charges are reviewed and updated on an ongoing basis outside of the annual budget setting process as the Council seeks to harmonise charges across all areas (except for those fees set by statute).

We have observed evidence of this harmonisation process, an example in year has been in relation to the review of green waste charges, which was finalised in September 2022. Where charges are key decisions, they are reviewed and changes proposed, the council follows a strict review and approval process including the Executive, Overview and Scrutiny, Council and public consultation. Other fees and charges are updated based on the delegations available within the Council's consultations.

In relation to expenditure assumptions in the budget inflation, pay and social care costs are those area we would expect to have the largest impact to the spending power of the Council, and all have been sufficiently considered and included within the 22/23 budget at increased rates from 21/22.

There is a clear consideration of the financial risks facing the Council incorporated into the budget for 22/23. The process included several Budget Challenge Sessions which were facilitated workshops attended by Officers and Members with the objective of understanding and quantifying the risks and pressures in the budget and identifying efficiencies to offset these. This has ensured that there is an awareness of risk from the outset of the financial planning process. Risks are considered in the national context, Council level, Directorate specific risks and those specific to the Council for 22/23 year. The budget includes a Section 25 Report from the Executive Director of Finance (Section 151 Officer) which provides a conclusion on the robustness of estimates and on the adequacy of reserves for the coming budget year. To reach this conclusion there is a consideration of the financial risks facing the Council. There are 8 key risks considered to have the potential to impact the Council's financial position and review of these concludes there are no obvious omissions when compared with other similar Council's and from knowledge of the Council's specific circumstances. The risks are clearly described as well as the mitigations in place to respond to each, which allows Members to monitor the effectiveness of those mitigations and their impact over the financial year.

Improvement recommendation – there is no information provided within the budget setting documentation which demonstrates the potential financial impact of each risk being faced. This would provide context to decision makers and focus their attention on the most financially impactful areas to reduce the likelihood of the risk occurring.

The budget is designed around, and allocated to, the Council's directorates, each of which is responsible for a range of discretionary and statutory services. The sector wide financial environment is becoming more challenging and uncertain, with government funding unknown past 22/23 because of the annual nature of the current settlement regime and many sources of funding related to Covid-19 not continuing past 21/22, despite the ongoing impact of the pandemic on services. As a result, the Council may consider in future reducing the level of discretionary services it provides, or delivering them under alternative models, to ensure it is as cost effective as possible.

Currently the design of the budget does not provide decision makers with a clear distinction between discretionary and statutory spend to assist them in reviewing the resources the Council allocates to discretionary services. The revenue budget monitoring in year and the year end outturn reporting does include more granular detail on the performance of individual services which is beneficial in prompting discussions on the effectiveness of services and possible future actions to respond.

There is a clear alignment between the 22/23 budget and the Council's corporate priorities. Those areas with the most significant increases in budget from the prior year are related to Minimum Revenue Provision on Capital, increases in the National Living Wage and Social Care Reforms announced via the Government white paper in Sept 2021 and reflect specific priorities within the council's vision to support Modern Public services and helping service users live Active and Fulfilled Lives. Likewise, the largest reductions in budgets are a result of reversals in Covid-19 funding and efficiencies from transforming adult social care pathways, therefore the budget reductions do not prevent the Council delivering its priorities as they are a result of delivering services differently for the benefit of service users and recovering effectively from the pandemic. The budget, and as such the changes from the prior year, are based on the best information available at the time given the audit of the predecessor councils positions were not complete. As the disaggregation process completes the Council will need revisit and reconsider that alignment between the budget and Council priorities is maintained.

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Disaggregation Process

North Northamptonshire Council is a newly established unitary authority which has been developed to fulfill the duties of and provide services of pre-existing district Councils in the geographical area and elements of the Northamptonshire County Council. These Councils have ceased to exist upon the creation of North Northamptonshire Council (and the also newly established West Northamptonshire Council). Therefore, a key requirement of formulating the 21/22 draft budget was to develop a process for allocating the existing Medium Term Financial Plans of the predecessor organisations to the new Council. This was a twofold process of aggregating the budgets of the existing District councils and the disaggregation of the County Council's budget into the new Unitary authorities. A clear methodology was developed splitting the County Council budget between West and North Northamptonshire based on postcode/residence of service users, geographic location of where the service is delivered from, cost drivers for a specific budget, population demand for a service, funding formula and staffing/payroll cost for each service. Whilst most disaggregation principles were agreed at the finalisation of the 21/22 budget some services have remained aggregated at vesting day and by the development of the 22/23 budget due to the complexity of the process for certain services, particularly those that are specialist in nature or have small staff teams. As such, in order to protect both Councils and their service users from any gaps in service provision, shared service arrangements were put in place for some services.

These arrangements have involved the Council both providing and receiving certain services from West Northamptonshire Council and, for the most part, have been supported by formalised inter authority agreements, setting out delivery and payment terms. At the end of 21/22 agreement of payments for these services remains in discussion between the two Councils. This therefore does assert some pressure and risk in the 22/23 budget and 21/22 financial position, however the Council have cash reserves to support these.

However, despite the challenges, communication channels between the Council's remain open to allow these discussion to be brought to a conclusion.

The 22/23 budget includes several pressures which are related to the ongoing disaggregation process, the largest being the impact of the disaggregation of contracts within adult services in relation to the Shaw Private Finance Initiative (PFI)/Public Private Partnership (PPP) care home arrangements and community equipment services following the change in funding arrangements. A balanced 22/23 budget has been set despite these pressures with the Council having identified sufficient savings, efficiencies and funding sources to respond to the ongoing pressures.

Aggregation of the four district Councils budgets has been a less challenging process, the initial aggregated position was established based on the 2020-21 approved revenue budgets of each Council and amalgamated, which was then reviewed and updated to incorporate budget proposals to develop the 21/22 budget. The aggregation of the four District and Borough councils' budgets together with the disaggregated County Council position for the North was undertaken under the oversight of the North Northamptonshire wide Disaggregation Task and Finish Group, North Northamptonshire Medium Term Financial Plan and Budget Task and Finish Group and North Northamptonshire Shadow Executive Committee.

Whilst a lot of work has been undertaken ensure the accuracy of the budgets via these groups and to realign them for the needs of the Council going forward, there is an acceptance that inevitably this takes time, recognising that the Council has only recently completed its first year of activity. The Council has deemed it prudent to retain a contingency within the 22/23 budget to address in-year risks and other requirements where the outcome is yet to be determined or quantified. The Council has a contingency budget of £4.750m in 22/23 (£5.724m in 21/22). This is considered an appropriate level of contingency to hold as the report states that less than 50% of the contingency budget has been used in 21/22 and the level of risk from disaggregating the County Council's budgets, together with any risks that may arise from service demands should decrease during 22/23. We would agree with this sentiment given that the Council is entering 22/23 with fewer services to disaggregate than in 21/22, recurring items funded from the contingency in 21/22 have been reflected in the 22/23 budget already and the pressures in predecessor services have already been accounted for.

Improvement recommendation – although there is a contingency in place to support pressures from the disaggregation process in 22/23 the Council is likely to face additional sector wide pressures from inflation, cost of living and ongoing impact of Covid-19. Therefore, the Council should prioritise finalising the disaggregation of the County Council finances and services in 22/23 ensure that sufficient contingency and resources are available to respond to these emerging risks.

A specific risk has been acknowledged in the 22/23 budget related to the final position on brought forward reserves being lower than anticipated following the final accounts certification by External Audit as this work is still ongoing at the time of writing. The level of reserves currently forecast should provide the capacity to manage this risk and no significant issues have, yet been identified in the sovereign district and borough accounts. The accounts for the former County Council are being closed by West Northamptonshire Council and the current forecast for reserves is based on the draft outturn. Regular dialogue sessions take place with West Northamptonshire finance officers to check on whether any issues are arising. Ultimately the Council will seek to replenish the reserves over the medium term if there is a significant impact following the Audit.

As well as disaggregation of budgets the process also includes disaggregation, and aggregation, of the services and their related teams. Although this commenced prior to the establishment of the Council in April 21 it still remains ongoing in the current 22.23 year to date. Although many of the larger services that the Council provides have been successfully disaggregated many of the smaller more specialist services are yet to be successfully transferred to their respective Council's. The predominant barrier to completing the process across all services is related to staffing as there are difficulties agreeing how to divide small teams or individuals between the two organisations, where that would leave a Council under resourced or without a particular skill set. In addition, the Council are finding that they have challenges in recruiting and retaining staff for posts left vacant following disaggregation. The Council is acutely aware of this challenge and it is being closely monitored via the updated performance reporting to members which includes a specific Workforce appendix with relevant KPIs in 22/23.

Improvement recommendation – the workforce KPI reporting provides appropriate information on the level of challenge being faced in relation to workforce and which services are particularly impacted. However, the Council now need to focus on completing disaggregation in order to release resources to focus on service delivery and to use the information from the workforce KPI reporting and benchmarking to develop tangible recruitment and retention schemes.

Medium Term Financial Plan (MTFP)

The Council updates its MTFP annually during the budget setting process for the next year. This involves updating for the future funding landscape (known or forecast) and estimating future expenditure forecasts using the 22/23 budget as a baseline. In addition, there has been analysis undertaken on expected risks and pressures and these have been incorporated into the budget and MTFP. The MTFP that was developed as part of the 21/22 budget process covered a 4-year time frame and forecast a financial gap of £90m for the 3 years between 22/23 and 24/25, with a balanced budget set for the 21/22 year. The MTFP set as part of the 22/23 budget setting process covers a 3-year horizon. As such we note that the MTFP has not been extended as part of the 22/23 process to ensure that decision makers have a medium-term view beyond the 24/25 year. The MTFP set in 22/23 demonstrates a reduction in the budget gap forecast from £90m to £59m for the same timeframe.

Improvement recommendation – in order that the Council can effectively plan its finances and seek financial sustainability in the medium term it is important that the MTFP is updated to cover at least a 3 to 5 years' time frame which is the generally accepted medium term horizon.

The medium-term financial gap has reduced by £30m from the 21/22 position to the 22/23 position, this is partially because of setting a balanced budget for 22/23 but also reductions to the medium-term position as a result of updated assumptions and efficiencies identified. This demonstrates a positive direction of travel in terms of medium-term financial sustainability although further work is required to close the gap.

We would suggest that budget gap is significant if it is greater than 5% of the expenditure requirement in a given year, the current MTFP confirms that for 23/24 this 3.9% and for 24/25 is 5% as such the gap is not suggestive of a weakness in arrangements. The reserves strategy accompanying the MTFP confirms that with approx. £2.5m of reserve usage in 22/23 the Council has been able to produce a balanced budget, this is not deemed excessive and is pre-planned for specific purposes. The Council forecasts to end 22/23 with £133m in reserves and therefore has an appropriate level of reserves even if it did not manage to close its £59m gap and still retain the minimum GF reserve threshold it has set itself of 5% of total net revenue budget which based on 22/23 is approx. £31m. The use of these reserves would be a last resort to close the full gap the Council is currently taking the actions we would expect to mitigate this risk.

Actions to close the gap in 23/24 and beyond are expected to be formed as part of the 23/24 budget setting process which commenced in October 22 with groups/service leads assessing the gap and developing potential savings plans to respond. As such the actions in place to address the gap are not included within the 22/23 budget and MTFP reported to the Executive and Full Council because they were not developed at the time of reporting.

Improvement recommendation - having a medium-term financial gap in the years following the current budget year, which must be balanced, is not uncommon and seen across the LG sector. However, given that there is a gap the Council members would benefit from some detail of actions being considered to close the gap, even at a high level, included in the finalised MTFP each year to facilitate early scrutiny and development of these plans. This would involve bringing this area of the budget timeline forwards or adding as an additional step in the process.

Employee costs account for a significant proportion of the Council's expenditure and increases in inflation and pay awards are expected to have an impact on these costs in 22/23 and beyond. Therefore, to ensure that the budget can reliably reflect the full cost of the workforce we would expect that the Council to have developed a Workforce Plan or Strategy to forecast a future expectation of the establishment based on Council priorities. In January 2022 the Council published its People Plan 2021-2023. The People Plan underpins the Transformation Plan and the Future Ways of Working Strategy and ensure that the Council's approach to workforce is aligned to its corporate outcomes. As the Council is still in a transition phase, they are currently focusing on a transformation project which will involve a restructure of services. This inevitably has an impact of resources, in particular staffing requirements for services.

As a result, the Council have not developed formal Workforce plans and instead rely on the HR system to provide details on current establishment. Directorates are encouraged to provide services within the resources included in the annual budget, including current staffing levels until the restructure is complete.

Improvement recommendation - for the Council to develop a reliable budget we would recommend the development of workforce plans are prioritised. As long as resources remain stable there is no budgetary impact however solid workforce plans and monitoring would determine if this stability of workforce is being achieved in reality and the future outlook for establishment levels would better inform the MTFP.

Savings

Incorporated into the balanced budget for 21/22 was the requirement to achieve cost savings, income generation and efficiencies totaling £19.1m. At year end £8.8m was achieved or on track to achieve in full which equates to 46% of the total target. Conversely, £772k was 'red-rated' and therefore not on track to deliver, this equates to 4% of the target with the remaining £9.584m (50%) in progress but not yet completed or fully delivering. Despite planned savings not being delivered in full the Council has underspent overall on the 21/22 breakeven budget to achieve a £1.7m underspend and as such the savings performance has not negatively impacted financial sustainability.

Improvement recommendation - as the Council faces further pressures in 22/23 from inflation, pay awards, cost of living and ongoing disaggregation of services savings will be vital in achieving the balanced budget for 22/23. The Council needs to explore ways to increase deliverability of savings schemes. Only a minimal number of savings were red rated (unachieved in full) therefore the focus should be on identifying the issues causing amber-rated schemes (partially delivering or in-progress) to be rated as such and focus on addressing those causal factors to improve delivery.

There is limited evidence to comment on the Council's track record of savings delivery as 21/22 is the first year of existence of the Council, however the Council achieved a positive overall outturn including the savings that were achieved and other factors, such as Covid-19 funding received. More information will be needed over a few years to comment on whether savings can be achieved consistently. The 22/23 year to date demonstrates that of the £12.6m savings target set for 22/23 the Council has no red-rated schemes, 53% of schemes are completed or expected to deliver and the remainder (46%) amber rated. Therefore, although there is still some risk associated with amber rated schemes that they will not deliver in full, many are also rated as such as they are in progress.

The increased proportion of schemes completed/on track and the fact there are no red rated schemes suggests a positive direction of travel in terms of savings performance for 22/23 although continual efforts will be required to convert the amber rated schemes into schemes that are completed and fully delivered by year end.

As a result of the challenging financial environment in which the sector finds itself, it is unrealistic for the Council to develop more savings schemes than needed to meet the target set to call upon should there be slippage in the savings schemes in progress. Instead, the Council works with individual services to identify mitigations and focus attention on limiting the slippage by reducing costs through staffing, service levels or other cost reductions. Should 22/23 savings schemes start underperforming the 23/24 budget process begins in July 22 with services developing savings plans for 23/24 in October 22. At this stage, Finance are able to assist services to identify if any of the 23/24 savings can be brought forwards to 22/23 to be delivered earlier and address any slippage. This is an effective approach but does, in some cases, require investment to achieve.

Improvement recommendation - the annual budget planning process focusses on developing savings for the following financial year; however, the Council could reduce the pressure on future years and the financial gap in the medium-term financial plan if savings development was undertaken on a medium-term planning horizon and development focused on recurrent savings with multi year benefits.

Responsibility for development of individual savings plans sits with the individual services, they are supported by the finance team in developing these although ultimately responsibility for development and delivery is that of the service teams. The robustness of the savings proposals is tested via a series of Budget Challenge Sessions held between the Director and Deputy Director of Finance, Executive Lead for each service, service heads, the Chief Executive and the Leader of the Council. Therefore, there is evidence that the savings process is collaborative and therefore maximises the probability of achievement of savings via the iterative budget process referenced previously and in the Governance section savings schemes are also reviewed and challenged by Overview and Scrutiny, the Executive and ultimately approved by Full Council. As such the savings development approach is multifaceted and is both formal and informal, allowing for maximum opportunity to challenge the schemes being proposed. The budget setting process also include public consultation to ensure that the views of service users and local residents are incorporated into the Council's financial plans. The budget consultation for 22/23 focused on obtaining responses in relation to setting the level of Council Tax but did allow for general narrative comment in the responses from participants. Most respondents were local residents, but the reach was across service users, staff and other members of the community/partnerships and therefore the reach of stakeholders was sufficiently broad to gain a range of views via this 'open feedback' section to the questionnaire. No questions in the consultation were specifically related to savings proposal. The savings target is incorporated into the budget, which was the focus of the consultation, so they have been reviewed by the public inadvertently.

Improvement recommendation - in order that the Council can gain specific insight into whether specific savings schemes are realistic or have the backing of key stakeholders they should consider updating format of the public consultation on the budget to allow specific views on savings to be gained, or undertake a consultation dedicated to savings proposals. We do note that the fact that most respondents are local residents could make it difficult to include specific savings schemes as any reduction in funding to services could be emotive/politically sensitive and therefore the Council may wish to explore ways to message this sensitively or consult with a more even proportion of stakeholders (not weighted towards local residents) to ensure a balance of views is received.

Savings are monitored at each Executive meeting alongside monthly financial performance. Savings are presented at individual proposal level and therefore effectively highlight underperformance without this being masked by offsetting schemes that are delivering (or over delivering). Each scheme is effectively assigned to a directorate and a clear description of each proposal therefore there are clear mechanism to hold services to account for performance. The monitoring is predominantly based on a RAG (Red, Amber, Green) rating system which effectively draws attention to the schemes that are under delivering and require actions to intervene, although there is limited information on what these actions are.

Improvement recommendation – the monitoring of savings schemes by Executive is RAG rated but doesn't include information to allow decision makers to identify how much, in monetary terms, the scheme has delivered vs expectation p the actions being taken to respond to under-delivering schemes. This would allow users of the information to understand if a scheme had been delivered fully, partially or not delivered and if partially how much has been delivered. This information would be useful to allow decision makers to focus their attention on actions for those schemes which are the furthest behind in delivery and hold the relevant directorates to account.

There is evidence of Executive, and Overview and Scrutiny Committee, committees discussing the budget monitoring reports (of which the savings monitoring is an element) in detail. This discussion generally focusses on the overall financial position and on specific directorates.

Improvement recommendation - Specific discussion on savings, or individual savings schemes, is limited and there is no evidence of members delving into any of the amber or red rated schemes and suggesting interventions to improve performance within the financial year. Discussion should reflect the level of risk and there are a minimal number of red rated schemes, and the Council was on track to underspend on its budget prior to year end however as this profile of risk changes in terms of the RAG rating the Council may wish to focus more attention on specific savings projects.

The Council has an Equality Screening Assessment form which must be completed to evidence what impact a proposal, of any kind, may have on equality groups within the community or workforce. Any proposal that identifies a negative impact must have a full Equality Impact Assessment completed before the proposal progresses further. We have noted these being completed for the budget in full, as well as some specific proposals on changes to charges for services. The assessment in relation to the budget does reference savings included within the budget.

Improvement recommendation - There is limited evidence of post implementation reviews of successfully delivered savings schemes taking place. These are a key tool in assessing the quality, rather than the equality, of projects that have been implemented. This allows the Council to learn from the success of delivered and maximise further savings by extending the scope of these schemes or applying the approach to other projects. The RAG rating of savings reported at each Executive meeting is an ongoing assessment of progress rather than post implementation review and therefore this could be improved.

