

Auditor's Annual Report on Wealden District Council

2022/23

March 2024



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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 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2022/23 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses identified, but one improvement recommendation made to support the Council to improve arrangements to monitor delays in capital expenditure.
Governance	No risks of significant weakness identified	G No significant weaknesses in arrangements identified and no improvement recommendations made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses in arrangements identified, but one improvement recommendation made to improve the Council's use of data, insights and benchmarking.

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.



Financial sustainability

In common with the sector, the Council is operating in a financially constrained environment and 2022/23 has been another challenging year. Despite this, the Council has managed its financial position well. It effectively identified and anticipated cost pressures and responded well to the challenges created by the macroeconomic downturn. The Council has a relatively healthy level of reserves based on a track record of past prudent financial management. The Council's outlook for the medium term requires a relatively modest savings programme from 2026/27, rising to £1.25 million cumulatively in 2027/28. We have not identified any significant weaknesses in arrangements.



Governance

Our conclusion is that the Council has robust governance arrangements around risk management, and effective reporting mechanisms to Cabinet and the Audit, Finance and Governance Committee.



Improving economy, efficiency and effectiveness

Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified data, insight and benchmarking where the Council could improve arrangements and as such, have raised an improvement recommendation.



We have substantively completed our audit of your financial statements and propose to issue an unqualified audit opinion in March 2024. Our findings are set out in further detail on page 22.

Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 19.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape



Local context

Wealden has a total population 142,238 (2021 census) across 42 civil parishes with Crowborough having the largest population of 19,988. Wealden Council (the Council) is a district council in East Sussex, England and is based in Hailsham. The district also includes the towns of Crowborough, Polegate and Uckfield, along with numerous villages and surrounding rural areas.

Since 1997 there has been majority Conservative leadership within the Council but the current leader of the Council from 18 May 2023 is a Liberal Democrat. Since the 2023 election, the Council has been under the control of a coalition ('Alliance for Wealden') of the Liberal Democrats and Greens. The current administration, of 45 Councillors is made up of 13 Liberal Democrats, 11 Greens, 10 Independents, 9 Conservatives and 2 Labour.

Wealden District covers two main upland areas: the section of the High Weald within East Sussex; and the eastern end of the South Downs, between which lies the Vale of Sussex, the lowlands of which are named the Pevensey Levels. The River Ouse, some of the tributaries of which originate in the district, is the border with the Lewes District; and the River Cuckmere is wholly in Wealden. The district's coastline to the English Channel to the south is interrupted by Eastbourne. The River Rother rises on the Weald and flows easterly to the east of Rye Bay.

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.

Financial performance overview

Wealden Council has a history of good financial performance and has consistently demonstrated a track record of robust budget setting and delivery. In previous years, we have noted the Council's awareness to identify the drivers of cost pressures and its ability to mitigate those. These attributes have gained more importance due to the macroeconomic situation and the pressures that the public sector is facing nationally. The Council continues to take the appropriate steps to identify, monitor and mitigate these cost pressures.

Overall, Wealden District Council demonstrated strong financial management during the year despite the numerous challenges and pressures, with some difficulties around the delivery of capital projects. The Council has a medium term plan to continue to deliver a balanced budget in the upcoming years.

Financial performance in 2022/23

Unlike many other authorities, the Council had a relatively stable year with a strong financial performance in 2022/23.

As per the 2022/23 provisional outturn, the Council had an overall net cost of services 2022/23 outturn of £16.59m against a budget of £21,485m, with a surplus variance of £4.89m. This variance resulted in a contribution to Earmarked Reserves of £4.3m during the year. The General Fund balance (GF) was increased by £117k, which was a variance of £37k to the budget increasing the general fund reserves to £5.18m by the end of 2022/23. The Council ended the 2022/23 financial year with a total of £43.77m of earmarked reserves (11% increase from 2021/22). Our review of the use of these reserves has highlighted they were used for their intended purpose.

The General Fund Capital Programme (GFCP) in 2022/23 was budgeted at £16.78m. The provisional outturn reflected a variance from the approved budgeted programme of £11.8m under expenditure. This was mainly a result of reprofiling and postponement of capital projects (explored in further detail in the capital section of this report in page 11).

With regard to the Housing Revenue Account (HRA), the 2022/23 provisional outturn reflected that the revenue account outturn was a surplus of £111k creating a variance of over £2m from the budgeted deficit of £1.9m. This was mainly due to higher income than budgeted and a reduction on the expected expenditure. The HRA capital programme concluded the year with a £10.2m underspend due to the delays and reprofiling of capital expenditure projects.

Financial performance in 2023/24 to date

In the Q2 financial monitoring report for the year 2023/24 released in December 2023, the Council forecasts a GF revenue surplus of £972k, which represents a variance of £364k against the budgeted surplus of £608k.

The forecasted net cost of services in 2023/24 totals £19.28m against the budgeted net cost of services of £33.35m, creating a variance of £14.1m.

Following the trend of 2022/23, this variance is mainly due to a higher income generated from interest from investments (£2.9m) and from a lower capital expenditure charged to revenue due to the reprofiling of capital projects (£11.3m).

In terms of the capital programme, the total 2023/24 revised budget for the year totals £27.99m – which includes £7.9m carried forward from 2022/23. The current forecast for 2023/24, estimates a delivery of £11.4m creating an expected underspend of £16.58m which is planned to be re-profiled into future years.

Financial sustainability

Financial planning

The Council prepared a balanced budget for 2023/24 and to the period of 2027/28 in February 2023, which allows a more strategic focus to managing growth to meet future needs, and plan against the increasing uncertain environment resulted from increasing higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook.

It is clear from the budget 2023/24 that the Council has effectively considered all aspects of its funding settlement and the potential impacts of demographic and demand changes as part of its estimations. This includes estimation of Council Tax and NNDR receipts as well as the likelihood of the value of government funding in future years. We have not found any evidence that would indicate that the Council's financial plans are based on unrealistic assumptions.

Furthermore, the Council has demonstrated awareness that although it has a track record of adequately managing financial pressures, it is currently experiencing ongoing challenges in relation to the cost-of-living impact, higher inflation and difficulties on the delivery of capital programme. However, these have been reported and where they are known and quantifiable, the financial impact of these have been included within the forecast position. As a result of the pressures, mitigating actions are being instigated, with responsibility being taken by individual services for action to address them, use of appropriate earmarked reserves, and other long-term arrangements – with special focus on tackling the reprofiling and financing of capital projects.

Wealden has also demonstrated a good understanding of the funding shortfalls over the medium term and is starting to design a series of saving and income targets in the upcoming years to maintain a healthy financial situation.

We are satisfied with the evidence we have seen that supports the conclusion that the Council has robust arrangements for financial planning.

Medium Term Financial Position

Table 1 below illustrates the Medium-Term Financial Plan stated in the 2024/25 to 2028/29 annual budget report and MTFS. This was presented to Cabinet in December 2023.

During the 2022/23 year and the 2023/24 year to date, the Council did not have any specific saving targets. In the 2024/25 to 2028/29 MTFS, the Council has identified the need to incorporate further income/savings to maintain a financially sustainable position and has incorporated targets for the 2026/27 financial year and onwards with a total value of £1.25m across 3 years.

Table 1 – Medium term gross income and gross expenditure (as of December 2023)

	2022/23 Actual £000's	2023/24 Q2 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's	2028/29 Estimate £000's
Total Expenditure	20,746	25,974	49,427	35,249	28,532	29,024	29,785
Total Income	20,746	25,974	49,427	35,249	28,282	28,274	28,535
Savings to be identified	0	0	0	0	250	750	1,250

In our conversations with management, we have confirmed their preference on increasing income rather than finding savings in service directorates. Specific initiatives or changes to meet these savings targets have not been yet identified, but we have confirmed with management that there are conversations ongoing with informal proposals.

The Council's management team aim to have proposals formalised as part of the 2025/26 budget setting process. The progress of these will be monitored accordingly in future reports.

Financial sustainability

Reserves and saving targets

According to the provisional outturn, the Council had at the end of 2022/23 total general fund reserves of £5.18m and £43.77m of Earmarked Reserves. The latest Financial Monitoring report (December 2023 – Q2 2023/24) has forecasted further contributions for both balances of £972k and £4.12m respectively.

In terms of savings, as highlighted before, the Council did not have any savings or income targets during 2022/23. Nevertheless, our conversations with senior officials confirmed that there is an embedded culture within the organisation to try to identify income opportunities.

The 2022/23 to 2026/27 MTFS reflected a slow use of the GF reserves to tackle the growing pressures, and despite showing a healthy forecasted balance by the end of the MTFS period, this strategy did not seem financially sustainable in the medium term.

This was later identified and revised by the Council. In the 2024/25 to 2028/29 MTFS, the Council has identified the need to incorporate further income/savings to maintain a financially sustainable position and has incorporated targets for the 2026/27 financial year and onwards with a total value of £1.25m across 3 years.