Reserves and Contingencies

Reserves and contingencies incorporated into the budget and MTFP are a vital mechanism for addressing unforeseen or escalating risks to the Council's finances and therefore the development of these tools is considered to be strong financial management. The Council retained a level of contingency within the base budget for 21/22 of £5.724m. The contingency was set up to manage risks including pressures that were unknown at the time the budget was set. The unused balance on the contingency is estimated to be £3.619m at year end and the outturn reflects a transfer of £3.619m to reserves to support future years budgets.

The same approach has been taken within the 22/23 budget which includes a contingency sum of £4.750m. This is a reduction from £5.724m in 21/22 of £974k recognising that risks remain in the financial position following as the disaggregation of Council budgets and services continues and that several the assumptions within the budget are subject to further decisions, such as the pay changes and further work to understand the full impact of general inflationary increases, particularly the impact on utility costs. The reduction in the contingency is deemed to be appropriate given that disaggregation of services has progressed since 21/22 and therefore the risk associated with this process reduced and that recurring items funded from the 21/22 contingency have been built into the 22/23 budget. There is evidence that the contingency is continually reviewed as part of the budget monitoring process and there is evidence of the contingency having been increased by £0.5m for potential rises in energy costs following review by the Overview and Scrutiny Committee and as such there are mechanisms in place to ensure that the Council can mitigate risks as they emerge.

Reporting expresses that the Council's contingency budget should be used in exceptional circumstances, and in the normal course of events there is an expectation that services will seek to mitigate any risks in year. This messaging is clear and consistent in effectively raising awareness of the important of this financial management tool to services and members.

The Council has a Reserves Strategy which is reviewed as part of the annual budget setting process to ensure it remains fit for purpose. As per the strategy the Council has a policy for both a minimum and maximum level of General Fund Reserves it is willing to hold and this is to ensure that the General Reserve is set at a prudent and not excessive level, as holding a high level of reserves can impact on resources and performance.

As such the maximum level of General Reserves is set at 10.0% of the total net revenue budget. The General Reserve & Minimum Level of Reserves is maintained at a level above the minimum of 5.0% of the total net revenue budget for the General Fund with the purpose of ensuring that reserves are at a level which allows the Council to continue providing services for a set period while other alternatives could be explored in challenging situations. The levels are consistent with what we see at other similar Councils and therefore appropriate. In reaching its decision to hold these levels of reserves the Finance team has undertaken benchmarking analysis comparing its level of General Fund and earmarked reserves as a proportion of net revenue budget with other councils and based on its current holdings. Its own analysis confirms it performs in line with 7 other Unitary Authorities and as such the levels held are appropriate.

In 21/22 the Council contributed to reserves, in addition to the unused contingency, by £5m and therefore due to strong financial management in 21/22 has been able to protect itself from emerging pressures that were not envisaged when the budget was set. This will provide the capacity to enable officers to identify longer term solutions within the Council's Medium Term Financial Plan from 2023/24.

The reserves balances included in the budget reporting are based on the information from the predecessor Council 19/20 and 20/21 accounts. The prior year outturn position and accounts of the predecessor Councils are yet to be audited and formally signed off. The Council may be required to consider any legacy issues arising because of the closedown and subsequent audits which may impact reserve levels. The finance team of the Council are in constant communication with colleagues in West Northamptonshire who are leading the audit of the County Council and therefore have information with which to make iterative updates to financial information. The predecessor District Councils have all produced draft accounts for 19/20 and 20/21 and audits are well progressed and therefore the information is as up to date as possible.

The expected balance on general fund and earmarked reserves at the start of 22/23 is £152.5m and the Council plans to maintain the general fund reserve balance throughout the 22/23 year at £22.4m. Therefore the general fund reserve equates to 7.5% of the net revenue budget, this sits between the maximum and minimum allowable by the Council's own reserves policy and demonstrates adherence to this policy. The Council plans to use reserves in 22/23, £7.1m in total and therefore reducing the holding to £145.4m. This represents 50% of the net revenue budget for the Council and is a comparatively better position than the position for all English Authorities and all Unitary Authorities. The use of reserves is predominantly planned from the Business Rates Risk Reserve and the Smoothing reserves. Reserve usage is not unplanned, excessive or reactive given the usage is for the purposes for which reserves have been set aside. Overall, the Council try to avoid use of reserves at any point for recurring pressures but will use them for one off pressure as required. They have set up smoothing reserves for this purpose which are there to be used as a stop gap while efficiency plans are developed and have been established because of previous underspends. As such this is considered robust reserves planning.

We would expect the reserves established, and their usage, to be aligned with the Corporate Plan and Council priorities. The Corporate Plan was approved after the 22/23 budget was set therefore the budget was not actively linked to the budget. The usage of reserves forecast has not highlighted any planned usage contrary to the Council's priorities despite them not being developed in conjunction. The Council plan to proactively align the 23/24 budget and Corporate Plan.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring financial sustainability and do not represent a weakness in current arrangements. The Council's financial arrangements are fit for purpose and despite being a newly established authority the Council have demonstrated some strong areas of financial management in 21/22. The Council faces emerging challenges that will need to be effectively responded to in order to replicate financial performance in 22/23 in line with that of 21/22.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council should consider quantifying the impact of the financial risks it faces and incorporating these into the budget setting process

Why/impact

Quantifying the financial risks that have been identified as affecting the Council's ability to meet its financial position provide context to the issues identified. This allows decision makers focus their attention on addressing and monitoring the most financially impactful risks to reduce the likelihood of the risk occurring.

Summary findings

The budget includes a Section 25 Report of the Executive Director of Finance (Section 151 Officer) which provides a conclusion on the robustness of estimates and adequacy of reserves for the coming financial year budget, to make this conclusion there is a consideration of the financial risks facing the Council. There are 8 key risks considered to have the potential to impact the Council's financial position. The risks are clearly described as well as mitigations in place to respond to each which allows members to monitor progress of those mitigations and their impact over the financial year but there is no indication of their potential impact on the Council's financial position.

Management Comments

The Council will look at the potential to do this against the risks identified, mindful of the need to be proportionate in terms of risk management and recognising the sensitivity of any risk estimate (due to the variables involved with some risks) and the impact on decision making. The Council would always look to manage and mitigate such risks in the first instance.

Responsible Officer: Exec Director of Finance and Performance

Date: February 2024 as part of the Section 25 Report

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

Improvement recommendations



Financial sustainability

Recommendation 2

The Council should prioritise completing the disaggregation of predecessor Council services and budgets in 22/23

Why/impact

Disaggregation of County Council services and their resources between the Council and West Northamptonshire Council not yet being completed is causing a contingency to be set aside to fund any potential risks associated with this process. With the Council facing emerging pressures that could impact the budget that contingency would be available to respond if the disaggregation process had completed.

Summary findings

The Council has deemed it prudent to retain a contingency within the 22/23 budget to address in-year risks and other requirements where the outcome is yet to be determined or quantified. The Council has a contingency budget of £4.750m in 22/23 (£5.724m in 21/22). Although this has reduced from the prior year due to progress made in disaggregating County Council services the sector is facing emerging pressures on inflation, pay awards and cost of living crisis which, if the contingency was not required for disaggregation risks, could contribute to these unexpected pressures.

Management Comments

The Council is continuing to prioritise the disaggregation of former County Services, and a number of areas have already progressed successfully. The disaggregation of services is governed through the Joint Shared Services Committee.

The reference to the contingency budget in the narrative for this recommendation may be misleading. The contingency budget was held to recognise the risks across the budget including those services that had already been disaggregated and whether the disaggregation basis was appropriate to the levels of actual spend that the Council would see when in operation as a Unitary Authority. Inevitably there will also be general risks within the budget as there are for all Councils and for which it seems prudent to retain a contingency.

Responsible Officer: Exec Director of Finance and Performance

Date: March 2024 – The finalisation will depend on the timing for the sign off of the former County Council's accounts

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

Improvement recommendations



Financial sustainability

Recommendation 3

The Council should seek to use the information from the Workforce KPI reporting and benchmarking to develop tangible recruitment and retention schemes to respond to the challenges highlighted via the disaggregation process.

Why/impact

Delivery of an appropriate level and quality of service is dependent on having the appropriate establishment in place

Summary findings

Although disaggregation of services commenced prior to the establishment of the Council in April 21 it still remains ongoing at the date of this report. The predominant barrier to completing the process across all services is related to staffing as there are difficulties agreeing how to divide small teams or individuals between the two organisations, where that would leave a Council under resourced or without a particular skill set. In addition, the Council are finding that they have challenges in recruiting and retaining staff for posts left vacant following disaggregation. The Council is acutely aware of this challenge, and it is being closely monitored via the updated performance reporting to members which includes a specific Workforce appendix with relevant KPIs as of 22/23. In January 2022 the Council published its People Plan, which sets out its commitment to its workforce, the actions it will take and the key benefits it hopes to achieve through active engagement with the workforce.

Management Comments

There are examples where the Council has used workforce information and benchmarking to influence structures and pay decisions.

The Council recognises that it faces challenges on two fronts, firstly addressing the vacancies and instability created as services are disaggregated and transformed and secondly that it is not immune to the challenges observed nationally with regard to recruitment. Through its People Plan, the Council will seek opportunities to improve the position which will include required improvements to data gathering, use of information and planning in respect of the workforce.

Responsible Officer: Executive Director for Customer and Governance

Date: December 2023

Improvement recommendations



Financial sustainability

Recommendation 4

The Council should consider reviewing the reporting format of the MTFP to ensure that it remains fit for purpose

Why/impact

The MTFP is an important tool in planning for the future financial sustainability of the Council. It draws members attention to key risks to future financial position and allows them to be proactive, rather than reactive, in their response.

Summary findings

The MTFP developed as part of the 21/22 budget process covered a 4-year horizon from 21/22 to 24/25. When the MTFP was updated in 22/23 the time horizon planned for was not extended.

There is a financial gap forecast in the medium term, but limited information included within the documentation as to the actions being taken to address the gap. It is clear action is being taken on an ongoing basis as the gap has reduced by £30m from 21/22 to 22/23 MTFP and discussions with officers confirms further actions will be developed as part of the 23/24 process which is currently underway. However, this is not effectively communicated to members,

Management Comments

The Council will review the reporting format for the next available financial year, subsequent to the receipt of this report.

It is reasonable that the Council's budget plan covers a three-year timeline, recognising that the longer the timeline across years then the more uncertain the funding and spend forecasts become. With the backdrop of a single year settlements from Government and potential funding reform, forecasts beyond the first year are purely indicative and work will continue during the year to address any gap.

Changes to services as part of future years budget considerations are constantly in train but are not in a position to be formerly considered at the time of budget setting for the current year, which is not unusual for most councils. Issues around budget setting and the wider challenges are communicated to Members through Scrutiny, formal reports and Member briefings. Significant areas which may have future years impact on the budget (eg Green Waste charges) are presented to Members at the earliest point.

Responsible Officer: Executive Director of Finance and Performance

Date: December 2023

Improvement recommendations



Financial sustainability

Recommendation 5

The Council should prioritise the development of a medium-term workforce plan and strategy

Why/impact

Employee costs are a significant proportion of the Council's expenditure each year and therefore it is important that the cost included in the budget and medium-term financial plan is based on reliable data and Council priorities as determined by the Corporate Plan.

Summary findings

As the Council is still in a transition phase, they are currently focusing on a transformation project which will involve a restructure of services. This inevitably has an impact of resources, in particular staffing requirements for services. As a result, the Council have not developed formal Workforce plans and instead rely on the HR system to provide details on current establishment. Directorates are encouraged to provide services within the resources included in the annual budget, including current staffing levels until the restructure is complete.

Management Comments

Agreed, and workforce plans should be produced.

The Council has published its People Plan which was approved by Executive in January 2022. It focuses on key workforce priorities for 2022-2024 and identifies the benefits the plan will deliver. It has been designed to be flexible, allowing us to focus on the immediate needs as we emerge from the Covid-19 pandemic, as well as the unique challenges facing all newly formed organisations. The plan sets out key commitments across 5 people centred themes:

- Creating Inspirational Leadership
- Investing in You
- Attracting and Growing our Talent
- Engaging and Motivating You
- Transforming Together

The Future Ways of Working Strategy highlights the Council's desire to enable staff to deliver collaborative, solution focussed services, and how we will work in the future to achieve this.

Responsible Officer: Executive Director for Customer and Governance

Date: March 2024

Improvement recommendations



Financial sustainability

Recommendation 6

The Council should review their approach to developing and monitoring a more robust savings programme by:

- Exploring ways to increase the deliverability of the savings programme
- Developing savings schemes across a medium term horizon to align with MTFP and impact multiple budget years
- Increasing the savings specific feedback received from public consultation undertaken as part of the budget setting process
- Including financial performance of savings schemes, as well as RAG rating, in the monthly monitoring reports for savings delivery
- Including details of the actions being taken in relation to under-delivering schemes within the savings monitoring reports
- Encouraging scrutiny of individual savings schemes at Executive and Overview and Scrutiny, particularly those that are red-rated.
- Undertaking post-implementation reviews of successful savings schemes

Why/impact

The savings and efficiency programme is built into the setting of a balanced budget each year and therefore under delivery of the programme in full has the potential to cause the Council not to meet its year end financial target.

Summary findings

46% of the savings target for 21/22 was delivered in full with 50% amber rated and therefore only partially delivered or still in progress at year end. Although improvement has been seen in performance in 22/23 to date with 53% of schemes completed or on track and 47% in progress or expected to partially deliver there is still effort required to convert those amber rated schemes into fully delivered savings by year end. The identification of savings is the responsibility of directorates and service and they are supported in doing so through the annual budget setting process. The focus therefore is on identifying savings for the next year to produce a balanced budget, however planning on a medium-term time frame would reduce the financial gaps in the MTFP.

Savings are monitored at each Executive meeting alongside monthly financial performance. Savings are presented at individual proposal level and using a RAG (Red, Amber, Green) rating system which effectively draws attention to the schemes that are under delivering and require actions to intervene. However there is limited information of the amount of savings, in monetary terms, that has been delivered for each scheme or the actions being taken to respond.

There is evidence of Executive, and Overview and Scrutiny Committee, committees discussing the budget monitoring reports (of which the savings monitoring is an element) in detail. This discussion generally focusses on the overall financial position and on specific directorates but not individual savings schemes. There is limited evidence of the Council undertaking an assessment of successfully delivered savings schemes in order to learn from their successes and apply to other schemes or services or extend the scheme to maximise the financial benefit to the Council.

Management Comments

The Council will seek to review its arrangements for reporting the savings programme in light of these recommendations. Due to the timing of these recommendations, the Council will incorporate any changes required within the 2023/24 monitoring reports.

Responsible Officer: Executive Director of Finance and Performance

Date: July 2023 (for 2023/24 monitoring report)

Governance



We considered how the Council:

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

Risk Management – Strategy and Risk Register

The Risk Management Strategy was approved by the Shadow Executive 25 March 2021 and adopted by the Council upon its formal establishment from 1st April 2021. The Strategy effectively sets out the framework by which risks is managed at all levels of the organization. In order that the Council's approach to risk management remains relevant and fit for purpose the strategy confirms that it should be reviewed at least annually by the Audit and Governance Committee and updated as required. However, since its initial approval and adoption there is no evidence of this annual review taking place.

The risk management strategy clearly defines roles and responsibilities of the Council, Executive, Audit & Governance Committee, Chief Executive, Corporate Leadership team, Executive Director of Finance, Executive Directors, Assistant Directors/Heads of Services and Chief Internal Auditor. However, we note that the role of all council officers and that of shared services/key partnerships such as the Children's Trust is not defined. Strong management of risk occurs when all aspects and members of an organization are included in the process and there is a clear awareness of the part they play.

Improvement recommendation – The Council should review its risk management processes annually at the Audit and Governance Committee in line with the Strategy. Upon the next review the Council should consider updating the strategy to clearly define the roles and responsibilities in risk management of all Council Officers and key partnerships. This is simply a documentation suggestion as there is no evidence that risk is not managed effectively throughout the organization.

A key mechanism for managing and monitoring the most likely and impactful risks the organisation may face is the Corporate Risk Register. This was developed and implemented by 1 April 21 following the approval of the Risk Management Strategy which set the guidelines for the identification, recording and monitoring of strategic risks.

The Corporate Risk Register follows a well-established 5x5 matrix scoring system which is widely used across the sector and at the predecessor organizations and as such is well understood throughout the organization. Despite updates to the risk register in the year, in the format and risk scores themselves, the scoring system has been consistently applied. Risks are identified through management level 'risk workshops' where each team member is able to identify their perspective of risk without influence from others, the outputs from this process are then subject to full team review to give a consensus on the main risks faced by that team. Internal Audit have supported the teams by facilitating these workshops which took place in June 2021.

The Council's Corporate Leadership Team (CLT) oversee the Corporate Risk Register, but Directorate Management Teams are responsible for the identifying, assessing, controlling and recording of risks via their Directorate Risk Register. Risks, at this level, are identified via discussions within the relevant groups as part of team meetings and any risks with high scores or wide impact are flagged by directors for consideration by the CLT for inclusion in the Corporate Risk Register. Further to this the council also identifies, records and monitors Project Level Risks for specific initiatives. Therefore, there is a multi-layered approach to risk identification which minimizes the opportunity for key risks not being addressed. Having reviewed the Corporate Risk Register throughout the year, despite changes, it is clear that the risks included are strategic in nature and therefore the approach taken is operating as intended.

The Corporate Risk Register is reviewed quarterly by the Audit and Governance Committee in line with the Strategy, this time frame is sufficient, common place across the sector, allows action to be taken in a timely manner based on up-to-date information and reflective of the low-medium risk levels in the risk register. This timeframe also effectively aligns with the quarterly review and reporting of reviewing various controls by Internal Audit.

Prior to being reviewed by Audit and Governance Committee there is a quarterly review by Corporate Leadership Team (CLT), therefore there are multiple layers of scrutiny of the risks which is a strong approach to risk management and in line with the strategy set out. At each committee meeting the Corporate Risk Register is presented by the Chief Internal Auditor therefore allowing for immediate response to any questions from members. Members are actively engaged in the risk management process and regularly challenge and pose questions at these meetings.

Although strong arrangements have been observed in the reviewing and monitoring of risk by CLT, Directorate and the Audit & Governance Committee there is no evidence of the Risk Management Strategy or Corporate Risk Register having been sighted at the top level of the organization, Council and Executive. These are the decision-making committees of the organization and understanding the alignment of key decisions with the risks they may impact is important and given this is the first year of existence of the Council members may benefit from greater oversight as risks and processes embed. As at June 22 there are no extremely high rated risks facing the Council and therefore the Executive/Council level review should reflect the risk being faced.

Improvement recommendation – the Council should consider submitting the Corporate Risk Register to Executive for review at least annually.

The Risk Management Strategy allows for an iterative improvement journey in terms of risk management and arrangements, and this has been clearly evidenced in year. There have been changes in the Corporate Risk Register following a year end review that have been implemented from June 22. These have been predominantly in relation to the format of the register, additional information included and the number/type of risks. The changes have been beneficial to help users of the register to gain a full understanding of risk.

We would expect the number of risks in the Corporate Risk Register to be between 15 and 30. This is reflective of a Council of North Northamptonshire's size, is a number that ensures risks are manageable and are strategic in nature. At the end of 21/22 the Council had 18 risks in the Corporate Risk Register, and this has reduced, following review, to 15 in June 22. The number of risks is within the threshold we expect, there is clear evidence of ongoing review and challenge of the risks included and the number is aligned with a sample of other Unitary Council's registers. There is no evidence that the Council has omitted any key strategic risks that are relevant to its priorities.

In order to ensure that risks can be appropriately assessed by decision makers we would expect the format of the risk register to meet some minimum standards which includes risks being assigned to a specific officer for accountability, risk RAG rated to highlight specific risks that require immediate action, direction of travel of each risk is clear, scoring includes likelihood and impact factors, there is a clear target date, mitigating actions are identified and their impact on the risk score and that risks are linked to the Council's objectives. There have been changes to the format of the risk register between March 22 and June 22 which ensure that all but one of these elements has been achieved.

Improvement recommendation – the Council should ensure that risks in the Corporate Risk Register are clearly linked to the Council's priorities in the Corporate Plan so that decision makers can assess the impact of each risk on the Council's ability to meet its objectives and take action accordingly.

Risk Management – Internal Audit and Audit & Governance Committee

The role of the Chief Internal Auditor, as Head of the Internal Audit function, is vital in providing guidance, advice and support on the Council's Risk Management approach. They plan and deliver Internal Audit reviews of the internal control environment which helps to provide independent assurance of the processes and policies across the Council, including those related to risk management. They report directly to the Audit and Governance Committee at least quarterly on progress against the Audit Plan developed in conjunction with the Committee and executive ahead of the start of the financial year. There is also an Annual Audit Report provided to summarise the full year activity and overall opinion on the effectiveness of the controls environment at the Council.

During 21/22, the Internal Audit service was delegated to a shared service led by Milton Keynes Council. A detailed self-assessment against the Public Sector Internal Audit Standards (PSIAS) was completed by the Chief Internal Auditor and the outcome of the assessment was that the Internal Audit service was operating in general conformance with the Standards and therefore some assurance can be taken from this as to the effectiveness of the Internal Audit function for 21/22, with the caveat that this is a self assessment and not an external review which would be a more reliable and independent source of such assurance. From 1st April 2022, the Internal Audit service is being delivered in-house and a Quality Improvement Plan is being drafted by the current Chief Internal Auditor to support ongoing development, in line with the Public Sector Internal Audit Standards. Assessment against the Standards will be embedded in the delivery of the service and ongoing development work. An external assessment against the standards must be completed at least every five years and the timing of the first external assessment is yet to be agreed with the S151 Officer and Chair of the Audit and Governance Committee. We have not noted any internal or external effectiveness reviews being undertaken for any other aspects of the Council's governance arrangements, given this is the first year of the Council's existence it would be beneficial to undertake a health check via a rolling schedule of effectiveness reviews to ensure lessons can be learned and improvement implemented where committees could fulfil their purpose and remit better.

Improvement recommendation – completion of the external assessment of Internal Audit should be prioritised given that the Council is newly established and Audit arrangements have changed between 21/22 and 22/23. External assurances provide a view on and recommendations for improvements that ensure Internal Audit continues to be effective in its role.

Improvement recommendation - A rolling schedule of committee effectiveness reviews would also be beneficial under the same rationale.

The Annual Internal Audit Report for 21/22 rightly acknowledges that as 21/22 had been the first year of the Council's operation, the level of Internal Audit reviews that would be required to cover all areas of governance, risk and control could not be undertaken in a single year and thus the audit opinion was given in this context. The Internal Audit Opinion given for the adequacy and effectiveness of the Council's control environment for 21/22 was one of 'Satisfactory Assurance'. Strong assurance relies upon stable systems operating over multiple financial periods and therefore given the Council has only been established for one financial year the rating provided is essentially the maximum assurance that could be achieved in year one.

As at April 2022 90% of audits from the 21/22 Audit Plan had the fieldwork completed. This means the majority of the work was completed and despite the 10% not yet completed there was sufficient coverage of a range of operations at the Council to be able to provide an effective opinion. Despite the change of Internal Audit provider from April 22 work will continue on the outstanding 21/22 audits and the outcomes of all remaining assignments will be reported to the Audit and Governance Committee once finalised and therefore there will be no gaps in assurance the full 21/22 audit plan is expected to be fulfilled.

Of the 68 reviews undertaken by Internal Audit in the 21/22 year - 27 opinions were rated as Good, 34 as Satisfactory and 7 as Limited and therefore the balance is positive. The limited assurance opinions are minimal in the context of the number of reviews and have not negatively impacted on the overall Internal Audit Opinion. It is clear from the progress reports throughout the year that management are taking ongoing action to respond to these areas and Internal Audit follow these up monthly, follow up audits have been scheduled for 22/23 to ensure that improvement can be sought.

Within the limited assurance opinions one review included a Major Assurance risk which is the highest level of risk the internal auditors provide and was in relation to organisation impact specifically. This was in relation to Adult Safeguarding Deprivation of Liberty Safeguards (DoLS) which are the safeguards aim to make sure that people in care homes and hospitals are looked after in a way that does not inappropriately restrict their freedom. This is an area where there are pressures and backlogs nationally and as such this proactively selected for risk-based work to be undertaken by Internal Audit by the Council at the start of the year, to actively seek to understand how and where improvements could be targeted. The audit confirmed that proactive work had been undertaken to benchmark with other organisations to highlight areas of performance to target. This demonstrates that the quality of service was good, but efficiency of the service required improvements. The major risk rating was applied only to organisational impact, and no other elements of the review. The cause of this rating was attributed to the backlog of cases which the Council do not have sufficient resources to respond to quickly. The majority of the backlog has been inherited upon unitarisation and as such is not a weakness in the Council's arrangements in 21/22. The Adults, Communities and Wellbeing Directorate are working closely with Internal Audit to respond to their recommendations and in May 22 the revised date for implementation of recommendations were met.

The Council have received 132 recommendations from Internal Audit related to 21/22 reviews with the majority of these implemented or due to be implemented within the target date. Only 5% (7 recs) are overdue, and although this suggests that management have some improvement to make in terms of speed of response this is not excessive. None of the recommendations overdue are high priority and therefore this does not suggest significant ongoing issues in these areas as a result of a delayed response.

The Audit & Governance Committee, who support delivery of strong governance and risk management, met 5 times between 01/04/21 and 31/03/22. The Chair attended all of those meetings with the Vice Chair attending 4 of 5 of the meetings and thus providing effective and consistent approach to leadership. Where the Vice Chair and other members have not been able to attend a substitute has been provided to ensure there is no loss of information, challenge remains effective, and meetings are quorate. There have been no instances of meetings having to be postponed.

Members of the Committee possess the adequate skills and experience, including financial experience, to provide appropriate challenge or hold officers and the Executive to account. Members professions which included, Director of Finance, a Risk Assurance Auditor, PwC Accountant, Sales Manager and Computer Analyst. Minutes of the meetings and attendance at these meetings demonstrates that members are engaged, knowledgeable and readily challenge information.

The Audit & Governance Committee operates a process which subjects every agenda item to formal vote, with proposer and seconder required for an item to be considered closed. Given that this committee is not a decision-making committee, like Council, there is no requirement for such a strict process to be in place. The current process, is not commonplace across similar committees at other councils, and is an unnecessary burden on committee members' time.

[Improvement recommendation - A streamlined approach to the Audit & Governance Committee agenda would achieve greater efficiency in the use of the time and resource of its members. A redesign of the approach whereby the committee has no political affiliation to any one party and the agenda items concluded by the Chair confirming agreement, or disagreement of members, without the need to continually ask for proposer and seconder](#)

Budget Setting Process

Overall, the budget process is comprehensive, includes all grades of the organisation, is a collaborative exercise designed to increase buy in and is ultimately approved by Council in line with the constitution. The Council receive appropriate support to ensure they make an informed decision to approve the budget from the Executive and Finance and Resources Scrutiny Committee. The process is an iterative approach to ensure that estimates included in the budget are as robust as they can be.

The Council use a roll forwards approach to setting the budget for 22/23. The process involves establishing the base budget for 21/22 from the monthly budget monitoring that is reviewed by both the Executive and Overview and Scrutiny and amending for recurring issues that emerged in 21/22, known pressures and agreed fundings sources or savings. This is a well-established approach that has benefits including being time and resource efficient and widely used in the sector and so well understood.

The 22/23 budget process began in July 21 with Finance and the Directorates working collaboratively to establish the 21/22 base line position, identify necessary amendments and start discussion on possible savings and efficiencies. This process includes a series of Budget Challenge Sessions between Directorate Heads and Director and Assistant Directors of Finance, Executive Member for Finance, Chief Executive and the Leader of the Council. This allows for ongoing refinement of assumptions in the budget as it develops before a draft is presented to members in December 21. This therefore demonstrates a collaborative, joined up approach to budget setting that includes input at all levels of the organisation.

To ensure that the budget is reflective of the Council's priorities and the needs of its residents the Council incorporates a public consultation exercise within the budget setting process, this spanned from December to January and therefore allowed sufficient time for this to be relayed to members and included in the budget.

The focus this year was predominantly on Council Tax however there is the opportunity for feedback on element of the budget. We have not identified any additional stakeholders, internal or external, we would expect to be included in the budget setting process or that would be of additional benefit. All staff have the opportunity to be involved through their directorate management meetings or the public consultation.

There are several methods that Councils can employ in order to increase the robustness of the estimates they use in their budgets. These include, but are not limited to, trend analysis, risk and sensitivity analysis and scenario planning. The Finance team have undertaken informal benchmarking to compare their assumptions and estimates with other similar organisations and proposing changes as required in place of trend analysis. Although risk is considered effectively throughout the budget setting process, we have noted limited evidence of sensitivity analysis, which seeks to highlight how small percentage changes in certain elements of the budget (such as a 1% decrease in business rates collection) impact potential overall outturn. There is also no evidence of scenario planning, which seeks to demonstrate and plan for optimistic, realistic and pessimistic potential budgetary outcomes based on potential inputs.

Not including this analysis is an active choice by the Council as the Council is newly established there is limited historical trend data that would be reliable.

Improvement recommendation – As the Council becomes more established and further financial performance data is available, they may seek to strengthen the budget setting process going forwards by incorporating scenario planning, sensitivity analysis or trend analysis which will allow the Council to prepare for challenges which are currently unanticipated.

Initiation of the budget process early in the financial year allows plenty of time for several iterations of the budget to be developed, reviewed and approved with further iterations reviewed by the Executive in February 22. The timeline is well planned and clearly understood and we have not noted any deviations from this, the scheduling also perfectly coincides with key information being released such as the Local Government Settlement and so it can be updated to reflect important new information as it becomes available.

The final budget was approved by Council in Feb 22 following review at each iteration from the Finance Team, Finance and Resources Scrutiny Committee and Executive. We have noted at least 3 versions of the budget being reviewed by these groups in the year and as such review of the budget is comprehensive.

The Overview and Scrutiny process in particular is extensive with a total of eight Budget Task and Finish Scrutiny Sessions taking place (two for each directorate) which usually last around 2-3 hours. Therefore, scrutiny on the budget is in excess of 24 hours. Although this is a benefit in ensuring robustness of the budget and the estimates it does mean that scrutiny committee time and resource is focussed on a narrow scope.

Improvement recommendation - Although the Council has been able to set a budget by Feb 22 ahead of the start of 22/23 year due to starting the process early, the scrutiny process element of decision making could be more efficient and streamlined to allow the time of the committee to be applied to a wider range of relevant subjects in year.

Financial Reporting

The Council monitor financial performance against budget monthly via Budget Forecast Reports. These are prepared and presented to Executive from Period 2 to the Period 12 outturn report. This is appropriate regularity given the sector wide focus on finance, uncertainty on future funding and continually changing assumptions.

Reporting is at directorate level and clearly states the budget, expected outturn and variance. The performance is presented on a forecast basis which is important as the budget is set for the year, by forecasting the current months performance impact on year end the Council is allowing decision makers to understand the overall impact and take action now to reduce that impact where it could negatively impact the year end position. The narrative is extensive and detailed and generally provides a background to each directorate's individual services, drilling down into the specific services which may be driving any under or overspends. There is information on the causal factors of performance and also some information on actions being taken, this information is effective as it is focused on those directorates where there are pressures so that members are not overwhelmed with data. This provides an appropriate level of detail to decision makers to know where to focus their attention and to know what is being done already by the Council.

When the monitoring reports are presented, there is a 1-2 month lag in information being received between the date of the meeting it is being reported to and the date the information relates to. A1-2-month lag in information is to be expected, given the frequency of the Executive meetings, these are monthly but require a lead in time to provide papers for publishing and information to be collated. The information is considered relevant and up to date with which to make information decisions. Publicly reporting the financial position monthly allows residents and other stakeholders to monitor financial performance regularly.

There is a collaborative approach in the budget setting process which sets the basis for monitoring financial performance. This collaborative approach continues through the budget monitoring process which initially takes place between finance and the Directorate leads, before reporting is undertaken at Scrutiny Committees and Executive. As such there is a mechanism in place to hold directorate leads to account for performance at the top level of the organisation. Financial performance in the risk register is assigned to the Director of Finance as opposed to specific directorate leads, this is appropriate as the Director of Finance has the overarching strategic view of finances at the Council and the strategic risk register is seeking to address council wide risk and not individual directorates. This does not impact the messaging that financial risk and performance is the responsibility of the directorates themselves.

Treasury management activity is reported to the Executive bi-annually. This process is effectively outlined in the Treasury management Strategy approved as part of the budget process and has been adhered to. Comments on the current treasury position are included in the annual review of the Annual Investment Strategy and Treasury Management Strategy undertaken as part of the annual budget setting process and therefore Executive have sight of activity 3 times a year, this is in line with other councils who take the bi-annual approach and include in the budget process. There are no risks evident from the performance which would suggest this isn't a sufficient level of oversight.

The reporting includes an overview of treasury management activity and is supported by a detailed appendix on all areas of treasury performance. The update report includes headlines in relation to cash balances, short and long term investment returns, long term and short-term outstanding borrowings. These areas are then further analysed in the body of the report. As such Executives are deemed to have a full suite of information across all aspects of treasury management. The year-end report does not highlight any significant issues with all limits having been complied with.

The report provides adequate information on the economic background, changes in key indicators such as inflation rates and a summary position of the Council investment and borrowing portfolio. The report is comprehensive but not overwhelming in its information. Overall the report makes it easy to understand that the Council is performing well in terms of treasury management, it has repaid loans to reduce its debt, it has not breached its borrowing limit, it has increased investments to generate a return and it continues to comply with prudential limits. The report clearly reiterates the commitment to a low risk approach throughout the report so that the message is clear and consistent to the whole organization.

Decision Making Arrangements

The Councils Corporate Governance Code provides guidance on how the Council makes decisions and requires that all decisions be based on relevant, clear objective analysis and sound advice. It requires that all decisions consider the implications and risks inherent in the organisation's financial, social and environmental position and outlook and that effective and constructive challenge is encouraged to support balanced and effective decision making. Minutes of the Council's various committees and decision-making groups demonstrate that the Code is strictly adhered to. Meeting agendas are developed in advance, papers for each meeting provided for review appropriately ahead of time and the standard template used for the covering report for each item ensures that all risks, implications, financial, climate, legal and social impacts are considered consistently, and decision makers have sufficient information with which to make decisions.

The key decision making groups at the Council are Full Council and the Executive and they are supported by two Scrutiny Committees focused on Finance and Resources and Scrutiny Commission. Currently the scrutiny committees focus on the two key priorities of the Council but as the Council develops and issues come to the forefront they may wish to review, add and/or remove specific scrutiny committees. These committees investigate important public issues through Task and Finish Groups and where appropriate challenge or review executive decisions once they are made through the Call-In Procedure Rules.

Public participation is encouraged and observed at several Full Council meetings in year. Although this could be a contributing factor in the length of such meetings this is also positive garnering public interest in the services they receive and better informing decisions. As such this should continue to be encouraged but could be managed in a more efficient way by restricting the number of participants each meeting and/or the time slot available for public input. The caveat to this suggestion is that concerns were raised by several speakers and elected members at a Full Council meeting in year which limited the number of public speakers on a specific item.

Improvement recommendation – We would recommend that the Council explore ways to balance the benefit of public participation at Council meetings with the need to streamline the decision-making approach. Given concerns raised by members in year on this point we would expect that any decision by the Council to implement guidelines around participation would need to be agreed and formalised with member support. Amendments to increase participation in year have already been voted against therefore our recommendation centres around agreeing guidance on how additional input can be achieved, through alternative formats to attendance at meetings or summary reports from the public, rather than focusing on the number of speakers.

Statistics relating to complaints about the Council as reported to Ombudsman can provide useful information to gauge whether the Council is acting in a way that service users or residents do not deem to be effective. Statistics show that the Council had 2 complaints upheld by the Ombudsman, this is 67% of total complaints. This therefore demonstrates that a very small number of complaints are made in relation to the Council, that a minimal number are deemed to be accurate enough for the Ombudsman to investigate and the Council is not an outlier when compared to other councils. In 100% of cases the Ombudsman were satisfied the Council had successfully implemented their recommendations and so the performance is not indicative of inappropriate Council decision making.

Legal Arrangements

The Council have inherited an historic legacy legal case that was brought against East Northamptonshire Council in 2018. The case was not resolved prior to the unitarisation that lead to East Northamptonshire services, and other responsibilities such as legal, being aggregated to form North Northamptonshire Council. Therefore, the effectiveness of the response to the case is dependent upon robust governance arrangements being in place at the newly established Council.

Our review of arrangements has determined that the Council's response to the case was appropriate, governance arrangements were robust and that there was appropriate challenge and communication throughout.

The Monitoring Officer and her team immediately sought to understand the facts of the case, liaise with the predecessor lawyer and obtain existing legal advice. This shows a timely response to a complex issue and contributes to the strong governance arrangements observed throughout the process.

The Council are supported in their legal proceedings by legal Counsel, Pathfinder, as part of their role they recommend appropriate lawyers for specific cases and their advice suggested that the incumbent lawyer for the case be retained and this was agreed as appropriate having been reviewed by the Council. We note that their previous knowledge of the case is an advantage in terms of responding efficiently and note that there was clear rationale for the selection of this representative (including experience in public sector disputes).

Two hearings took place shortly after the establishment of the Council in June 22 in relation to the case. Following these hearings, the advice provided by the Council's lawyer was amended, seeking to settle the case as opposed to favouring a trial procedure. There is clear evidence that the Monitoring Officer challenged this change in advice with both the case lawyer and the Council's legal counsel, the change could clearly be attributed to a change in information at the hearings changing the probability of success and potential costs.

The Chief Executive, Leader of the Council, Monitoring Officer and the case lawyer were in constant communication throughout the case with the Monitoring Officer ensuring that these decision makers were provided with the full suite of information relating to the case at each stage. These were both informal in the form of conference calls and formal in the form of briefing notes provided sufficiently regularly.

Following the advice provided by the lawyer Council were immediately informed and provided with the same information, allowed the chance to challenge and asked to approve the proposed settlement fee. There was clear scrutiny by members at this meeting with the approved settlement fee differing from that of the initial suggestion and therefore demonstrating appropriate deliberations taking place.

Ongoing liaison with the claimant, via legal representatives, lead to an initial rejection of the settlement and mediation taking place. The case came to a close with a final settlement reached in December 2021.