The Council will start developing detailed plans for the future years savings targets as part of the 2025/26 round of budget setting.

This forecast predicts a healthier position of reserves reaching c£7m in 2026/27 and only decreasing to £5.3m in 2028/29. The current general fund reserve balance over the medium term does not highlight a significant cause for concern and is predicted to be maintained above the minimum agreed level of £3m.

Financial risks and risk management

The Council has identified that the most significant risks to its financial sustainability are the cost-of-living inflationary impact on costs, and the delays and reprofiling of capital delivery.

Risk management is embedded in Wealden's budget monitoring and forecasting to help in promptly identifying potential variances and pressures. During the 2024/25 budget setting process, the Council has undertaken a review of the costs and income pressures within services.

Budget setting process

The Corporate Budget Plan for 2023/24 to 2026/27 was presented at the February 2023 Cabinet meeting alongside other relevant financial strategies such as the Capital Strategy and the Treasury Management Strategy.

The Council has a standardised process for its budget setting. Each budget holder completes a template. The template has a summary income and expenditure tab, with supporting tabs showing the detailed data (at account level) for each cost centre. It uses the last three years actuals and budgets to identify any trends in historically over/underspends and over/under achievement of income.

Each service department is responsible for its budget proposals as well as identifying if additional resources are required. All Heads of Service are required to present their budgets to CMT as part of the 'Star Chamber' process where they are challenged on their budget proposals.

Departments justify their expenditure and are expected to do so in the context of general comparisons with other boroughs and also through an examination of statistical information from other neighbouring or other national councils. Performance data is also included in the review and appropriate benchmark data from existing performance reports or from new sources of data 'notes' are included to support any growth or savings.

Table 2 – General Fund reserves from 2022/23 to 2028/29 estimate

General Fund Balance	2022/23 Actual £000's	2023/24 Q2 Forecast £000's	2024/25 Estimate £000's	2025/26 Estimate £000's	2026/27 Estimate £000's	2027/28 Estimate £000's	2028/29 Estimate £000's
Closing Balance	5,181	6,153	6,680	6,879	6,937	6,698	5,366

Financial sustainability

When considering the allocation of resources, the Council examines the funding for the development of services that will be required and the need to either redirect existing resources or identify new sources of income. In doing so, the Council considers alternative proposals and scenarios before the final version of the budget is agreed, and examines the reasoning behind the expenditure, the outcomes, and different scenarios to provide a more efficient service. The Council also reflects on methods of service delivery to achieve the best value for money, and the current structure and capacity.

Throughout the STAR chamber process, the Finance team engages across the Council to check and challenge the values that the organisation is providing. It is clear from our work that the Council prioritises stakeholder engagement and ensures the voices of service users are reflected in the reports which are provided to members for decision making purposes.

Budgetary control

The Council has effective arrangements to monitor the budget throughout the financial year and address the key risks and pressures that arise in a timely manner. There are also adequate procedures to report these to those charged with governance and effectively implement mitigating actions if required.

The Council's financial position and the progress during the year is monitored on a quarterly basis and reported to Cabinet. These reports identify any pressures in service areas, and any potential slippage in capital projects.

The finance team effectively engages with budget holders to review financial performance and identify actions to resolve any variances. A separate budget monitoring report is

produced for General Fund revenue, General fund capital, HRA revenue, HRA Capital, Collection fund and Treasury Management.

Each budget monitoring report has purpose, recommendations and reasons, along with detail of director, head of service and report authors. The report contains appropriate narrative on variances and financial, legal and human resource implications.

This process has allowed the Council to identify early any potential issues and adapt and reprofile projects when necessary. Furthermore, the deputy S151 has monthly meetings with budget holders and project managers to monitor progress on capital programmes.

Capital programme

The capital programme for 2022/23 was initially set at £13.832m. In addition to this, £2.946m was carried forward from 2021/22. Hence, the revised capital programme totalled £16.78m. During the year, the Council delivered £4.97m (30% of budgeted programme), creating a variance of £11.8m. The main variances came from two projects: Hailsham Aspires Phase 1 (£4.4m), and Investment in Sussex Wealden Homes Ltd (£6m).

Hailsham Aspires is a project that aims to renovate Hailsham town centre which started in 2017. In 2021, the Council submitted a first round levelling up fund bid to request funding to help deliver the project which was unsuccessful.