Overall, the Council has demonstrated that the case was well managed under robust governance arrangements and that the advice they sought was appropriate and no weaknesses or improvements are required to the arrangements. Despite the legal case being inherited the Monitoring Officer has taken ownership and brought the case to conclusion successfully. In doing so there has been sufficient challenge, engagement of decision makers and adherence to due process. Communication between senior officers, legal representatives and members has been frequent and well informed. The Council has been able to adapt its governance structures to respond in a timely manner with member briefings and extra ordinary meetings arranged to be able to facilitate an immediate response as new information became available.

Although there was a cost to settle the final settlement was much lower than the initial claim and therefore this fact, plus the strong arrangements demonstrate that the response achieve value for money in all respects.

As we have noted, in relation to the budget, scrutiny of the budget tends to use extensive time and resource of these committees. Further investigation has noted that efficiency of meetings is an area which could benefit from improvement across the organization. In particular meetings of Full Council tend to spend a similar time discussing each agenda item as the scrutiny committees do. Given the arrangements in place meaning that decisions flow through each level of the governance structure before coming to Council for final approval the expectation would suggest that less deliberation and debate would be required at this top tier of the organization. The current process does lead to adjournments of meetings and duplication of discussion and therefore there is the opportunity to streamline the approach.

Similarly, there is evidence of potentially inefficient decision making in relation to planning. The Council has five planning meetings in total covering four geographical locality and one overarching Strategic Planning Committee, which considers major developments. This does prevent inconsistencies and planning teams working in silo but presents another opportunity to streamline decision making given there is a planning policy in place which does not require different approaches for each geography. A small number of these meetings were cancelled in 21/22 due to them not being required, this is evidence that the current meeting schedule may be excessive.

Improvement recommendation – linked to our point around efficiency of scrutiny meetings we would suggest that the Council has an opportunity to review and streamline its approach to decision making across all of its committees in order to generate efficiencies and allow debate of a wider range of Council issues.

In order to ensure that decision making is based on sound advice the Council actively encourages and seeks feedback from the public and service users before making key decisions. There is a Consultation and Engagement Framework in place which reaffirms the purpose of their consultations, provides examples of what they will consult on and how and how people can get involved. It is clear, succinct and easily accessed so that stakeholders are aware of how they can input. The framework confirms that the Council plans to consult cover wide ranging topics such as budgets, service changes/improvements and equality. There is a dedicated consultations portal available via the Council website, which is easily accessible, there is evidence of extensive consultation in 21/22 and ongoing consultations in 22/23.

The consultation in relation to the budget had 527 respondents of which 504 participated via the questionnaire. Other options for participating were social media and written responses. Varying response rates are seen across the consultations that took place in 21/22. Given that the population of North Northamptonshire is approximately 395,000 people a response rate of 527 is considered to be low and therefore may reduce the reliability of responses in reflecting the views of the population.

Improvement recommendation – the Council should explore ways that it can increase the response rate to the public consultations it undertakes on the budget and service proposals in order to ensure that the feedback can reliably inform decisions. This could include exploring additional methods for responding and better advertising of consultations to widen the reach.

The Council have engaged Internal Audit to undertake work to provide assurances on their legal process for litigation. This review has been concluded and was rated satisfactory, it has been presented to Audit & Governance Committee and does have actions that are being processed currently and as such the Council has demonstrated commitment to learning from the case and embedding that learning going forwards.

Conclusion

Overall, although we have identified areas for improvement in arrangements, these represent actions to be taken to ensure best practice in ensuring robust governance and do not represent a weakness in current arrangements. The Council's governance arrangements, which were adopted on 1st April, have been fit for purpose throughout the 21/22 year and the Council's commitment to its ongoing improvement journey is evident.

Improvement recommendations



Governance

Recommendation 7

The Council should review their approach to risk management as set out in the Risk Management Strategy at least annually at the Audit and Governance Committee. Upon the next review the Council may consider updates to the process of Risk Management including:

- updating the Strategy to clearly define the roles and responsibilities in risk management of all Council Officers and key partnerships
- submitting the Corporate Risk Register to Executive for review at least annually.
- ensuring that risks in the Corporate Risk Register are clearly linked to the Council's priorities in the Corporate Plan so that decision makers can assess the impact of each risk on the Council's ability to meet its objectives and take action accordingly.

Why/impact

It is important that risk management processes are reviewed with sufficient regularity to ensure they remain fit for purpose. Risk management performances most effectively when all levels of the organisation are involved and their role is clearly communicated. The Executive are a decision making committee of the Council and therefore in order that their decisions are well informed, including how the risks of the organisation may be impacted, it is important they have an awareness of those strategic risks.

The Strategic Risk Register is a key mechanism for managing risk to the achievement of the Council's strategic objectives and therefore it is important that there is a clear link between those objectives and the risk being faced.

Summary findings

The Risk Management Strategy confirms that it should be reviewed at least annually by the Audit and Governance Committee and updated as required. However, since its initial approval and adoption there is no evidence of this annual review taking place. The risk management strategy clearly defines roles and responsibilities of the Council, Executive, Audit Committee, Chief Executive, Corporate Leadership team, Director of Finance, Executive Directors, Assistant Directors/Heads of Services and Chief Internal Auditor however there is no consideration of the role all team members or key partnerships play in the processes.

Although strong arrangements have been observed in the reviewing and monitoring of risk by CLT, Directorate and the Audit & Governance Committee there is no evidence of the Risk Management Strategy or Corporate Risk Register having been sighted at the top level of the organization, Council and Executive.

Although the format of the risk register has improved in year and generally conforms to the standards we would expect in terms of the information included we have not noted a clear link between the risks and the impact they may have on the Council's ability to achieve its objectives.

Management Comments

The recommendation is noted, and the Council will reflect upon these in the next review of the strategy.

The risk register, including any changes in the level of risk, is reported regularly to the Audit and Governance Committee. The risk management framework has been strengthened and developed significantly over the last year and an updated strategy will be presented for approval, reflecting both this and further development planned for the forthcoming year.

It is noted that the corporate objectives could be incorporated within the risk register, but it is also considered that, due to the nature of local government, some risks the Council faces are due to its statutory roles and the environment in which it operates – and related risks cannot be eliminated but may not be directly related to a specific Council objective.

Risk integration into service plans will help strengthen the link between both service and corporate priorities and future actions centred on mitigating risk.

Responsible Officer: Executive Director of Finance and Performance

Date: October 2023

Improvement recommendations



Governance

Recommendation 8

Completion of an external assessment of Internal Audit against the Public sector Internal Audit Standards should be prioritized.

Why/impact

Arrangements for the provision of Internal Audit services has changed since 21/22. External assurances are a legal requirement for Internal Audit and provide a view on and recommendations for improvements that ensure the function continues to be effective in their role.

Summary findings

An external assessment against the standards must be completed at least every five years and the timing of the first external assessment is yet to be agreed with the S151 Officer and Chair of the Audit and Governance.

Management Comments

The arrangements for the provision of Internal Audit have changed since 2021/22 moving from a lead authority arrangement led by Milton Keynes Council during 2021/22 to an in-house service from 2022/23 – this change has served to strengthen the planning and focus of the service with a dedicated Chief Internal Auditor leading the team. The Council is aware that an external assessment must be carried out within five years and therefore the Council is within the timeline for such an assessment. The intention is to ensure that the service is settled and been in operation for a period (c 2 years) in order that the assessment is considering the normal operation of the service and there is sufficient evidence of a full audit cycle.

Responsible Officer: Executive Director of Finance and Performance

Date: Financial Year 2024/25

Improvement recommendations



Governance

Recommendation 9

A rolling schedule of committee effectiveness reviews should be implemented.

Why/impact

The Council is newly established and therefore has limited information with which to judge the effectiveness of its governance structures. External assurances provide a view on and recommendations for improvements that ensure that the Council's committees, continue to be effective in their role.

Summary findings

There is no evidence of committee effectiveness reviews having been undertaken for 21/22 on any of the Council's committees.

Management Comments

Committee effectiveness is undertaken by an annual review process culminating in annual reports to Council. A Constitutional Review Working Group meets regularly to review whether any changes should be made to ensure better efficiency and decision making. Two committee effectiveness reviews are already being undertaken (Planning and Scrutiny) and a review of the EAPs has been completed. This recommendation is already therefore being actioned on an ongoing basis.

Responsible Officer: Executive Director for Customer and Governance

Date: Complete

Improvement recommendations



Governance

Recommendation 10

The Council may consider a redesign of the Audit & Governance Committees approach to the concluding agenda items at its meetings. This could be achieved by ensuring that the committee has no political affiliation to any one party and the agenda items concluded by the Chair confirming agreement, or disagreement of members, without the need to continually ask for proposer and seconder.

Why/impact

A streamlined approach to the Audit & Governance Committee agenda would achieve greater efficiency in the use of the time and resource of its members.

Summary findings

The Audit & Governance Committee operates a process which subjects every agenda item to formal vote, with proposer and seconder required for an item to be considered closed. Given that this committee is not a decision-making committee, like Council, there is no requirement for such a strict process to be in place. The current process, is not commonplace across similar committees at other councils, and is an unnecessary burden on committee members' time.

Management Comments

There have been no issues with political membership and the impact upon debate in the Audit and Governance Committee and the recommendation is unlikely to have a material impact. It is standard democratic practice that a motion is moved and seconded before being voted on. The Monitoring Officer will discuss the recommendation with the Constitutional Review Working Group and consider if any amendments should be incorporated into the Constitution.

Responsible Officer: Executive Director for Customer and Governance

Date: September 2023

Improvement recommendations



Governance

Recommendation 11

As the Council becomes more established and further financial performance data is available, they may seek to strengthen the budget setting process going forwards by incorporating scenario planning, sensitivity analysis or trend analysis

Why/impact

Analysis such as trend analysis, risk and sensitivity analysis and scenario planning can be important tools in ensuring that estimates used in budgeting are robust and allow Council's to effectively plan for a range of possible eventualities before they occur.

Summary findings

There is no evidence of trend analysis, scenario planning or sensitivity analysis in the Council's budget setting. Not including this analysis is an active choice by the Council as the Council is newly established there is limited historical trend data that would be reliable. We do not think risks have been considered and comparative benchmarking has been undertaken on assumptions to assist in ensuring the robustness of the budget despite a lack of historical data.

Management Comments

Whilst recognising that this may not be formally reported to Committee as part of budget setting, it is nevertheless a consideration when identifying the potential financial requirements and funding availability and risks, in order to achieve the most likely scenario for the MTFP. This is ongoing as officers work with the latest information to support the financial planning as well as consider trends. However, as an authority that has been created during a pandemic and then has been subjected to the impact of an economic downturn, it is difficult to ascertain norms.

The Council will continue to review the robustness of the budget setting and in advance of the budget for 2024/25.

Responsible Officer: Executive Director of Finance and Performance

Date: December 2023

Improvement recommendations



Governance

Recommendation 12

The Council should explore ways that it can increase the response rate to the public consultations it undertakes on the budget and service proposals. This could include exploring additional methods for responding and better advertising of consultations to widen the reach.

Why/impact

Public feedback from consultations can only reliably inform decisions if the response are representative of the population impacted by the decision.

Summary findings

The consultation in relation to the budget had 527 respondents of which 504 participated via the questionnaire. Other options for participating were social media and written responses. Varying response rates are seen across the consultations that took place in 21/22. Given that the population of North Northamptonshire is approximately 395,000 people a response rate of 527 is considered to be low and therefore may reduce the reliability of responses in reflecting the views of the population.

Management Comments

Increasing consultation responses and engagement on consultations across the board is an objective for the council's consultation and engagement team. A number of methods of engagement are employed to maximise reach and participation.

Responsible Officer: Assistant Chief Executive

Date: February 2024

Improvement recommendations



Governance

Recommendation 13

The Council should explore ways it can streamline the approach to decision making at its key committees whilst maintaining an appropriate balance of public participation, scrutiny and efficiency

Why/impact

The Council's governance structure supports an upwards flow of information through the organization, culminating in approval at the top, decision making tier of the organization (Council and Executive). In order that decisions can be made in a timely manner it is key that information and deliberation is more summarized as it moves up through the reporting structure. At the same time public feedback is in an important tool in supporting informed decision making.

Summary findings

The Overview and Scrutiny process in particular is extensive with a total of eight Budget Task and Finish Scrutiny Sessions taking place (two for each directorate) which usually last around 2-3 hours. Although this is a benefit in ensuring robustness of the budget and the estimates it does mean that scrutiny committee time and resource is focussed on a narrow scope.

Meetings of Full Council tend to spend a similar time discussing each agenda item as the scrutiny committees do. The current process does lead to adjournments of meetings and duplication of discussion and therefore there is the opportunity to streamline the approach.

The Council has 5 planning meetings in total covering each geographical locality and one overarching meeting to collate the information. This does prevent inconsistencies and planning teams working in but many of these meetings have been cancelled in 21/22 due to them not being required, this is evidence that the current meeting schedule may be excessive.

Public participation is encouraged and observed at several Full Council meetings in year. Although this could be a contributing factor in the length of such meetings this is also positive garnering public interest in the services they receive and better informing decisions. As such this should continue to be encouraged but could be managed in a more efficient way by restricting the number of participants each meeting and/or the time slot available for public input. The caveat to this suggestion is that concerns were raised by several speakers and elected members at a Full Council meeting in year which limited the number of public speakers on a specific item. Therefore, any decision by the Council to implement guidelines around participation would need to be agreed and formalised with member support. Amendments to increase participation in year have already been voted against therefore our recommendation centres around agreeing guidance on how additional input can be achieved, through alternative formats to attendance at meetings or summary reports from the public, rather than focusing on the number of speakers.

Management Comments

Reviews of Committees are currently ongoing to decide whether they can be streamlined further and can be more efficient. These comments will form part of the review.

Responsible Officer: Executive Director of Customer and Governance

Date: Completed May 2023

Improving economy, efficiency and effectiveness



We considered how the Council:

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

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Non-Financial Reporting and Data Quality

The Council reports its non-financial performance to the Executive via a series of Key Performance Indicators (KPIs). The fact that this report is taken to Executive, who are the top tier decision makers of the Council, is good practice and ensures equal attention is paid to financial and non-financial performance of the Council.

The frequency of reporting has increased from quarterly in the first half of the 21/22 financial year to reporting on performance every 1-2 months in the latter half of the year. The increase in frequency directly correlates to an increase in the number of underperforming KPIs being observed and therefore demonstrates an effective and direct response to the reduction in performance to ensure it was more closely monitored.

The Executive receive a KPI dashboard with an accompanying Executive summary. The format of this reporting has developed over the course of 21/22 and the updates have ensured that the information is more beneficial and accessible to decision makers. The updated reporting ensures that the Executive receive two KPI reports, one at summary level and one with detailed comments, trend data and benchmarking. The information includes RAG rating, including direction of travel and variance from target and specifically highlights underperforming KPIs and those that have fallen significantly since the last period.

At the end of 21/22 a revised set of provisional indicators was developed to be measured and reported on from April 2022 to align with the vision and key commitments set out within the Council's Corporate Plan which ensures that the Council can ensure it has mechanisms in place to achieve the priorities set out in this Plan. The update has ensured that there are more, different and updated KPIs and all are considered relevant to their services and provide decision makers with a wealth of information with which to inform decisions. This demonstrates the ongoing improvement journey, however all KPIs monitored in 21/22 were wide ranging in their coverage of Council operations and have not noted any services or directorates omitted that we would expect to be monitored prior to the update.

All KPIs are now consistently linked to the Corporate Plan which is a significant improvement from 21/22. More detail is included in the comments, although this still centres around why the performance has occurred and less so on actions, with the exception of the indicators on NHS health checks which have been persistently underperforming and additional information has been included on the underlying cause and next steps. This is appropriate and shows attention being centred around the key areas of concern but this was not present throughout 21/22

Improvement recommendation - The comments included in the detailed KPI Dashboard generally include details of why the performance being observed has occurred but includes limited information on next steps and actions to be taken, this would be particularly useful if applied consistently to those KPIs that are below target so that members can track progress and success of those actions and hold officers to accounts as required.

Overall the format of the KPI reporting is notable practice as it provides sufficient detail, on an appropriately frequent basis, to allow decision makers to clearly see how operational performance at the Council is progressing.

The Northamptonshire Children's Trust as a key partnership with the Council. The Council's KPI report includes metrics that measure the success of Children's Services overall where some elements are delivered by the Trust and others by the Council. However the direction of travel for the performance of those services delivered by the Children's Trust is reported separately and this ensures that decision makers can clearly distinguish Council performance from that of its partner and take action accordingly.

Minutes of the Executive meetings where performance is reported demonstrate that members are proactive, engaged and readily ask questions in relation to performance. This demonstrates effective challenge and clear understanding of performance.

The Council recognises the importance of having a full set of meaningful targets as well as comparable and reliable benchmark data and continues to prioritise this work. There is clear evidence of benchmarking in the majority of indicators in the KPI reporting and therefore the reporting is considered effective in its benefit to decision makers as it looks both internally and externally to provide assurances. The Council is also working with East Midland Councils to establish a new benchmarking group that agrees to share certain metrics on a quarterly basis within agreed timescales. This will be a voluntary process and the ambition is to, where appropriate, start to reduce the reliance on nationally published data either through collecting new data items or providing more timely access to existing data on a provisional basis by collecting data in-year, for example on a quarterly basis. This is expected to be used from month 6 reporting in November/December 2022 onwards. This ensures that there is a consideration of local factors in benchmarking going forwards which further strengthens the analysis being presented to decision makers.

At March 2022, of the circa 80 indicators only 3 are red-rated as underperforming, which has reduced from a maximum of 13 rated as such at period 7. This shows an improvement trajectory and is a minimal number of red rated metrics in the context of the total number of KPIs as such there is no evidence of pervasive performance issues.

Directorate	Underperforming Indicators	Variance from Target
Children's Services	T44 LS3a % of primary schools judged as good or outstanding by Ofsted	-13.98%
Children's Services, Communities & Wellbeing	T79 % of in-year eligible population offered an NHS Health Check	-55.36%
Adults, Communities & Wellbeing	T80 % of in-year eligible population who received an NHS Health Check	-83.80%

The underperforming metrics are within Children's Services and Adults, Community and Wellbeing. The fact that these are demand led services and are areas of challenge across the sector is not indicative that the underperformance is a result of poor arrangements at the Council but instead challenges in the external environment. The Adults related metrics are being caused by lack of GP capacity and a backlog of cases as recovery from the pandemic continues. The Council are working with current providers and potential additional providers outside of existing GP practices to increase the capacity for health checks and improve the metric. This immediate response and the fact that the Council is not an outlier in its performance when benchmarked with others suggests that there is an appropriate level of control of this service in the given circumstances.

We note that the Council Children's services, including education and those services delivered by the Children's Trust, have undergone an Ofsted inspection in 21/22 which has improved the inherited rating from the predecessor Council to 'Requires Improvement' and as such there has been an improvement noted in the Children's related metric in the year end KPI reporting. The underperformance was identified by virtue of a lag between the services improving and the rating being provided.

Northamptonshire Children's Trust

The Council's most significant partner is the Northamptonshire Children's Trust which is a wholly owned local authority company for the provision of children's social care services, owned by West and North Northamptonshire Councils following the transfer of children's services from Northamptonshire County Council upon unitarisation in April 21. The company was established as a result of "Inadequate" Ofsted inspection provided to the County Council which led to Department for Education intervention which mandated a company be set up for the provision of children's social care services. It is a company limited by guarantee, and therefore is an Arms Length Organisation (ALMO), which delivers most children's services with the exception of education which has been retained by the Council itself.

Governance arrangements between the company and the Council were set up prior to unitarisation and have been effectively adapted to apply to the new Council structure. The governance arrangements are formally documented and include a clear reporting structure and well defined roles and responsibilities between the Council's and the Trust. We have observed the arrangements being applied and followed consistently throughout 21/22, engagement from the Trust and ongoing liaison between the Trust and Council officers. Currently there are no plans to review the governance arrangements in the immediate future as officers feel they are effective and fit for purpose.

The Council may consider establishing a mechanism with which to review arrangements, confirm they are working in practice and make adjustments as required should their effectiveness change. This could be achieved by a standing agenda item at one of the Council or Trust committees or an effectiveness review. The frequency and level of review should reflect the risk being presented by the partnership, as we have observed the arrangements operating effectively, good financial and non-financial performance of the Trust in 21/22 and the being reviewed and adapted at the start of the year they are considered to be up to date.

Delivery of Children's Services is a statutory responsibility of unitary Councils and therefore although the Trust is set up to provide these services the Council remain responsible for ensuring children's services of an appropriate volume and quality are provided to residents. Under the formal governance arrangements the Council sets the strategic outcomes and priorities whilst the Trust is responsible for delivering those outcomes and therefore statutory responsibilities are fulfilled under the arrangement. The Trust remains operationally independent as it has its own Trust Board, Chief Executive, NEDs, Chair and Executive Team as well as its own Committee set up. The Council also has its own separate Executive, members and officers.

The Trust is held accountable for its financial and non-financial performance by its own leadership team and also the Council via the governance structures in place. Contractually the Trust must provide the Council with regular reporting on financial and non-financial performance. It does so via monthly financial monitoring reports and a monthly KPI dashboard. Having reviewed the KPI dashboard for 21/22 we note that there is limited red-rated performance in year and all KPIs are amber or green rated at year end and therefore performing on or sufficiently near their target. This is positive performance and shows an improvement trajectory over the year. In terms of financial performance the Trust produced a small underspend against the contract sum agreed with the Council at year end of £0.019m. However it is noted that this was achieved following the transfer of Covid-19 funding from the Councils to fund pressures attributed to the pandemic and application of contingency set aside as a result of a prior year underspend. As such the financial performance of the Trust requires close monitoring and attention in 22/23 as these are non-recurrent funding sources that will not be available should the Trust overspend in 22/23.

The KPI report provided by the Trust has been consistent in its format and the data included throughout the year. The KPIs were developed by both Council's in conjunction with the Trust and finalised in September 21 to ensure they were reflective of the activities of the Trust and the performance expected. There are clear explanations for performance, summarized information and RAG rating in the report to draw attention to those areas where actions may be required. The data also shows the direction of travel and therefore clearly shows the improvement in performance over the year. To ensure that the Council members and Executives are sighted on Trust performance Children's Services metrics in their own KPI dashboard cover all aspects of Children's services, including those delivered by the Trust. As such we believe that there is an appropriate flow of non-financial performance information between the organisations.

The format of the Trust Financial Monitoring Report has changed in year. The reporting the Trust provided in the first half of the 21/22 financial year was most aligned to the Council's own financial reporting and the information included of most benefit to Council decision makers in helping them make informed decisions. Like the Council's reporting it includes forecast outturn position against budget at directorate level but also individual service level, it also includes information on savings RAG rated and the cause of each key variance is explained and the actions being taken to address these. In the latter half of the year the financial reporting has become more summarised in nature, it still includes forecast outturn at directorate level and key variances and their causes but has limited service level information, actions being taken and savings information. There is however some useful trend data on placements which are the factor driving demand.

Improvement recommendation - Therefore we might suggest that a consistent approach to financial reporting from the Trust would be beneficial and aligned to the Council's own reporting and the Council should work with the Trust to develop a standardised report which maximises the benefit of the information being provided within the constraints of Trust resources and contractual obligations

Improvement recommendation - We have not noted a standing agenda item at the Executive in relation to the Children's Trust but given that Council KPIs include non-financial performance, the Council budget and financial monitoring reports include Children's Trust performance and the annual report on Trust performance is presented to the Joint Committee attended by members the flow of information from the Trust to the Council decision makers is appropriate. However, as noted below the Joint Committee is not designed to monitor performance or financial reports from the Trust. We are of the view that a quarterly update to Scrutiny Commission or Executive would ensure awareness of Children's Trust performance for all decision makers.

To ensure an appropriate flow of information between the Trust and the two Councils there are series of joint committee structures between the two Council's and the Trust which operate separately from the individual organisations and ensure that there is joined up discussion on children's services. Each Committee has a specific remit as below:

- Children's Trust Joint Committee** - The committee is hosted in alternate years by North Northamptonshire Council and West Northamptonshire Council discharges functions on behalf of the two councils. The meeting is attended by Members of both Councils as well as key officers from both Councils such as the Chief Executive, MO, S151 and Director Children's Services as a minimum. Discussion is wide ranging but essentially relays information from the Trust level meetings as well as receiving an annual report on Trust performance in line with their contract each September. As such there is a clear flow of information from the Trust to both Councils. The minutes and meetings for this committee are publicly available on both Council websites and as such there is also transparency of Children's Trust activity. This is appropriate given the focus on this services following previous Ofsted inspections and the fact this is an overspending service across the LG sector which requires close monitoring due to demand led pressures. The key function of the Joint Committee is to manage any matters arising between the Council and West Northamptonshire Council relating to the joint ownership of the Children's Trust and any services which the Trust commissions from the authorities under the Support Services Agreement.
- Operational Commissioning Group** - This group meets monthly and reviews the KPI dashboard, financial monitoring reports, issues and opportunities. It also received any ad-hoc reports which assist the Trust in relaying information across all aspects of its performance, examples in year have included their positive self assessment against Ofsted criteria for Adoption Services, risk register and Internal Audit Reports. These meetings include senior representatives from all organisations including Trust Managing Director, Finance Director, Senior Social Work Leads for the Trust, S151 from both Council's and their Deputies, Director for Children's Services from both Councils, Commissioners and Department for Education representative. There is extensive discussion focused predominantly on performance with challenge, questions and responses provided in detail.

Strategic Commissioning Group - This group meet quarterly and it is chaired by portfolio holder for Children's Services, they receive the same information as the Operational group in a more summarised format and therefore provides an additional layer of scrutiny for the performance of the Trust. The focus is on performance, weighted towards mitigating actions as opposed to reasons for performance discussed by the Operational group. Therefore there is a clear distinction in role and different value added by each group. Like the Operational meetings they are well attended by both Councils and the Trust, questions are detailed and are more strategic in nature.

In addition to the Trust delivering children's services on behalf of the Council, the Council also provide support services, such as IT, HR, Procurement and some aspects of finance such as Accounts Payable to the Trust. The Councils provide these services to the Trust so that the Trust have appropriate administrative functions in place to allow them to focus on their expertise in delivering children's services and also benefit from economies of scale. In addition to the Commissioning Groups above the governance arrangements also include a Support Services Board which reviews performance of this element of the contract, discuss issues and opportunities. The Board has met sufficiently regularly over the year, is well attended by the Council and Trust representatives, has highlighted appropriate performance of the Council in delivering its contractual obligations and good engagement of officers from all organisations is observed at this meeting and those of the commissioning groups.

Under their contractual obligations the Trust must attend scrutiny meetings of each Council to allow challenge of their performance and decision making within the Council's internal framework. This ensures that there is member input into the Trust services and not just officer engagement. The Finance and Resources Scrutiny Committee of the Council, in September 2022 requested that the Children's Trust be invited to attend the committee. The Trust attended the November 21 meeting and presented the period 6 financial position. Therefore the Trust do open themselves up to the scrutiny process however this is limited within the financial year.

Improvement recommendation - Given that the financial performance at year end has been positive the frequency of attendance in 21/22 is acceptable, however the engagement in this process by the Trust should reflect the emerging financial risk and should increase should the financial position in 22/23 seem to be deviating from the contract sum.

The Council have limited control of how the Trust delivers services and the associated costs, however evidence has confirmed that there is a strong level of communication throughout the year between the Trust and Council officers, both formally and informally, which provides sufficient information to the Council to understand how the Trust is performing. There have been no significant issues noted in performance for 21/22.

The Children's Trust budget is developed by the Trust and proposed to the Council as a contract sum during their budget setting process. There is a contract negotiation process where the Finance Director of the Trust presents the proposed resource requirement based on forecast demand and the Council Finance leads undertake a reasonableness test on the information. The Council are reliant on the Trust processes being robust as they do not have access to the Trust ledger and therefore responsibility for the accuracy of the information sits with the Trust. To mitigate some of this risk the Council do a reasonableness test on demand figures, ensure that the Trust Finance Director presents the rationale for all elements of the budget and challenge via the Council's own budget setting process. The Trust have their own external auditors and are subject to Internal Audit to provide some assurance to the Council via this route. The results of these reviews in 21/22 have not raised any significant weaknesses in arrangements. Therefore although the Council is limited in the actions it can take due to the lack of control of Trust finances it does take some action to satisfy themselves of the appropriateness of the information being received. Further improvements are being sought due to the lack of access to the ledger, the Council are wanting to do a reconciliation process so they have more assurances and discussion with Trust to develop this process remains ongoing.

Overall we would suggest that the arrangements between the Council and the Trust are appropriate. In addition the purpose of the Trust was to deliver quality children's services which ultimately would improve the inherited 'inadequate' Ofsted rating. Ofsted inspected Children's Services in October 2022 and this has resulted in the rating being upgraded to 'requires improvement to be good' which demonstrates a positive improvement and direction of travel in terms of quality of the service provided under the current arrangements.

Capital

The Council's Constitution includes Contract Procedure Rules, which set out the rules and procurement thresholds for buying, renting, and leasing of goods, services and works for the Council which must be adhered to for each procurement exercise. The rules set out are to ensure that the Council procures works, goods and services in a transparent basis and is fair as possible.

This guidance is supported by the Capital Approval Process which was reviewed by The Finance and Resources Scrutiny Committee in July 21 before being approved by Executive. The Process defines the approach to scheme assessment, prioritisation and subsequent performance to enable the Council to make more informed decisions based on business cases brought forward. This process is applied to individual project funding requests which must be evidenced through a fully costed business case. A standardised template business case has been developed and this ensures that specific factors vital to success of a project are considered each time a project is proposed before being approved.

Business cases are regularly presented to Executive and those observed cover all requirements of the Capital Approval Process before being approved by the Executive. As such the Council is effectively implementing its policies in relation to procurement.

In addition to approval by the Executive the Council has established a Strategic Capital Board (SCB). The Board meet monthly to consider and provide officer challenge and approval to projects and developments within the process. The Board oversee the overall Capital Programme and develop the strategy moving forward as well as consider the impact of external drivers such as changes to Government policy and the investment needs of North Northamptonshire. Schemes progress from the Strategic Capital Board to be considered by the Deputy Leader and the Executive Member for Finance and Transformation. Given that the Council is in its first year of existence with a series of inherited capital schemes the additional layer of challenge incorporated into the capital approval and review process is vital in streamlining the capital programme and adapting for this Council.

Underneath the Strategic Capital Board sits Portfolio Boards or Service Management Teams for individual service's capital projects. Individual Portfolio Boards or Service Management Teams are responsible for developing and proposing projects for the Strategic Capital Board for consideration. They engage with relevant Members in the development of capital plans including seeking the approval of the relevant Portfolio Holders before submission, keeping Portfolio Holders informed, and providing overall management of the projects under their control.

The new approval process for capital projects consists of five Checkpoints covering 7 areas of a projects lifecycle, progress through the lifecycle is monitored by The Strategic Capital Board and Capital Portfolio Boards/Service Management Teams to ensure each stage is completed and each check point evidenced. One of the lifecycle stages is scheme delivery monitoring which includes regular monitoring of contract, costs, funding, benefits realisation, outputs and therefore ensures there is formalised mechanism in place for monitoring whether schemes are successfully progressing and remaining within their costs.

The Place Directorate and the Capital Programme team provides a crucial role in the governance and delivery of the capital investment strategy and they act as the Programme Management Office (PMO) for the capital programme. The PMO can review and challenge project/ programme detail with Service Portfolio leads prior to each Strategic Capital Board meeting. The PMO requests each Portfolio lead to demonstrate key metrics on commercial data, procurement methodology, risk analysis and governance arrangements for each programme/project in order for the PMO to advise the Strategic Capital Board on the deliverability of the schemes and associated benefits aligned with the capital investment. The PMO engages with Portfolio leads together with colleagues from Finance to review the project/programme data and track the intentions of the investment decision aligned with the approved business cases. The PMO works with colleagues in finance and performance to develop a reporting dashboard for each Portfolio Board to complete within the project reporting timelines which are aligned to the financial reports. This PMO role is vital in ensuring that there is day to day oversight of projects and therefore reduces the risk of slippage as action can be taken in a more timely manner than if monitoring of a project relied on the less frequent formal Strategic Capital Board or Executive meetings.

Capital scheme proposals are reported to Executive for approval each month through the Capital Update Report. These proposals are requests for changes to the programme for the year as originally approved by Executive and therefore this shows that projects are reviewed and updated as necessary to maximise their chance of success.

The Deputy Leader and the Executive Member for Finance and Transformation both provide informal check and challenge, as well as signing off capital bids before the proposals go to the Executive as set out in the Council's Capital Approval Process document.

Deliverability of the 21/22 Capital Programme was monitored by the relevant accountable project manager and senior officer who collate information to produce a Capital Monitoring Report which is reported to the Executive. The report is presented twice a year and provides an overview of performance supported by an appendix highlighting all schemes that are demonstrating slippage. At month 6 of 21/22 slippage was identified totaling £40m and at year end for 21/22 the carry forward into 22/23 is £57m therefore slippage on the capital programme has increased.

Improvement recommendation - we would suggest that the Council could enhance the monitoring process by presenting the capital monitoring to Executive in year to identify slippage more regularly and allow action to be taken at an earlier stage.

The Council fulfills its legal obligation and requirement of the Contract Procedure Rules by producing and publishing a Contract Register which is a record of the contracts held with a value of £5,000 or more. The Contract Register export is published on a bi-monthly basis, in arrears, to reflect live contracts and includes information regarding what they are for, total values and who the supplier is. There is the e-procurement portal in place on the website allowing suppliers to submit offers electronically for any of the Council's published contract opportunities. Contracts have been awarded in year via a variety of methods including via direct award, tender and quotation and all are permitted by the contract procedure rules Contract Procedure Rules. There is no evidence of a significantly larger proportion of contracts having been awarded by direct award or a significant number or value or number of contracts being awarded to a particular or small number of supplier. As such there is no evidence of an unfair process procurement process being undertaken by the Council.

Conclusion

Overall, arrangements to secure economy, effectiveness and efficiency are appropriate in relation to capital, key partnerships and non-financial reporting. The Council does have multiple partnerships which will be reviewed in future VFM reviews to ensure that arrangements are consistent across these relationships. Improvement recommendations have been made but these are suggested as methods of achieving best practice as opposed to correcting underperforming arrangements at the Council.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 14

The Council should consider reviewing and updating the KPI Dashboard reporting non-financial performance to ensure decision makers are aware of the actions being taken to tackle underperforming metrics

Why/impact

Decision makers will be able to actively monitor the success of the actions being taken to improve outcomes each time they receive the KPI reporting and take further action or hold officers to account where outcomes are not improved.

Summary findings

The comments included in the detailed KPI Dashboard generally include details of why the performance being observed has occurred but includes limited information on next steps and actions to be taken, this would be particularly useful if applied consistently to those KPIs that are below target.

Management Comments

The performance framework has recently been reviewed with a report presented to the March 2023 Executive which sets out the intention to provide greater capacity to integrate indicators at greater depth and identify next steps. Continuing improvement work will be undertaken following the arrival of the permanent Head of Performance, Intelligence and Partnerships (start date April 2023).

Responsible Officer: Executive Director of Finance and Performance

Date: Initial Review and Revision of Framework is complete.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 15

The Council should consider undertaking more frequent capital monitoring by Executive in year to enhance the monitoring process

Why/impact

The level of monitoring is most effective when it directly reflects the risk being presented by the performance. In relation to capital more frequent monitoring could allow decision makers to identify slippage more regularly and allow action to be taken at an earlier stage.

Summary findings

Deliverability of the 21/22 capital programme was monitored by the relevant accountable project manager and senior officer who collate information to produce a Capital Monitoring Report which is reported to the Executive. The report is presented twice a year and provides an overview of performance supported by an appendix highlighting all schemes that are demonstrating slippage. At month 6 of 21/22 slippage was identified totaling £40m and at year end for 21/22 the carry forward into 22/23 is £57m therefore slippage on the capital programme has increased.

Management Comments

The arrangements have been amended to report the capital position to Executive on a quarterly basis and this is taking place during 2022/23 including review at the Finance and Resources Scrutiny Committee. This frequency is considered suitable for the capital programme where spend is project led and has a longer timeframe. During 2022/23, an in-depth review of the capital programme was undertaken with each Directorate in order to reassess the likely profile of spend.

The approval for changes to the capital programme is set out within the Council's Capital Approval Process and capital update reports are presented to Executive as needed [it is a standing agenda item each month].

Responsible Officer: Executive Director of Finance and Performance

Date: Complete. More frequent reporting under way in 2022/23.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 16

- The Council should explore ways to work collaboratively with the Children's Trust to improve financial and non-financial reporting, specifically:
- Developing a standardised financial report which is presented consistently throughout the financial year and aligns to the Council's own financial reporting
 - Including an annual or quarterly standing agenda item at the Executive to provide a summarised update on the performance of the Children's Trust
 - Increasing the level of attendance by the Trust at the Council Scrutiny Committee if financial or non-financial performance deviates from target

Why/impact

As a key partnership of the Council which has a significant impact on the financial position and quality of Children's Services it is important that the performance reporting provided by the Trust is consistent, adapted as required and remains fit for purpose.

Summary findings

The format of the Trust Financial Monitoring Report has changed in year. The reporting the Trust provided in the first half of the 21/22 financial year was most aligned to the Council's own financial reporting and the information included of most benefit to Council decision makers in helping them make informed decisions. In the latter half of the year the financial reporting has become more summarised in nature, it still includes forecast outturn at directorate level and key variances and their causes but has limited service level information, actions being taken and savings information. There is however some useful trend data on placements which are the factor driving demand.

There is no standing agenda item at the Executive in relation to the Children's Trust but given that Council KPIs include non-financial performance, the Council budget and financial monitoring reports include Children's Trust performance and the annual report on Trust performance is presented to Joint Committee attended by members the flow of information from the Trust to the Council decision makers is appropriate. However, the Joint Committee is not designed to monitor performance or financial reports from the Trust. We are of the view that a quarterly update to Scrutiny Commission or Executive would ensure awareness of Children's Trust performance for all decision makers.

Under their contractual obligations the Trust must attend scrutiny meetings of each Council to allow challenge of their performance and decision making within the Council's internal framework. This ensures that there is member input into the Trust services and not just officer engagement. The Finance and Resources Scrutiny Committee of the Council, in September 21, requested that the Children's Trust be invited to attend the committee. The Trust attended the November 21 meeting and presented the period 6 financial position. Therefore, the Trust do open themselves up to the scrutiny process however this is limited within the financial year.

Management Comments

The Council does work collaboratively with the Trust and also with West Northamptonshire as the other key partner. The Trust is a separate entity to each Council (North and West Northamptonshire) and services are supplied to each Council under contract. Improvements have been made within the financial reporting during 2022/23 with greater detail and analysis.