In June 2022, a second bid was submitted for round two of Levelling Up Fund for £19.85m, which was also unsuccessful. This has resulted in a significant funding shortfall and the need to assess the viability of the scheme. The recent change in leadership and given the unsuccessful bids for

Levelling Up Funds has resulted in the project being reprofiled into future years.

The investment in Sussex Wealden Homes Ltd changed from £8m in the budget to £2m creating a variance of £6m. This variance was mainly due to a change in the profile of funding requirement by the company, and it is expected that the remaining loan amount will be reprofiled over future years.

In 2021/22, the approved programme totalled £8.3m. From the original approved programme, the Council delivered £1.4m (18%). However, the Council also invested £10m in Sussex Weald Homes Ltd.

After reviewing the documentation provided by management, we have not found any evidence that would indicate a significant weakness in arrangement. Nevertheless, despite acknowledging that some level of slippage is expected, the Council should reflect on the projects included within its capital budgets to improve the accuracy of annual forecast spend. Moreover, our work has confirmed that the Council currently has an appropriate monitoring process that enables it to identify slippage early on. This process includes monthly meetings to control slippage and progress in each project. In our view the Council should consider including further details on the reasons behind the delay or reprofiling of projects when reporting to Cabinet. We have recommended that the Council reflects on the projects included within its capital budget to ensure they reflect a true and fair view of the expected capital expenditure that will be undertaken within the year; and that further details on the reasons behind any delays or reprofiling of projects are provided to Cabinet as part of the reporting process (see recommendation 1).

Financial sustainability

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) revenue provisional outturn ended the 2022/23 financial year with a surplus variance against budget of £2.063m, with a total surplus of £111k against the predicted deficit of £1.95m. Total income during the year in the HRA Revenue account was £16.87m and total expenditure of £16.76m.

The key reasons that make up the variance were an increase on expected income from dwellings and service charges to tenants; and a reduction on the expected capital expenditure charged to revenue (CERA) due to the reduced completion of HRA capital projects.

In terms of the HRA Capital Programme, the approved revised programme for 2022/23 was of £18.86m. The Council delivered £8.59m (46%), creating a variance of £10.273m.

One of the main variances was due to the New Build Programme 2022/23, which only delivered £3.5m from the original budget of £11.9m, creating a variance of £8.4m.

Despite understanding the contextual difficulties around capital investment as a result of the macroeconomic conditions in recent years, we challenged management over the reasoning behind the reprofiling of certain capital projects, focusing on those which have been carried forward for more than one year. We enquired of management on the reasons behind this variance, and they explained that it was known quite early that for some new build projects the timetable would slip into future years and reflected into the finance quarterly monitoring papers and later into the 2023/24 to 2027/28 MTFs.

Management provided detailed documentation on the

specific reasons for reprofiling projects and the financial impact on the 2023/24 budget.

Our work has revealed that most reprofiled projects are now forecast to be delivered in 2023/24, with the exception of Streatfeild House and Walshes Road. The former has been delayed due to planning and environmental issues relating to a bat survey and it has been reprofiled into 2024/25 and may slip to early 2025/26. The latter has been delayed in commencement due to planning and contractual delays and has been mainly reprofiled into 2024/25.

Some element of slippage is expected. However, taking into consideration that the levels of slippage are significant, we recommend that the Council reflects on the projects included within its capital budget to ensure they reflect a true and fair view of the expected capital expenditure that will be undertaken within the year (recommendation 1).

Conclusion

During 2022/23, the Council effectively identified and anticipated cost pressures, and in response to the current challenges created by the macroeconomic downturn. Wealden had a healthy level of reserves and had a budgetary underspend in very difficult circumstances.

We have not identified a significant weakness in arrangements. However, we have raised some improvement recommendations to support the Council in improving arrangements for minimising the risk to service delivery due to delays in capital expenditure projects – both in the general fund and in HRA accounts – and to ensure long-term financial sustainability by creating detailed saving plans as part of its medium-term financial planning.

Improvement recommendations

Improvement Recommendation 1

- In relation to the capital programme covering the General Fund and the HRA, we recommend :
- 1) the Council reflects on the projects included within its capital budget to ensure they reflect a true and fair view of the expected capital expenditure that will be undertaken within the year.
 - 2) the Council provides further details on the reasons behind any delays or reprofiling of projects as part of their reporting process.

Improvement opportunity identified

Improvements on the budget setting process for capital programmes to ensure the delivery of projects and on the monitoring to minimise slippage.