The Trust contract sets out the governance processes and the key touch points with the Councils such as the Operational Commissioning Group and the Strategic Commissioning Group. The contract also references that the officers of the Trust are not required to attend more than three Council meetings each year. However, up to this point, the Trust has agreed to be flexible around this restriction and has attended both Audit and Governance Committee and Finance and Resources Committee as requested.

Financial reports are produced by the Trust each month and finance colleagues have worked closely with the Trust to improve and standardise the reporting in order to support greater transparency and understanding of the position. The financial position of the Trust aligns to, and is included within, the Council's monthly monitoring reports.

Responsible Officer: Executive Director of Children's Services through the Intelligent Client Function which supports both North and West Northamptonshire Councils

Date: Changes to the financial reporting of the Trust have already been made and it aligns to Council timeline. The Trust have attended NNC committees when requested.

Opinion on the financial statements



Audit opinion on the financial statements

Delays in completion of the 2020/21 audits for predecessor bodies has delayed the production of the Councils draft 21/22 accounts and therefore our audit of them. We currently expect draft accounts in June 2023 and will carry out our audit following that. We therefore issue our Annual Auditors Report in draft form pending completion of the audit.

Whole of Government Accounts

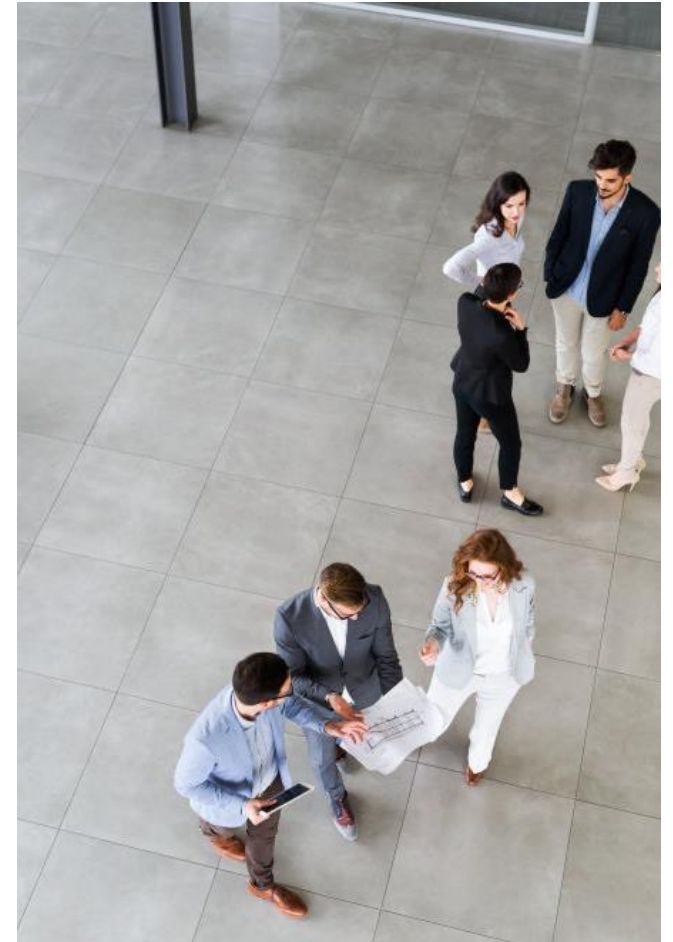
To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. Any work required to comply with the WGA audit guidance will be completed following our work on the Council's accounts for 21/22.

Preparation of the accounts

Delays in completion of the 20/21 audits for predecessor bodies has delayed the production of the Councils draft 21/22 accounts and therefore our audit of them. We currently expect draft accounts in June 2023.

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

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



Appendices

Appendix A – Responsibilities of the Council

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

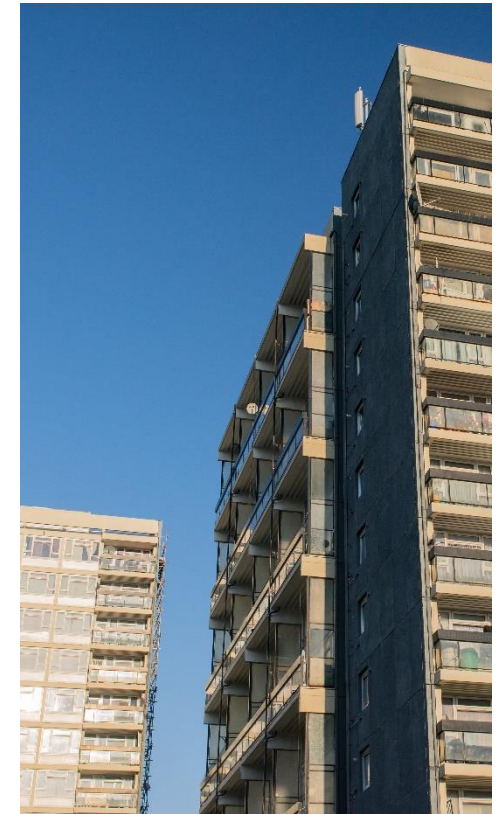
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

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

Appendix C – Sources of evidence



Staff involved

- Janice Gotts, Executive Director of Finance and Performance (Chief Finance Officer)
- Claire Edwards, Assistant Director (Finance and Accounting)
- Mark Dickensen, Assistant Director (Finance and Strategy)
- Rob Bridge, Chief Executive
- George Candler, Executive Director for Place and Economy and Deputy Chief Executive
- Anne Marie Dodds, Executive Director for Children's Services
- Adele Wylie, Director of Customer & Governance (Monitoring Officer)
- Rachel Ashley-Caunt, Chief Internal Auditor



Documents Reviewed

- 21/22 and 22/23 Budget Report (including savings, capital and HRA)
- Medium Term Financial Plan
- Budget Strategy Process
- Capital Strategy
- Treasury Management and Annual Investment Strategy
- Reserves Strategy
- Budget Monitoring Reports (including HRA)
- Savings Monitoring Reports
- Capital Monitoring Reports
- Treasury Management Monitoring Reports
- Year-End Outturn Report
- Cashflow Forecast
- Corporate Plan
- Internal Audit Plan
- Internal Audit Progress Reports
- Internal Audit Annual Report (including Head of Internal Audit Opinion)
- Risk Management Strategy
- Corporate Risk Register
- Annual Governance Statement
- Constitution
- Counter Fraud and Corruption policy
- Whistleblowing Policy
- Councillor Gifts, Hospitality and Interests Declarations
- Non-Financial Reporting (KPI Performance Reporting Dashboard)
- Consultation and Engagement Framework
- Consultations (including Public Consultation on 22/23 Budget)
- Children's Trust Governance Arrangements
- Children's Trust Financial and Non-Financial KPI Reporting
- Minutes and Papers from Children's Trust Committee
- Legal Advice and Correspondence
- Committee Papers and Minutes (Council, Executive, Audit & Governance predominantly)
- Procurement Strategy
- Capital Approval Process
- Business Cases
- Contract Register
- Ofsted Report
- People Plan 2021-2023

Audit and Governance Committee 14th August 2023

Report Title	Internal Audit progress report
Report Author	Rachel Ashley-Caunt, Chief Internal Auditor

List of Appendices

Appendix 1: Internal Audit progress report – August 2023

1. Purpose of Report

- 1.1 To provide the committee with a progress update on the work of the Internal Audit team and the key findings from audits completed to date.

2. Executive Summary

- 2.1 The Internal Audit plan of work is subject to ongoing review and prioritisation to ensure it continues to focus on the Council's key risks. Since the last meeting of this Committee, six audit reports have been finalised and the key findings are summarised in Appendix 1.
- 2.2 During the 2023/24 financial year to date, 23% of the planned audits have been delivered to at least draft report stages and a further 28% is in fieldwork stages. This reflects that delivery is on track for this stage in the year.

3. Recommendations

- 3.1 It is recommended that the Committee:

- a) Note the progress report attached as Appendix 1 and consider the main issues arising.

- 3.2 Reason for Recommendations:

- For the Committee to exercise its duties and responsibilities within its Terms of Reference for receiving reports from the Internal Audit service and considering the main issues arising; and agreeing any amendments in audit coverage.

4. Report Background

- 4.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit service has been progressing fieldwork on assignments scheduled for the first half of the 2023/24 year. The key findings of six audit reports which have been finalised during the period are provided within Appendix 1 for the Committee's information. Of the six reports finalised, one received an assurance opinion of less than Moderate Assurance.
- 4.2 A copy of the Internal Audit plan for 2023/24 and the status of each assignment is provided.
- 4.3 Included within the progress report is an overview of the implementation of agreed management actions, since the last progress report to this Committee.

5. Issues and Choices

- 5.1 The report provides an update on delivery of the internal audit work for 2023/24 and a summary of the findings of audits which have been finalised in the period.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 Not specific to this report.

6.2 Legal

- 6.2.1 Not specific to this report.

6.3 Risk

- 6.3.1 As set out within the progress report for each audit.

6.4 Consultation

- 6.4.1 Not required for this report.

6.5 Consideration by Scrutiny

- 6.5.1 Not required on this occasion.

6.6 Climate Impact

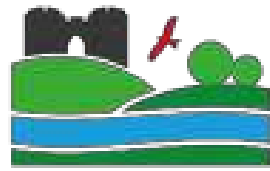
- 6.6.1 Not specific to this report.

6.7 Community Impact

- 6.7.1 Not specific to this report.

7. Background Papers

- 7.1 None.



**North
Northamptonshire
Council**

**Internal Audit Progress Report
August 2023**

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (the Standards) require the Audit and Governance Committee to oversee the performance of the Internal Audit Team and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the Internal Audit service.

2. Performance

- 2.1 Since the last meeting of the Audit and Governance Committee, the Internal Audit team has been progressing work on delivery of the 2023/24 audit plan.
- 2.2 A full copy of the 2023/24 audit plan is provided as Table 3, on pages 8 to 15 of this report.
- 2.3 Assignments scheduled for quarter one (April – June 2023) from the 2023/24 audit plan are either complete or in progress and a number of assignments scheduled for quarter two (July - September 2023) are also underway. At the time of reporting, 23% of the audit plan in Table 3 has been delivered to at least draft report stages and a further 30% is in fieldwork stages. This reflects that delivery is on track for this stage in the year.

3. Key findings

- 3.1 Since the last meeting of the Audit & Governance Committee, finalised reports have been issued in respect of six audit assignments. The key findings arising from those audits are summarised as follows:

Agency workers and consultants

Since vesting day, the Council has encountered challenges in terms of organisational capacity as a result of vacancies inherited from legacy Councils, including when County Council services were disaggregated. Vacancies have also existed whilst services work on designing structures that are fit for a large unitary authority rather than 5 different organisations. The use of temporary workers is not however solely used to cover permanent vacancies. In some instances, posts are only required for a fixed term (e.g. to deliver time limited work as part of grant financed projects).

With the recognition that the Council has used temporary workers to support delivery of services, it is important that the Council has appropriate systems and processes in place to support such arrangements. For the financial year 2022/23, approximately £17.7 million of payments were made in respect of agency related costs with approximately £6.7 million of that figure spent with suppliers other than the Council's main contracted supplier, OPUS.




The review found that the Council has developed well written and easy to understand policies in respect of both agency workers and consultants which clearly define expectations around such activity. Additionally, compliance testing found that:

- Despite the lack of clarity around responsibility for checking that new and extended agency placements have been approved by the relevant Assistant Director, evidence provided by Council officers in respect of new placements and by OPUS in respect of extensions to placements demonstrated good compliance with this expectation in the Agency Workers Policy.
- Good compliance was found with activity processed through OPUS around the completion of pre-employment checks.

The review has however highlighted the following areas that need to be strengthened:

- A review of current arrangements found that (a) no checks are currently undertaken to ensure appropriate authorisation has been obtained for new appointments to be actioned by OPUS, and (b) there is inconsistency in Council guidance around the process to be followed when requesting a waiver / exception to appoint agency staff outside OPUS, specifically around whether evidence has to be provided by OPUS to confirm they cannot deliver the requirement.
- The Agency Worker Policy requires that if a suitable agency worker cannot be sourced through OPUS, Council officers are required to obtain an approved waiver / exception prior to appointing an agency worker via an alternative supplier. Testing on agency spend with suppliers other than OPUS found an approved waiver / exception had only been provided covering approximately £800k of the £6.7 million spend in the 2022/23 financial year.
- The Consultants Policy states that each directorate is responsible for maintaining a record of all consultant placements within their area. Limited records of consultant activity were in place at the time of audit. and as a result, compliance testing could not be undertaken by Internal Audit on key aspects of consultant activities including IR35 compliance and pre-employment checks. It should be noted that a piece of work has subsequently been completed in response to a request from HMRC for the Council to provide information about 'off-payroll' workers engaged and their tax status, and the findings will be used to develop a 'skeleton record' of consultant activity in each directorate, which directorates will then be expected to keep up to date records going forward for audit / inspection purposes.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Moderate
Compliance		Limited
Organisational Impact		Medium

Customer Relationship Management (CRM) system – phase one

A new, single Customer Relationship Management (CRM) system is being rolled out across the Council to replace the separate, existing Customer Service CRM systems from the legacy councils. This will enable the Customer Services Team to use the same CRM system at all their locations, servicing all customers and allowing more customers to be dealt with at first point of contact.

The project is being delivered via an iterative approach with the minimum viable product (MVP) going live as part of phase one on 3rd April 2023, providing a CRM on the new platform for the Customer Services Team at Haylock House. This CRM system is the first system to be delivered on the low-code platform, procured from Placecube Limited.




The purpose of this audit was to provide assurance over the MVP, delivered as phase one. A separate audit will provide embedded assurance throughout the life of the project, which is due to be completed in March 2024.

The project has ensured the MVP meets service area requirements by including representatives from the Customer Services Team in the requirements gathering, testing and lessons learned activities.

A project risk log is being maintained, with evidence of regular review. An even more collaborative approach is being implemented going forward with the appointment of specialist IT roles and this should help capture any more specialised risks and support the transition to business as usual for users.

Reporting functionalities are being built into the system to enable extraction of data. For the MVP, it is noted that the data is not as easy to manipulate for reporting purposes as had originally been delivered by the previous system. To address this, going forward, testing should be undertaken and documented by the officer(s) responsible for the reporting to ensure sign-off that the outputs satisfy requirements before these are finalised.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Good
Organisational Impact		Low




Homelessness and temporary accommodation

The 2021/22 audit of homelessness and temporary accommodation provided good assurance on the design of the control environment, however only limited assurance on compliance with the control environment. The key objective of this review was therefore to review progress made in implementing the recommendations that were made in the 2021/22 report.

The audit confirmed that seven of the twelve recommendations made in the 2021/22 report had been fully implemented. New recommendations have been raised in cases where further action is required to ensure that the control environment for delivering the homelessness service is fully robust. At the time, five recommendations from the 2021/22 report remain open on the tracking system, pending further action to ensure successful implementation.

Based on the results of this follow up audit, the auditor's assurance opinion is summarised below. It should be noted that this opinion is based on work undertaken to follow up on controls that were found to not be operating effectively during the 2021/22 work. Controls that were previously found to be robust have not been re-tested as part of the 2022/23 audit.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Good
Compliance		Moderate
Organisational Impact		Medium

Main accounting system – 2022/23 year end




The Council's General Ledger is administered using the ERP Gold System. The system is operated and monitored by the Council's Finance Team which is responsible for statutory duties such as the preparation, monitoring and reporting of revenue and capital budgets and the closedown of the accounts each financial year. It should be noted that certain activity is administered by other councils on behalf of North Northamptonshire Council (NNC).

The review found that the Council has appropriate systems in place to support the following activity, (a) the accurate upload onto the general ledger of the 2022/23 Council approved budget, (b) the completeness and accuracy of data interfaced onto the general ledger from Council feeder systems, and (c) the completion of corporate bank account reconciliations by West Northamptonshire Council (WNC) on behalf of NNC.

However, the review has however highlighted the following key weaknesses in arrangements:

- In respect of changes to the chart of accounts, the current list of officers who can request such changes is out of date and the process for administering changes is limited in that (a) there is no requirement to justify the need for the change, and (b) the changes actioned by WNC on behalf of NNC are not communicated to NNC Finance so that they have awareness of all changes made.
- Whilst a clearly defined process is in place to support the processing of journals including the provision of evidence to support such activity, the majority of journals are processed either without any independent approval or finance oversight due to how journal access has been designed and applied in ERP Gold, as well as the lack of any routine checks undertaken to ensure that journals have been processed in line with agreed procedures.
- A significant number of control account reconciliations are completed by WNC or Cambridgeshire County Council (CCC) on behalf of NNC. Whilst a mechanism was developed for providing oversight of this activity, current arrangements are not operating as intended and, as a result, (a) there is a lack of assurance that all reconciliations have been completed and / or to the expected standard, and (b) no information is provided to senior officers over the effectiveness of current arrangements.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment		Moderate
Compliance		Moderate
Organisational Impact		Medium

Local taxation

Local taxes comprise council tax and business rates. Net collectable debts for the 2022/23 year were as follows:

- council tax - £227,959,514; and
- business rates - £145,304,069.

The collection rate target is 98% for both council tax and business rates. Given the large sums of money involved and potential impact on its financial standing, it is important that the Council has robust and effective controls to minimise the risk of non-collection, fraud and error.

The four localities that correspond to the previous legacy Councils continue to run separate local taxation systems, although East Northants, Kettering and Wellingborough use the same software (Academy). The Corby locality utilises the Northgate system. Whilst the project to introduce one system covering the whole of North Northamptonshire is progressing, legacy systems remained in use throughout the 2022/23 year.

The scope of the audit was to provide assurance that effective arrangements are in place to support the collection of council tax and business rates in respect of the following key control areas:

- accurate and prompt set up of the initial liability;
- approved and accurate discounts and exemptions;
- effective recovery and enforcement proceedings;
- approved and valid refunds & write-offs; and
- robust performance management arrangements.

Follow-up of recommendations made in the 2021/22 audit reports on council tax and business rates was also included.

In overall terms, the audit confirmed that there are appropriate processes in place for the control areas subject to review as part of the audit, although a number of recommendations have been made where further improvements are necessary. These include ensuring a Visiting Officer is in place for each of the localities and running a rolling programme of Single Person Discount reviews across all areas. The results of follow-up work confirmed that all four recommendations actions from the 2021/22 council tax audit had been implemented and that eight of the ten recommendations made in the 2021/22 business rates report had been implemented. The two outstanding recommendations relate to control areas that were included in the scope of the 2022/23 audit and an update on the current position has been established.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion	
Control Environment	● Moderate
Compliance	● Moderate
Organisational Impact	● Medium

Housing benefits

The latest benefits subsidy claim available for the 2022/23 year was £51,295,834.

Given the sums of money involved and potential impact on the Council's financial standing, it is important that the Council has robust and effective controls to minimise the risk of fraud and error.

The scope of the audit was to provide assurance that the key control framework in place addresses the risks associated with the administration and payment of Housing Benefits (HB) and Council Tax Support (CTS). The audit also covered the follow-up of recommendations made in the 2021/22 report.

In overall terms, the audit confirmed that there is a robust system of control in place to process HB and CTS claims. Sample testing of 60 claims (including new HB claims, new CTS claims and change of circumstance claims) across the four localities highlighted that supporting evidence was available to confirm eligibility in all cases and that claims were processed accurately. Sample testing also confirmed that the three recommendations made in the 2021/22 report had been implemented.