Summary findings

Based on the work performed and the conversations held with management, we have identified a recurrent issue with the delivery of capital programmes, and the reprofiling of these. As a result, we have recommended the Council to reflect on the projects included within its capital budget to ensure they reflect a true and fair view of the expected capital expenditure that will be undertaken within the year and improvement around the monitoring to minimise slippage.

Criteria impacted

Financial sustainability

Auditor judgement



Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council sets its capital budget for both the general fund and HRA with the most up to date information available at the time of setting the budget. The council will look to include further narrative to support the slippage within the capital programmes going forward

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Overview

Governance is the system by which an organisation is controlled and operated and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve, without fear of speaking up.

Risk management

The Council had a corporate risk register in place for 2022/23. Each risk in the Corporate Risk Register is managed by a member of Corporate Management Team (CMT). They are responsible for keeping the risk under review and taking action to reduce the impact of the risk on the Council. The CMT has set a risk tolerance level with all risks receiving a RAG rating as stated in the Risk Management Framework. Risks above the tolerance levels are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are formally managed by directors, but day to day responsibility for these are often delegated.

The Corporate Risk Register outlines the methods of escalation of risks through the organisation in accordance with the Risk Management Strategy which was agreed in July 2023. Furthermore, the Audit Finance and Governance Committee discussed a report which updated the Council's Risk Management Policy and Framework. The new policy and framework is welcomed and provides officers with the toolkit to sufficiently manage risk within the Council.

While a summary of business risks and the risk tolerance is reported to the Audit, Finance and Governance committee, it does not get reported to the Cabinet. As the executive decision-making forum, it is appropriate that periodically the Cabinet is informed of the key risks to the agreed corporate objectives. We raised a recommendation in our previous report to ensure that the risk register is reported periodically to Cabinet. Management has confirmed that as part of the new framework, the Council has agreed to report the corporate risk register to Cabinet twice yearly. However, at the time of the audit, this has not happened

The Council should continue implementing the new Policy and Framework in 2023/24 to continue its focus on risk management across the organisation at all levels.

Internal Audit

The Council has a small team of internal auditors, led by the Head of Internal Audit, that provides assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit Plan is agreed with management at the start of the financial year and is reviewed by the Audit, Finance and Governance Committee prior to final approval. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues.

The internal audit function at Wealden throughout 2022/23 operated in accordance with the Public Sector Internal Audit Standards.

They reported to the Audit, Finance and Governance committee consistently throughout the year on audit matters and any emerging issues, not only in relation to audit but also for risk management and corporate governance.

Governance

As with many public internal audit teams, available people-resource continues to be a challenge. Despite this, the team was able to exceed the minimum standard of reviews and completed 5 additional audits as well as all planned governance audits. It was not, however, able to complete all of the 22 originally planned audits with some audits being carried into 2023/24.

In 2022/23 there was a new member added to the Audit, Finance and Governance committee with previous audit experience. This led to a new approach to their assurance levels moving from 2 levels to 4 levels - 'substantial', 'moderate', 'limited', 'minimal'. We support this change through our review and will enable the Council in 2023/24 to better score their Internal Audit reviews.

In 2022/23, there was the introduction of a monitoring spreadsheet for the tracking of all improvement recommendations made. The spreadsheet tracks all communications which demonstrates an active approach to monitoring.

Out of all the audits that were carried out, 68% of the control objectives were fully met and 32% were partially met. The Head of Internal Audit, when questioned, ensured that all partially met scores were nothing to raise significant concerns on and were only minor issues within the different service areas.

Internal Audit, despite capacity issues, successfully provided independent assurance of the Council's systems of internal control, risk management and governance.

Effectiveness of Audit, Finance and Governance committee

The Council operates an Audit, Finance and Governance arrangement, which has the appropriate status in the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee maintains an overview of the Council's constitution and makes recommendations to Council on any changes to policy and constitutional amendments.

The Committee also considers matters relating to the Council's financial management, including internal and external audit matters.

The Committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to the Council that those arrangements are effective.

There is a general consensus in the Council that the Committee functions well and provides the authority with a sufficient level of support and scrutiny. It remains important that the Audit, Finance and Governance Committee does not become overly political given the changing political make-up of the Council.

There are no statutory requirements that determine the composition of audit committees. The Audit, Finance and Governance Committee at Wealden comprises 12 people. CIPFA's recommendation in Audit Committees: Practical Guidance for Local Authorities and Police (2022) is authorities should strive to have no more than eight audit committee members which the Council just exceeds.

CIPFA recognises that Audit Committees should include sufficient breadth of experience but are small enough to allow the development of a dedicated group. Although Wealden's committee includes more than CIPFA's recommendation, there is no evidence within the 4 meetings that were held in 2022/23 that the committee failed to achieve its purpose.

CIPFA recommends that the audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

In our prior year reported we raised an improvement recommendation stating the importance of including co-opted independent members to provide appropriate skills and experience to supplement those of the elected members and increase the effectiveness of the Audit Committee. At the time of the audit, the Council has not yet included any independent member in the Audit, Finance and Governance committee.

Investigation of fraud and corruption

We consider that there are adequate arrangements in place in respect to the prevention and detection of fraud. The Council's constitution, code and conduct and whistleblowing policy specifically outline the Council's commitment to identifying and preventing fraud and corruption. Furthermore, employees must observe the employee handbook which includes fraud and corruption items, setting out learning on best practice examples and remedies.

Governance

Gifts, hospitality and declaration of interests

A gifts and hospitality policy is set out in the Council's constitution which provides a clear summary of the Council's policy on how officers should handle gifts and hospitality. The policy covers the key areas that are expected within a gifts and hospitality policy. Our review found there were no breaches within 2022/23. The Gifts and Hospitality register is also available on the Council website to enable public scrutiny.

Council decision making and oversight

Within the Council, arrangements are in place to ensure that all relevant information is provided to decision makers before making major decisions. Directors commission heads of service and their teams to produce reports related to the major decision, which are supported where necessary by professional experts (e.g. HR, Finance, Legal). Draft proposals are reviewed by the responsible directorate senior leader teams. All investment decisions within the Council are assessed and approved internally prior to the revenue or capital allocations provided, through the annual budget, which is then signed off by Cabinet. This system allows for segregation of duties regarding financial decisions and enables for healthy deliberation and challenge to be incorporated into the decision-making process.

The Council's decision-making arrangements are established in the Council's constitution, which is publicly available on the Council's website. Decisions are either made by councillors (Council, cabinet or other decision-making committees) or delegated to Cabinet portfolio leads,

or officers. Prior to decision making, the relevant scrutiny committee will provide evidence-based recommendations regarding a decision, which provides effective review as part of the decision and policy making process. These committees have oversight of the key services lines and have an ad hoc function to carry out focussed reviews in order to influence the policies and decisions made by the Council in delivery of public services. The key principles are to proactively and constructively provide 'critical friend' challenge and maximise the use of pre decision scrutiny to influence important decisions before they are made.

Conclusion

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Based on the work performed, review of relevant documentation and discussions with key personnel in the Council, we have not identified any evidence of a significant weakness in the governance arrangements within the Council.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Performance management

Cabinet receives quarterly performance reports. Quarterly performance reports are publicly available and include details on qualitative progress made against the Council's Corporate Strategy (now Council Strategy). Furthermore, the Council also has a reporting process to Cabinet to ensure that Members are informed of performance. We confirmed that for 2022/23 Cabinet reviewed the Corporate Strategy / Council Strategy in every quarterly meeting.

The Cabinet also receives a quarterly report on key performance indicators (KPIs). The report lists key performance indicators for the quarter grouped under the Council's main service areas. We reviewed the minutes of each cabinet meeting for 2022/23 and confirmed that the KPI report was produced and scrutinised in each cabinet meeting held every quarter. We consider that The Council has strong arrangements to ensure that the data inputted into the system and reported formally to the Cabinet is accurate. The KPI performance reported has indicators that show whether the performance is on target or outside target. The Council prepares a financial management report every quarter which is also reported to the Cabinet. We confirmed for 2022/23 that the reports were provided at the planned intervals.

We confirmed that the Council has taken appropriate steps to create a cohesive and detailed KPI report and that the current processes in place utilising KPIs and reporting to the Cabinet to monitor performance are appropriate for the year 22/23. The KPI report goes through various review processes which includes the S151 officer who ensures factual assurance of the reports. The Policy, Insights & Communications Team undertakes a number of bespoke pieces of work throughout the year as well as supporting KPI reporting. The benchmarking work the team undertakes is on an ad hoc basis with no consistent benchmarking practise undertaken. The Council should apply cross-organisational benchmarking practices to improve performance and utilise comparable financial and outcomes data with similar Councils to enable data-driven decision making (see recommendation 6).



Improving economy, efficiency and effectiveness

Overall, performance management within the Council is clear, concise and enables scrutiny with officers and councillors. This could be improved with more effective use of data and insights and more consistent benchmarking work.