Based upon the fieldwork completed, the following assurance opinions have been given:

Internal Audit Assurance Opinion		
Control Environment	●	Good
Compliance	●	Good
Organisational Impact	●	Low

4. Other audit reports received

4.1 Where financial systems are hosted by partner organisations, the internal audit coverage for 2022/23 was conducted by the host organisation and shared with all partner councils for assurance purposes. At the time of the 2022/23 Annual Internal Audit Report and Opinion, no audit reports for the year had been received in respect of Payroll, Pensions or Financial Systems Access Controls, which are hosted by West Northamptonshire Council. The audit opinion was caveated in relation to this.

4.2 The report on the 2022/23 audit of **Pensions** was received in July 2023 and the key findings reported by West Northamptonshire Council's Internal Audit team are summarised as follows:

"The scope of the audit sought to determine whether:

- Appropriate systems are in place to ensure notification of new members and other changes (including transfers in) are recorded on the pensions systems accurately and on a timely basis.
- Mechanisms exist to ensure the correct contributions are received from employer organisations in line with agreed deadlines on a timely basis.
- Appropriate action is taken upon notification that a member has left the scheme.

- Pension payments are made accurately and in accordance with regulations and agreed procedures.
- Reconciliations related to Pensions are completed on a timely basis, with prompt action taken to clear unreconciled items.
- Key Performance Indicators (KPIs) reported in Administration Performance reports are accurate.
- Appropriate procedures are in place to identify and report breaches of the law to the Pension Committee and Pension Board in the Administration Report.
- There is an up-to-date Risk Strategy and Risk Register in place which are monitored and reported on at appropriate intervals”.

“To move away from historic routine systems documentation, testing and control evaluation, a different approach was adopted to the audit review this year. The initial stage of the approach involved the undertaking of an assessment with the help of management to document and understand the following aspects in each of the areas covered within the scope of this audit:

- Significant changes in staff / IT systems / activity including transaction volumes
- Current / future risks relating to these areas
- Where and how management gets its assurance that the identified risks are being effectively managed
- Implementation of prior year recommendations
- Any areas of management concern

This evaluation and mapping approach enabled us to assess the level of assurance and risk within each aspect of the administration process with a view to then determining and agreeing with management the areas requiring further audit attention, which may involve i.e. walk-through and/or compliance testing, as deemed appropriate”.

“The review has confirmed that the current arrangements largely ensure that adequate controls are in place for achieving the eight key control objectives. Therefore, the assurance opinion given to system design is one of Substantial Assurance. This opinion takes into account areas already recognised for improvement by management which are currently being actioned, including the imminent introduction of the new workflow design for dealing with year-end queries reconciliations, the development of complementary customer journey KPIs, and the monitoring of potential breaches of the law arising from the commissioned review into this area, which will further enhance the control environment.

Overall, the review found good levels of compliance with the expected control procedures, as confirmed by our testing. Therefore, the assurance given to procedural compliance is Substantial.

The organisational impact of the findings is Minor. This reflects the fact that whilst a small number of improvements are being implemented, which are considered to have a limited impact on the operations of the Northamptonshire Pension Fund”.

5. Implementation of recommended actions

- 5.1 Where any weaknesses or opportunities for improvement are identified by audit testing, recommendations are made and an action plan agreed with management. These actions are subject to agreed timeframes and owners and implementation is followed up by Internal Audit on a monthly basis.
- 5.2 Since the last Audit and Governance committee meeting, 37 open actions have been confirmed as implemented – an overview is provided in Table 3 of this report. There were 85 recommendations overdue for implementation as at 25th July 2023.
- 5.3 To provide the Committee with further detail on high risk actions which remain overdue by more than three months, full details are provided in Table 4, with latest updates from officers. There are two such actions at this time.

Table 1: Progressing the Annual Internal Audit Plan

2023/24

Key
Current status of assignments is shown by shading

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Governance											
Ethical governance	Q2										
Corporate compliance with key controls and policies											
Agency staff and consultants	2022/23							Moderate	Limited	Medium	See section 3
Information governance	Q1										
Starters and leavers	Q1										
Staff recruitment	Q2										
Procurement compliance	Six monthly										
Partnerships and hosted services	Q2										
Budgetary control and savings plans	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Business continuity management	Q3										
Agency workers and consultants (follow up)	Q4										
IT risks											
Cyber security	Quarterly										
IT strategy and governance	Q1										
Disaster recovery	Q3										
IT software licensing	Q4										
Corporate objective – Modern Public Services											
New Customer Relationship Management system – phase 1	Q1							Good	Good	Low	See section 3
New revenues and benefits system	All year										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
(embedded assurance)											
New income management solution (embedded assurance)	All year										
Hospital discharge invoicing	Q1										
Right to buy applications	Q1										
Complaints and compliments management	Q2										
Agile working	Q2										
Housing repair stores (advisory)	Q2										
Asset management – leased assets (follow up)	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Capital project management – Kettering library roof	Q4										
Corporate objective – Safe and Thriving Places											
Homelessness and temporary accommodation	2022/23							Good	Moderate	Medium	See section 3
Landlord health and safety	Q2										
Home to school transport (follow up)	Q2										
Highways maintenance contracts	Q3										
Housing repairs (follow up)	Q4										
Private sector housing enforcement and empty homes	Q3										
Planning service transformation	Q4										
UK Shared Prosperity Fund	Q1										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Corporate objective – Greener, Sustainable Environment											
Climate change strategy	Q4										
Corporate objective – Better, Brighter Futures											
SEND	Q2										
SEND action plan	TBC										Subject to Ofsted inspection
Early years providers	Q2										
Schools – thematic review	Q3										
Ad-hoc support and school audits	As required									One Safer Recruitment audit completed at management request in June 2023.	
Governance of the Children's Trust	Q4										
Corporate objective – Active, Fulfilled Lives											
External placements	2022/23										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Payments to social care providers	Q1										
Continuing health care (CHC) funding	Q1										Linked to coverage in other audits – on hold
Recruitment and retention of social workers	Q2										
Adult social care data quality	Q2										
Specialist care centres	Q2										
Health and Social Care Act 2022 (advisory)	Q3										
Public health contract management (follow up)	Q3										
Cygnium project (embedded assurance)	Q3										

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments	
Adult safeguarding	Q4											
Key financial systems - Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits focus on the systems with the highest financial risk.												
Payroll	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council										
Pensions	Q4	To be delivered by host authority's internal audit team – West Northamptonshire Council										
Creditors	Q4	To be delivered by host authority's internal audit team – Cambridgeshire County Council										
Debtors and debt recovery	Q4	To be delivered by host authority's internal audit team – Cambridgeshire County Council										
Main accounting system – year end	Q1							Moderate	Moderate	Medium	See section 3	
Main accounting system	Q4											
Treasury management	Q4											
Government procurement cards	Q1											
Local taxation 2022/23	Q1							Moderate	Moderate	Medium	See section 3	
Local taxation 2023/24	Q4											

Assignment	Initial timing planned	Not started	Planning	Fieldwork underway	Fieldwork complete	Draft report	Final report / complete	Control Environment	Compliance	Org impact	Comments
Housing benefit 2022/23	Q1							Good	Good	Low	See section 3
Housing benefit 2023/24	Q4										
Public Health											
Public health grant	Q2										
Grant claims											
Supporting families	Quarterly							Quarterly audits and sign off			
Family Hubs	Q1							Complete			
Contain Outbreak Management Fund (COMF)	Q1							Complete			
Disabled Facilities Grants	Q2										

The Auditor’s Opinion

At the completion of each assignment the Auditor will report on the level of assurance that can be taken from the work undertaken and the findings of that work. The table below provides an explanation of the various assurance statements that Members might expect to receive.

Compliance Assurances		
Level	Control environment assurance	Compliance assurance
Substantial ●	There is a sound system of internal control to support delivery of the objectives.	The control environment is operating as intended with no exceptions noted which pose risk to delivery of the objectives.
Good ●	There is generally a sound system of internal control, with some gaps which pose a low risk to delivery of the objectives.	The control environment is generally operating as intended with some exceptions which pose a low risk to delivery of the objectives.
Moderate ●	There are gaps in the internal control framework which pose a medium risk to delivery of the objectives.	Controls are not consistently operating as intended, which poses a medium risk to the delivery of the objectives.
Limited ●	There are gaps in the internal control framework which pose a high risk to delivery of the objectives.	Key controls are not consistently operating as intended, which poses a high risk to the delivery of the objectives.
No ●	Internal Audit is unable to provide any assurance that a suitable internal control framework has been designed.	Internal Audit is unable to provide any assurance that controls have been effectively applied in practice.




Organisational Impact		
Level		Definition
High		The weaknesses identified during the review have left the Council open to a high level of risk. If the risk materialises it would have a high impact upon the organisation as a whole.
Medium		The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a medium impact upon the organisation as a whole.
Low		The weaknesses identified during the review have left the Council open to low risk. This may have a low impact on the organisation as a whole.

Table 2: Implementation of Audit Recommendations

	'High' priority recommendations		'Medium' priority recommendations		'Low' priority recommendations		Total	
	Number	% of total	Number	% of total	Number	% of total	Number	% of total
Actions due and implemented since last Committee meeting	4	29%	23	27%	10	43%	37	30%
Actions due within last 3 months, but not implemented	8	57%	30	35%	7	30%	45	37%
Actions due over 3 months ago, but not implemented	2	14%	32	38%	6	26%	40	33%
Totals	14	100%	85	100%	23	100%	122	100%

Table 4: ‘High’ priority actions overdue for more than three months

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children’s Trust 2021-22	Children’s Services	<p>Intelligent Client Function</p> <p>To develop a framework for assessing the effectiveness of the Client Function</p>	<p>Whilst the framework is not yet completed, progress has been made. This work is currently paused (capacity issue) whilst the ICF works with both Councils to address concerns about the financial position of the Trust.</p> <p>- WNC and NNC Officers and the ICF Lead met in early June 2023 to review potential options on the future scope and delivery of the Client Function and wider assurance arrangements.</p> <p>- Proposals are being drawn up for review by DCS’s, although this has been delayed by other urgent work related to the Trust.</p> <p>- Bevan Brittan have been commissioned to provide legal advice to create an Interface Agreement setting out the arrangements between the 2 councils for managing the Trust.</p> <p>- Once agreement has been reached between NNC and WNC recommendations will be taken to Strategic Group and Joint Officer Board if required.</p> <p>- It should be noted that under the service delivery contract significant change to the ICF’s current model may constitute a Notifiable Change requiring the Secretary of State for Education’s (SoSE) consent as per the Governance Side Agreement between the Secretary of State and Councils.</p>	<p>Director of Children’s Services / Assistant Director Commissioning and Partnership</p>	31/08/2022	30/09/2023

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
Governance of Children's Trust 2021-22	Children's Services	<p>Service delivery contract</p> <p>Development of detailed protocols for issues such as unregulated or unregistered placements and Ofsted inspections.</p>	<p>The Trust have commissioned an LGA review of its assurance model/ processes and a further review of partnership arrangements (as a follow on to a review conducted 2 years ago). Both reports have now been published.</p> <p>The Councils have requested revisions to the LGA partnership review and CEX's are scheduled to meet with the author in August 2023.</p> <p>NCT reported to Operational Group in July 2023 that they will seek to set out requirements for the delayed re-positioning paper covering the outputs of the reviews and considering the impact of separate ILACS inspections in September 2023 as part of the Contract Sum process.</p> <p>This will feed into recommendations being developed by the Councils on assurance arrangements.</p> <p>Following agreement by NNC and WNC (and in line with the governance arrangements set out in the service delivery contract and associated documents) recommendations will be taken to Strategic Group and a change control issued.</p> <p>It should be noted that under the service delivery contract significant change to the ICF's current model or assurance arrangements may constitute a Notifiable Change requiring the Secretary of State for Education's (SoSE) consent as per the Governance Side Agreement between the Secretary of State and Councils.</p>	Director of Children's Services / Assistant Director Commissioning and Partnership	30/09/2022	30/10/2023

Audit Title and Year	Service Area	Outstanding Action	Status Update	Officer Responsible	Original Date	Revised Date (if provided)
			<p>Once complete and a refreshed assurance framework agreed it will ensure that robust scrutiny and assurance of NCT's activities in delivering services for which the Councils, through there respective Directors of Children's Services have statutory responsibilities for.</p> <p>Legal advice will be instructed to support the implementation of this work as and when required.</p>			

Limitations and Responsibilities

Limitations inherent to the internal auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit & Governance Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant, responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work; were excluded from the scope of individual internal assignments; or were not brought to Internal Audit's attention. As a consequence, the Audit & Governance Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and unforeseeable circumstances.

Future periods

The assessment of each audit area is relevant to the time that the audit was completed in. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management; internal control and governance; and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems. Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Audit and Governance Committee 14th August 2023

Report Title	Strategic Risk Register update
Report Author	Rachel Ashley-Caunt, Chief Internal Auditor

List of Appendices

Appendix 1: Strategic Risk Register

Appendix 2: Risk heat map

Appendix 3: Risk scoring methodology

1. Purpose of Report

- 1.1 To provide the committee with a quarterly update on the Council's Strategic Risk Register entries.

2. Executive Summary

- 2.1 The Council's Risk Management Strategy defines the Council's risk management approach and the practices required to make it work. Quarterly updates on the Strategic Risk Register are provided for the Audit & Governance Committee.
- 2.2 An updated register is provided for the Committee's consideration. The content has been reviewed by the Corporate Leadership Team, informed and supported by regular review of all directorate level risk registers.

3. Recommendations

- 3.1 It is recommended that the Committee:

a) Note the risk management update.

- 3.2 Reason for Recommendations –

- For the Committee to exercise its duties and responsibilities within its Terms of Reference and provide independent assurance of the adequacy of the risk management framework and the associated control environment.

4. Report Background

- 4.1 The Strategic Risk Register details the strategic risks faced by the Council in relation to achieving its corporate priorities. The Register also notes the current mitigation action being taken to control these risks and reflects the current, residual risk score.
- 4.2 The content of the Strategic Risk Register entries has been reviewed and updated by Corporate Leadership Team and a copy is provided for the Committee's information, as Appendix A to this report. The amendments made to the risk entries since the last report to Audit and Governance Committee are summarised in Table 1.
- 4.3 It should be noted that whilst Internal Audit assist with the facilitation of risk management, CLT are responsible for defining all risk entries and scoring, and applying the Risk Management Strategy.

Table 1: Updates to Strategic Risk Register entries

Risk entry	Update
Risk 07 Unsustainable finances (medium term from 2024/25)	Inherent score increased from 16 to 20 due to increased impact (raised from 4 to 5). This reflects that whilst the budget for 2023/24 is balanced, the position for 2024/25 onwards continues to be uncertain due to the prevailing economic climate particularly inflationary factors for pay and prices, as well as demand pressures, such as children's services and adult social care. The residual risk remains at 12 (3 for likelihood and 4 for impact) as the Council seeks to update the medium financial plan in advance of the new financial year.
Risk 08 Inability to remain within budget for the current year (2023/24)	Residual score increased from 15 to 20 due to increased impact score (raised from 3 to 4). This recognises the inflationary increases being higher than the Office for Budget Responsibility (OBR) forecast at the time the budget was set in addition to cost of living challenges. The requirements from demand led services such as children's social care are concerning and already outstripping the budget as at P2 reporting. Other areas such as Home to School Transport and Adult Social Care also remain a risk in this regard.

- 4.4 To assist in informing the review of the risk register, a summary has also been provided in Appendix 2 to this report, in the form of a heat map, showing the current scores in relation to the risk framework.

- 4.5 A copy of the risk scoring methodology is provided as Appendix 3 to this report, for the Committee's information in reviewing the register. This is an extract from the Council's Risk Management Strategy.

5. Issues and Choices

- 5.1 The report provides an update on the Strategic Risk Register. The Committee has the opportunity to review the entries and scoring within the register and obtain assurance that this suitably reflects the risk environment and the risk management process is effective.

6. Implications (including financial implications)

6.1 Resources and Financial

- 6.1.1 None specific to this report.

6.2 Legal

- 6.2.1 None specific to this report.

6.3 Risk

- 6.3.1 The maintenance of an effective risk management framework is crucial to managing risk effectively. The Strategic Risk Register is a key part of that framework. The report itself does not give rise to any specific risks for consideration.

6.4 Consultation

- 6.4.1 None specific to this report.

6.5 Consideration by Scrutiny

- 6.5.1 Not required on this occasion.

6.6 Climate Impact

- 6.6.1 None specific to this report.

6.7 Community Impact

- 6.7.1 None specific to this report.

7. Background Papers

- 7.1 None.