Procurement

Procurement and robust contract management are two key management functions that local authorities can use to help ensure value for money in the way that public money is spent. The Council approves a procurement strategy every three years. The previous strategy covered 2019-2021 with the current strategy covering 2022-2025. The current strategy was approved in March 2022 and from our review, provides a clear governance framework for officers and members to work within when carrying out commissioning and procurement activities on behalf of the Council.

For 2022/23 Procurement activity was managed by the East Sussex Procurement Hub, which is hosted by Wealden District Council on behalf of Hastings Borough Council and Rother District Council and also undertakes wider joint exercises across East and West Sussex councils. The Procurement team supports services across the organisation delivering front line and back-office services. The Council works under the National Procurement Strategy for Local Government in England 2018.

The Council has a contracts register which provides a sufficient level of information to enable the procurement hub to manage ongoing contracts. The Council also has exemption levels in place to ensure that contracts over £25k require sign off by a director and the Chief Finance Officer

as well as the procurement manager. Any contracts under this limit can be signed off by just the procurement manager. To ensure that the Council can be assured that they are getting value for money on these contracts, the Council undertakes annual procurement training for officers. Procurement report to Cabinet twice yearly to report on spend and any exemptions that have been provided.

In 2022/23 the Council used KPIs against the Corporate Plan objectives to measure its performance which was scrutinised quarterly as part of the performance monitoring processes within the Council. Performance levels were agreed to measure Value for Money and Efficiency. Where the KPI included a value, comparison was made with actual results against target; and where the KPI did not include a value, the comparison was done by utilising the National Procurement Strategy toolkit to assess performance.

Based on the above, we have not identified a significant weakness in arrangements.

Partnership working

The Council works in partnership with other local authorities, businesses and the voluntary sector for both the strategic development of public services and specifically in the delivery of local services. Its involvement in strategic partnerships include the South East Local Enterprise Partnership (SELEP), specifically Team East Sussex, the local federated board for the SELEP and the East Sussex Strategic Partnership.

In 2022/23 Wealden Council was involved in East Sussex

Local Plan Managers Group, East Sussex Strategic Planning Members Group and East Sussex Procurement hub, meeting on a regular basis. From our review it was clear that the Council engaged constructively, actively and on an on-going basis on strategic planning matters with Service Heads in the Directorates taking responsibility for delivering against the service plans.

Whilst not a partnership, during 2022/23 The Council continued its work with Sussex Weald Homes, a company 100% owned by the Council, to meet the demand of home buyers including first-time buyers. The company is a housing development vehicle for the Council and is structured as a private company limited by shares. During 22/23 this arrangement was reviewed quarterly by the Audit Finance and Governance Committee. This enabled the committee to be updated on progress but also provide scrutiny against developments throughout the year.

Conclusion

We have not identified any significant weaknesses in the Council's arrangements to achieve economy, efficiency and effectiveness in the use of its resources. The performance monitoring which is in place provides councillors and the public with sufficient oversight of Council performance. The procurement function continues to support good procurement practises and in supporting wider improvements in contract management. The Council continues to work closely with partners as is demonstrated by the various partner relationships outlined. These partnerships continue to produce strategies to focus improvement efforts and deliver for local people.

Improvement recommendations

Improvement Recommendation 2	The Council should apply cross-organisational benchmarking practices to improve performance and utilise comparable financial and outcomes data with similar Councils to enable data-driven decision making
Improvement opportunity identified	The Council has access to a lot of meaningful data and is currently undertaking ad hoc benchmarking activities but is currently not being consistent with benchmarking across the Council. The Council should put effort toward determining what quality of service it would like to deliver, put arrangements in to review and benchmark that regularly and then report against that position. The current performance reports demonstrate a good foundation to build on but there is room for improvement. We provided this recommendation in last year's report so our re-stating the improvement recommendation to the Council.
Summary findings	The use of data and insights such as benchmarking could be improved throughout the Council. The Council has a mature Policy, Insight & Communications Team who undertake ad hoc projects across the Organisation. The Council should seek to apply a common approach the Council focussing on data, insight and benchmarking.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	<i>Benchmarking is undertaken ad hoc across the Council, we will look into how we can improve this over the coming year.</i>

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The risk register should be reported periodically to Cabinet.	Improvement	August 2023	Within the new risk management framework and strategy, the Council has outline that they plan to report the corporate risk register to Cabinet twice yearly, however this has not been undertaken yet.	Partly	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See improvement recommendation No. 3.
2 The Council should consider CIPFA's recommendation that the Audit, Finance and Governance Committee includes two co-opted independent members.	Improvement	August 2023	There is an ongoing piece of work by the Council to look at including an independent member within the Audit, Finance and Governance committee, but there is currently still no independent member.	Partly	We have re-raised a recommendation to ensure that the Council is focussed on delivering improvement. See recommendation No. 5.
3 Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.	Improvement	August 2023	The Council does undertake ad hoc benchmarking through the policy, insights and communications team, however there is currently not a consistent approach to benchmarking across the Council.	Partly	We have re-raise a recommendation to ensure that the Council is focused on delivering improvement. See improvement recommendation No. 6.

Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We have substantively completed our audit and intend to issue an unqualified opinion on the Council's financial statements in March 2024.

The full opinion is included in the Council's Statement of Accounts for 2022/23, which can be obtained from the Council's website.

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



Opinion on the financial statements



Timescale for the audit of the financial statements

- We presented the Audit Plan to the Audit, Finance and Governance Committee's meeting on 20 September 2023.
- The detailed testing stage of the audit was undertaken between September 2023 and February 2024.
- The Council provided draft financial statements in line with the national timetable.

Findings from the audit of the financial statements

- The quality of the draft statements of account presented for audit was high. Only a small number of audit adjustments were identified from the audit. One was material and the statement of accounts was adjusted to reflect this.
- We directed our audit testing on identified high risks which included the valuation of other land and buildings; the valuation of investment property; management override of controls; and the valuation of pension fund asset/liability. We reported a material adjustment in respect of the latter in our detailed Audit Findings Report to Members in March 2024.
- We did not make any significant recommendations to the Council as a result of the financial statements audit.

Other reporting requirements

We completed our consideration of other reporting requirements. There are no significant matters to highlight. We summarise our position in the Audit Findings Report.

The Audit Findings Report is available to read on the Council's website.



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.

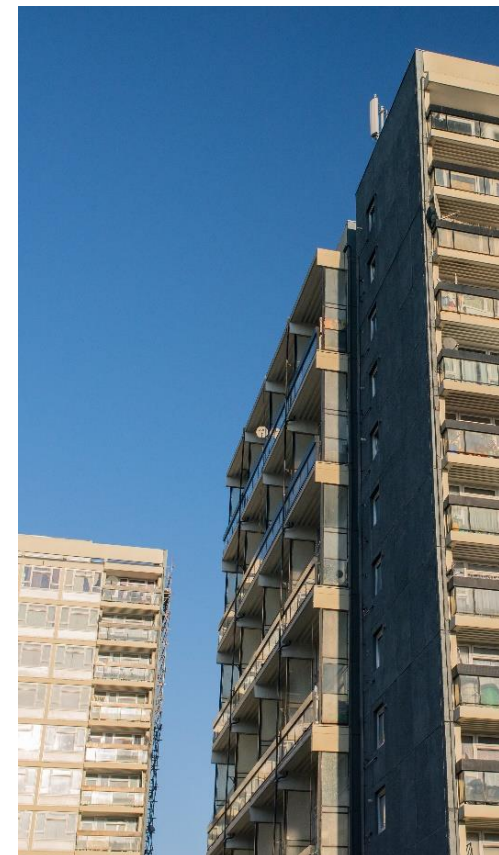
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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(s)
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 the Council’s 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	13, 19

Appendix C:

Sources of evidence



Staff involved

- Trevor Scott, Chief Executive
- Laurence Woolven, S151
- Jennie Barnes, Financial Services Manager
- Susie Allen, Principal Accountant
- Clare McGough, Monitoring Officer
- Helen Jolley, Audit Manager
- Matthew China, Policy, Insight & Communications Manager
- Stephen Bottomley, Procurement Business Partnership Manager



Key Documents Reviewed

- Constitution
- Provisional 2022/23 Financial Outturn
- Annual Treasury Report 2022/23
- Statement of Accounts 2022/23
- Financial Management 2023-24 - Quarter 1 Forecast to Year End
- Financial Management 2023-24 Quarter 2 Forecast to Year End
- 2022-23 Budget and Medium-Term Financial Strategy 2022-23 to 2026-27 - General Fund
- Draft 2024-25 Budget and Medium-Term Financial Strategy 2024 to 2028/29



Key Documents Reviewed

- Annual Governance Statement 2022/23
- Internal Audit annual plan 2022/23
- Risk management policy and framework
- Sussex Weald Homes Ltd update
- Code of corporate governance 2022
- 2022/23 performance reports
- Annual procurement programme 2022/23
- Climate change strategy