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Risk No.	Risk Description	Inherent Risk						Residual Risk						Actions		
		Cause	Effect	Owner	Likelihood	Impact	Score & RAG	Key controls	Sources of assurance over controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Action RAG
1	Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF).	NCT does not meet its requirements in the improvement plan. The ICF fails to identify and address areas for improvement of NCT's performance.	Risks to child safeguarding. Poor quality of service and outcomes for service users. Financial risks to the Council.	Exec Director of Children's Services	5	4	20	The Intelligent Client Function (ICF) is in place with clear governance arrangements set out in the contract including monitoring of performance and financial plans via the Operational Group and Strategic Groups. Ofsted complete inspection visits as per there inspection framework and provide independent performance feedback at regular intervals. The Children's Trust has an Improvement Plan, linked to its Ofsted inspection performance, which is overseen by a Social Care Improvement Board led by a DfE appointed Independent Chair.	Ofsted complete regular Monitoring Visits and Thematic Inspections between main inspections as a means to assess the progress on the Trusts improvement journey. Where performance drops below agreed levels the Council via the ICF undertakes additional assurance activity including deep dive reviews, production of additional time limited action plans or contract notices to improve performance. Internal Audit of ICF May 2023: Satisfactory Assurance - with action plan in place to prioritise areas for improvement. A Joint Officer Board and Joint Committee is also in place to oversee arrangements managing the Children's Trust including matters pertaining to the Councils ownership of the Trust. A monthly Lead Member/Director of Children's Service Assurance Meeting takes place in order to ensure the Children's Trust is held to account on its delivery of quality.	3	4	12	A joint review of the ICF is taking place with WNC. Following this recruitment to vacant posts to replace agency staff will take place. Restructure has been approved through CLT. Plan in place to operationalise restructure and recruitment (subject to full consultation with DCF)	Assistant Director of Commissioning	Oct-23	Yellow
2	Failure of corporate governance/meeting statutory requirements/ poor decision making.	Lack of awareness of decision making and legislative requirements. Continuation of processes from predecessor authorities which are no longer in place. Culture of good corporate governance not permeated through organisation. Lack of legal support and updates on legislative changes. Strong governance processes not yet implemented for all matters.	Failure to ensure best value. Breach of legislation which increases risk of legal challenge. Unlawful decisions made.	Director of Customer & Governance	4	5	20	Decision making training undertaken and resources available on intranet. Stabilised legal and democratic service to provide proactive advice. Implementation of processes and procedures to support a good corporate culture. Legal support being proactive and engrained in services. Governance processes continuing to be implemented.	Records of decision, Forward Plan, increased advice from legal and democratic services. Audits of service. Policies and Procedures.	3	4	12	A programme of training and engagement for all staff will be implemented.	Assistant Director of Legal and Democratic	Mar-24	Green
3	Loss of data or systems due to cyber attack	Failure of preventative and detective controls leads to successful attack on Council systems.	Disruption to service delivery. Reputational damage and loss of customer confidence. Financial loss, penalties and fines.	Assistant Chief Executive												
4	Disruption to service delivery and community due to unplanned incident or emergency	Lack of adequately resourced, experienced staff to fulfil BC roles. Lack of understanding of BC processes by Service Areas. Failure to address critical BC issues. Lack of completed BC plans to support with an internal disruptive event. Inadequate Emergency Planning arrangements arising from insufficient EP capacity and/or a lack of organisational engagement.	Failure to deliver timely and effective BC Work Programme. BC arrangements not in place. Ineffective response to a BC incident. Low levels of resilience exacerbating impacts. Public harm, financial losses, reputational damage, legal failures, fines, service failure, staff absence. Poor response to incidents and emergencies leading to loss of life, serious public harm, serious economic harm, serious environmental harm, increased financial losses, failure of critical functions, significant reputational damage, legal failures and penalties	Exec Director of Place & Economy	5	4	20	Workforce planning; Training plans; Effectively managed BC programme; Adequate investment to address critical resilience issues; Defined, established and rehearsed emergency management processes. Key contractors are required to outline BC arrangements as part of the contract procedures rules	NNC has an established Critical Incident Plan which is supported by emergency management arrangements to provide a core capability for the management of disruptive incidents. This includes a duty rota for Gold and Silver officers to ensure coverage for key command roles. Strategic and Tactical Emergency Management Training was delivered by the Emergency Planning College in July 2022 These arrangements have been validated by incidents in the last 12 months. Where lessons were identified, action is underway to address these issues NNC has an established BC steering group to coordinate and oversee the development of BC arrangements across the organisation	3	4	12	Ongoing delivery of the BC work programme under direction of BC steering group continued roll out of BC assessment tool and plans template and provision of support to services in completion Complete review of NNC Critical Incident Plan Recruitment to vacant roles in the Emergency Planning Team Review NNC BC planning assumptions in light of revised National Strategic Risk Assessment Commence planning for corporate BC exercise	Matt Hoy	Sep-23	Green
5	Failure of capital and revenue projects to deliver upon intended benefits, within budget and planned timeframes.	Multiple causes including inflationary impact, cost of borrowing, lack of resources, lack of pace, poor scoping of activities, outcomes and benefits, time slippage, budget or scope creep, change of legislative or original priorities, external factors taking priority	Failure to deliver timely and effective projects. Financial penalties. Reputational damage. Legal implications. Service failure. Customer/community impact.	Exec Director of Finance & Performance	4	4	16	Defined governance programme in place including: Place Capital Programme Board; Strategic Capital Board. There will be corporate governance under the remit of the constitution and Senior Responsible Officer with scheme of delegation, CLT; Member Transformation Board (where appropriate). Reporting into Service Delivery EAPs (where appropriate). Quarterly Capital and Monthly Revenue Reports to Executive and the following Finance and Resources Scrutiny. Individual Project Boards established for relevant projects. Capital Update report on new/changing projects to Executive each month.	Internal Audit Review of Capital Programmes scheduled for 2022. Internal Transformation Team reviews and Internal Audit (recent "Good" score for disagg programme, for example). Process for approval of capital projects reviewed by Finance and Resources Scrutiny Committee.	3	4	12	Scrutiny of programme progress at established Boards and ad-hoc e.g. project/programme audits by Transf. Team or Internal Audit. New Performance / PMO role established in finance to monitor project progress and risks - to be recruited to. Dedicated Head of Capital Projects (property) proposed to ensure sufficient capacity to manage current and forthcoming projects effectively.	Executive Director of Finance and Performance/ CLT Owner	Ongoing	Green

6	Failure to safeguard vulnerable adults.	Failure to meet statutory requirements under the Care Act. The Care Act 2014 sets out that the local authority must act when it has reasonable cause to suspect that an adult in its area has needs for care and support or is experiencing or at risk of abuse or neglect.	An adult is harmed due to failure to exercise safeguarding duties. Financial implications. Reputational damage. Failure to meet areas of importance. Continue to neglect individuals' wellbeing. Poor outcome for people.	Exec Director of Adults, Health Partnerships & Housing	4	5	20	Audit compliance NSAB Delivery Board Workstream on Safeguarding KPI data reporting on Safeguarding Training on Safeguarding Quality Assurance Board with Commissioning Forthcoming Safeguarding Audit to be established. Principal Social Worker Framework	Safeguarding audits by Team Manager Safeguarding & Quality. Safeguarding audits by Team Managers and Principal Social Workers from April 23. Implementing actions for improvement identified in internal audit reports. Internal Audit of Adult Safeguarding referrals 2021/22 - satisfactory assurance Internal Audit of DoLS 2021/22 - limited assurance:	3	4	12	Roll out of safeguarding audits by Team Managers and Principal Social Workers from April 2023. Audit results analysed, reported and actions identified with feedback to teams. Updated guidance on safeguarding process written – process map and updated Eclipse Guidance to be added. Work with individual teams on KPIs and processes. Notification of concern guidance written. Large Scale Investigation guidance being written. CQC Ensuring Safety - joint training with Health on statutory responsibilities including performance, other stakeholder responsibilities including reporting timeframes, information sharing, externally allocated S42, Understanding Making Safeguarding Personal. Notification of Concern Guidance written. Large Scale Investigation process being written.	ED and ADs - Adult Social Care	Ongoing	
7	Unsustainable finances (medium term from 2024/25)	Whilst the budget for 2023/24 is balanced, the position for 2024/25 onwards continues to be uncertain due to the prevailing economic climate particularly inflationary factors for pay and prices, as well as demand pressures, such as children's services and adult social care. There remains risks from continuing LGR/transformation related changes as services are disaggregated and/or reformed as well as the Government review of funding for Local Authorities which is anticipated in the next Parliament. This risk reflects this uncertainty.	Resources are insufficient and this results in non achievement of Corporate Plan priorities, with consequent negative impacts on residents and other stakeholders.	Exec Director of Finance & Performance	4	5	20	Budget balanced for 2023/24. Indicative budget requirements highlighted from 2024/25 and work ongoing to address. Ongoing intelligence and lobbying alongside working to ensure robustness of the budgets for future years, including timely responses to the consultation on LA funding at the appropriate time. Financial planning and budget proposals and savings / income generation options. Budgets based on prudent assumptions. Challenge of budget proposals. All work linked to future transformation programme across all aspects of the Council. Transformation and specific working groups to address specific budget areas. Review potential external funding opportunities to meet service need.	CIPFA Financial Management Code self-assessment Budget Scrutiny Arrangements	3	4	12	Continuing development of the MTFP for minimum 3 years. Budget 2023/24 approved February 2023. Work with services to identify efficiencies, cost controls and income generation to protect vital services. Factor in any announcements from the Chancellor's Spring/Autumn Budget Statements (generally March and November each year) and the Spending Review. Strong focus on robust controls for areas outside the General Fund, ie DSG and HRA. Respond to Government consultation on any funding	Executive Director of Finance and Performance	Ongoing	
8	Inability to remain within budget for the current year (2023/24)	The requirements from demand led services such as children's social care are concerning and already outstripping the budget as at P2 reporting. Other areas such as Home to School Transport and Adult Social Care also remain a risk in this regard. The budget is also still impacted by the significant impact of higher than anticipated inflation (both pay and prices). The level and extent of the inflationary increases is higher than the OBR forecast at the time the budget was set. The pay award (although not yet approved) already exceeds the budgetary provision of 4%. The cost of living challenges will also potentially present difficulties for income generation in areas such as leisure, with greater support mechanisms being required as well as possibly resulting in increased service demand in areas such as homelessness.	The Council will overspend, which will impact on the level of reserves. The Council is currently forecasting an overspend predominantly due to demand and price pressures.	Exec Director of Finance & Performance	5	4	20	Ongoing monitoring and scrutiny. Reserves and contingency to offset in year pressures. Robust governance arrangements for approval of any new/unplanned spend or proposals. Closely monitor the financial position and work with colleagues to mitigate any pressures in year. Continue to work through the budget to identify underlying issues and risks and address as part of the MTFP. Utilisation of government funding as available to support individuals, businesses and households. Eg Household Supprt Fund	CIPFA Financial Management Code self-assessment. In year monthly monitoring to Executive and regular scrutiny by the Finance and Resources Scrutiny Committee including scrutiny of Children's Services position which is operated through the Children's Trust. Children's Trust position also reported to the Operational Commissioning Group and the Strategic Commissioning Group for review.	5	4	20	Work to identify in-year mitigation as well as close working with the Children's Trust to understand the driving factors for, and the potential for mitigation. Set aside contingency and reserves to meet shortfall recognising the need for a longer term solution as part of the MTFP.	Executive Director of Finance and Performance	Ongoing	
9	Inadequate data sharing and data security arrangements- leading to non-compliance with legislative requirements.	Processes and procedures are not effective. Officers do not comply with processes and procedures. Inadequate training to promote requirements and risks. Information Asset Registers aren't complete.	Loss of data. Financial fines/penalties. Reputational damage.	Exec Director of Customer & Governance	3	4	12	Information Asset Registers. Data protection training for staff and Members. Data protection policies and guidance for staff. Data Protection Officer in post IT health checks including penetration testing, information sharing agreements with partners and agencies	Internal Audit of Information Governance 2021/22 - Satisfactory assurance.	3	4	12	Predessor storage arrangements to be considered and business case put together	Data Protection Officer	Jun-23	

10	Procurement - Key suppliers of goods and services (including hosted / shared services) fail to deliver services to the required standards and capacity - thereby, impacting on the Council's ability to operate effectively in delivery/provision of services.	This may be due to lack of financial resilience or other factors, impacting the onward ability of the Council to secure required services to its residents. A key risk given COVID impact, inflationary pressures, negotiation of UK trade deals following UK Exit and lack of competition in some markets. Poor contract management may lead to failure to highlight and address performance issues effectively.	Financial and legal implications for the Council. Implications for maintaining appropriate standards for key service functions and impact on customers. Reputational damage for the Council and the Contractor. Early termination of the contract because of operational failures by the Contractor. Withdrawal of the service by the Contractor owing to dispute with the Council. Legal challenge on award of contracts / failure to achieve value for money.	Exec Director of Finance & Performance	3	4	12	Professional Procurement Teams in place to support services in effective management of procurement lifecycle; including supplier due diligence. Includes involving all directorates. Contract management register and risk assessment in place. Bankruptcy / Liquidation Policy to enable consistent response to supplier failure. Enhanced due diligence arrangements developed and Due Diligence working group in place. Risk reduced but maintained at medium due to wider risks of supplier resilience outside of control of the Council and acute given ongoing impacts of Covid19 and of agreeing post EU trade deals. Reporting to: Commercial Board, CLT and Resources and Governance Scrutiny Committee	Internal Audit review of Procurement Compliance 2021/22 (Satisfactory assurance rating) Internal Audit review of Contract Management in Place and Economy (Good assurance rating).	2	3	6	Ongoing work with Directorates regarding Procurement requirements and maintenance of the Contract Register with a view to timely procurement and greater contract negotiation potential.	Head of Procurement	Ongoing		
11	Inadequate organisational capacity.	Increased turnover resulting in increased vacancies. Recruitment challenges due to a buoyant employee market.	Reduced service provision, negative impact on health and wellbeing of officers	Exec Director of Customer & Governance	5	4	20	Data considered regularly. HR Policies to support effective recruitment. People Plan in place to support employees. Future Ways of Working Strategy in place to attract employees and support health and wellbeing as well as ensuring excellent services are delivered. Managers supported to understand areas and any organisational challenges. Apprenticeship Policies being implemented to support "grow your own". Managers Network established to support managers with implementation of values.	HR data presented regularly. Management information provided to managers within the organisation. Policies and Procedures.	3	4	12					
13	Legacy legal claims of predecessor Councils, .	Matters arising from actions/omissions of previous authorities which may be challenged	Reputational damage, financial and legal implications	CLT	3	5	15	Risk Registers, understanding of previous actions/omissions by senior management.	Risk Registers	3	5	15	High risk case log prepared (live document) to track and manage cases				
14	Consolidation and/or disaggregation of services into the new Unitary delivery.	Significant recruitment Onboarding staff from WNC to NNC. Pay and responsibility differentials.	Reduced levels of services to customers Difficult to recruit to key/statutory posts Increased cost of service delivery	CLT	3	4	12	Agreed HR process & disaggregation principles between NNC/WNC on transfer of staff Statutory staff consultation process in place Updates to Directorate forums with Unions to include info on new service structures Transformation Impact assessments undertaken	Transformation Impact Assessments Transformation Business cases Transformation decision process through Joint Officer Board and Shared Services Joint Committee Member Transformation Board Directorate Union consultation Forums	3	4	12	Detailed Transformation Plans reflect the remaining areas of disaggregation to be finalised	CLT	Mar-24		
16	Breaches of health and safety responsibilities result in injuries/harm to staff, tenants or service users.	People Ineffective or insufficient competent advice. A lack of leadership engagement and competence in HSW matters. Lack/loss/movement of those with additional H&S responsibilities.	Injury / harm to individual(s). Financial penalties and fines. Prosecution of organisation and or individuals. Reputational damage. Employees do not feel safe and supported and decide to leave	Exec Director of Customer & Governance	5	5	25	Nominated Director for HSW (Exec Director Legal & Governance) HSW policy in place and signed off Chief Exec. Supplementary procedures on specific risks / processes. Procedures have identified owners across various departments. HSW intranet pages to publish / communicate information. Contracts for occ health, eye care and eap provider in place. Competent Advice - HSW team re-structure completed, maintain resource requirements and team competencies. Providing adequate Information, Instruction, Training and Supervision. Certificate of employers liability insurance / policy statement published on intranet and notice boards where staff don't have access to this.	Management self-audits and inspections (HSW Management Tool) HSW team led audits. Reporting and investigation of accidents and incidents. HSW monitor accident and incident reports. Competent person inspections of plant and equipment. Internal audit. Routine/non-routine visits from enforcement authorities (fire, hse). Directorate HSW forums and Joint HSW committee's established (Qrly meetings).	3	5	15					
18	Transformation Plan not delivered as endorsed by Executive, affecting the ability to deliver benefits of projects/programmes within the plan.	External (corporate wide or external to organisation) pressures impact upon the delivery of the Transformation team. increase in service demand for Transformation – leading to the service being overwhelmed by competing demands on resources and disappointment amongst customer base with pace achieved.	Failure to deliver planned benefits and savings.	CLT	3	4	12	An Enabler Working Group has been set up to review competing priorities / resource demands and there will be regular reviews of gateway process to evaluate urgency/criticality of new project proposals. Governance within the Transformation Programme including: Officer Transformation Board; Member Transformation Board. Reporting into Service Delivery EAP. Individual Project Boards established for relevant projects. Transformation Change Control process. Transformation Plan approved.	Internal reviews and Internal Audit (recent "Good" score for disagg programme, for example)	3	3	9	Transformation Plan resides with individual Executive Directors and is overseen through the Member Transformation Board.	CLT	Ongoing		
19	Pay and Grading resources and expertise	Pay and Grading is regarded as HR project rather than corporate transformation project. There is a lack of specialist resource in North to lead and support this critical work. AD leading this, as well as other key projects - e recruitment, FWOW people workstream, people strategy and disaggregation of L&D.	Serious risk that the project will drift and not achieve the aims of a competitive and comprehensive pay and reward structure for the North. Financial risks if financial expertise and capacity is not integral to the project. Financial risk to HR budget as this should not be a pressure on the HR budget.	Exec Director of Customer & Governance	4	4	16	Establish Pay and Grading as a corporate transformation project and resource with adequate specialists / expertise.		4	3	12	Continue to seek additional specialist resource and utilise substantive team where possible.	Assistant Director of HR	Ongoing		

20	Cost/Service Need being in excess of budget and activity anticipated due to Cost of Living impact	National/global recession resulting in business failure and unemployment Growth or decline of the local/national economy - adverse impact on interest rates, inflation and service demand	Increased requirement for benefits, housing, Council Tax support, business advice and support. Adverse impact on demand led services eg homelessness. Adverse impact on other services due to reduction in disposable income eg use of leisure facilities. Impact on services to deliver support packages	CLT	4	4	16	Emergency Planning Business Continuity Plan - Reviewed as part of Business Continuity Arrangements through Emergency Planning Team. Identified area on the Council's website to provide details of support for residents including wider link to Government support - https://www.northnorthants.gov.uk/cost-living Existing Council support mechanisms for those in need and wider community support networks Specific government funding streams such as Household Support Fund administered by the Council. Macro controls to offset inflation. However, this often means interest rate rises and affects predominantly home owners.	Emergency Planning Business Continuity Planning Process and information dissemination. National Announcements for Government support - https://www.gov.uk/cost-of-living-ya-help-alleviate-individual-and-organisational-pressures . Current service provision and controls including work with community groups. Bank of England control mechanism	3	4	12	Specific group set up to look at implications arising from the cost of living crisis and impact/support.	Assistant Director Communities	Ongoing	
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Strategic risks – current scores

Impact	Very High	5			01, 13, 16		
	High	4			02, 04, 05, 06, 07, 09, 11, 14, 20		08 
	Medium	3		10	18	19	
	Low	2					
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
			Likelihood				

Ref	Risk
01	Children's Trust fails to deliver to the agreed standards / failure of the Council's Intelligent Client Function (ICF).
02	Failure of corporate governance/meeting statutory requirements / poor decision making.
04	Disruption to service delivery and community due to unplanned incident or emergency.
05	Failure of capital and revenue projects to deliver upon intended benefits, within budget and planned timeframes.
06	Failure to safeguard vulnerable adults.
07	Unsustainable finances (medium term from 2024/25)
08	Inability to remain within budget (current year)
09	Inadequate data sharing and data security arrangements– leading to non-compliance with legislative requirements.
10	Procurement - Key suppliers of goods and services (including hosted / shared services) fail to deliver services to the required standards and capacity - thereby, impacting on the Council's ability to operate effectively in delivery/provision of services.
11	Inadequate organisational capacity.
13	Legacy legal claims of predecessor Councils.
14	Consolidation and/or dis-aggregation of services into the new Unitary delivery.
16	Breaches of health and safety responsibilities result in injuries/harm to staff, tenants or service users.
18	Transformation Plan not delivered as endorsed by Executive, affecting the ability to deliver benefits of projects/programmes within the plan.
19	Pay and Grading resources and expertise.
20	Cost/Service Need being in excess of budget and activity anticipated due to Cost of Living impact.

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Risk scoring matrix

Very high	5	10	15	20	25
High	4	8	12	16	20
Medium	3	6	9	12	15
Low	2	4	6	8	10
Negligible	1	2	3	4	5
IMPACT LIKELIHOOD	Very rare	Unlikely	Possible	Likely	Very likely

Appendix C Risk scoring methodology

Impact Descriptors

	Negligible (1)	Low (2)	Medium (3)	High (4)	Very High (5)
Legal and Regulatory	Minor civil litigation or regulatory criticism	Minor regulator)y enforcement	Major civil litigation and/or local public enquiry	Major civil litigation setting precedent and/or national public enquiry	Section 151 or government intervention or criminal charges
Financial	<£0.5m	<£1m	<£5m	<£10m	>£10m
Service provision	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
People and Safeguarding	No injuries	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the Council has a responsibility	Serious injury of an employee and/or serious mistreatment or abuse of an individual for whom the Council has a responsibility	Death of an employee or individual for whom the Council has a responsibility or serious mistreatment or abuse resulting in criminal charges