

Wealden District Council

Interim Auditor's Annual Report for the
year ended 31 March 2024

September 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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Wealden District Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

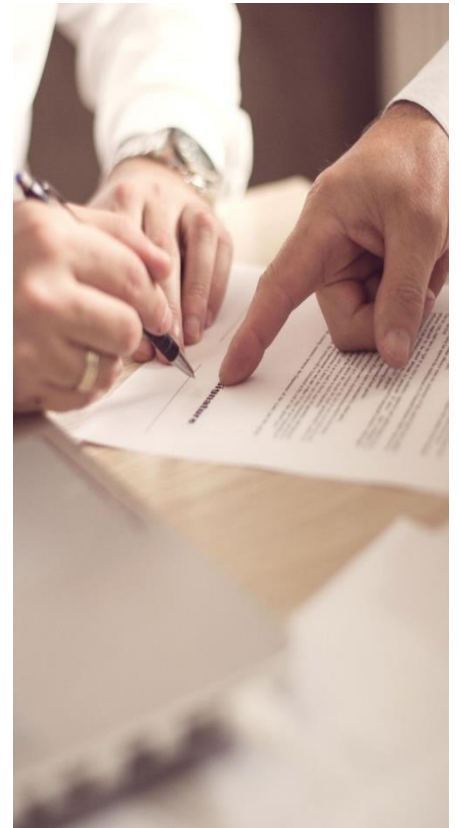
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

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. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 24.



Financial sustainability

The outturn position for the 2023/24 financial year was a provisional surplus of £1.018 million against the budgeted surplus of £0.608 million. There is no indication of any significant weaknesses in financial planning, budget monitoring and budgetary control processes. The Council's financial plans are based on realistic assumptions for the annual funding settlement, commercial activities, service demand, legislative and policy changes. There is a proactive attitude from the Council to tackle and mitigate risks and pressures during the year.

However, the financial performance of the Council's subsidiary, Sussex Weald Homes Ltd (SWH), deteriorated during 2023/24 as the company's results showed a loss of £0.435 million (£0.219 million loss in 2022/23), and net assets of £3.563 million compared to £3.998 million at 31 March 2023. SWH owes the Council £12.5 million which is repayable by the end of the 2024/25 financial year.

We have raised a recommendation in the improvement of the financial and non-financial performance reporting of the Council's housing subsidiary, Sussex Weald Homes Ltd, so that the Council has proper oversight and governance over the financial sustainability of its company. The SWH 2024 – 2027 Business Plan needs to show how the Company plans to improve its financial performance so that it becomes a profit making organisation and is able to repay the £12.5 million due to the Council by the end of the 2024/25 financial year.



2023/24

Our work on the Council's 2023/24 financial statements is in progress. We anticipate issuing our audit opinion by the end of September 2024.



Executive summary (continued)

Governance



Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. The year end Head of Internal Audit Opinion (HoIAO) in 2023/24 was "Adequate and effective". The LGA Corporate Peer Challenge reported that the Council were "strong on governance"

We made three improvement recommendations to strengthen governance:

- integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs);
- Clarification of financial reporting of the HRA;
- annual self-assessment of the effectiveness of the Audit, Finance and Governance Committee using the CIPFA Audit Committee checklist;

Improving economy, efficiency and effectiveness



Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring improvements in economy, efficiency and effectiveness.

The LGA Corporate Peer Challenge, of February 2024, reported that "Wealden Council is well-run and good council that is performing well with a clear ambition to continue to develop across the organisation to meet new challenges and ambitions. They recognised that council staff are a real asset, dedicated and proud of their work, the organisation, and the place."

We identified three areas, where the Council could further improve arrangements to deliver economy, efficiency and effectiveness:

- setting stretch targets for service Key Performance Indicators (KPIs),
- producing a data quality strategy and;
- use of a council-wide partnerships register.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place.

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A - No significant weaknesses in arrangements identified,. - One improvement recommendation made to improve arrangements to monitor delays in capital expenditure.	No risk of significant weakness identified.	A - No significant weakness in arrangements identified, - One improvement recommendations made on improving the financial and non-financial performance reporting of the Council's housing subsidiary, Sussex Weald Homes Ltd to the Audit, Finance and Governance Committee.	↔
Governance	G - No significant weakness in arrangements identified, - No improvement recommendation made	No risk of significant weakness identified.	A - No significant weakness in arrangements identified, - Three improvement recommendations made on enhancing the Council's risk management arrangements, clarifying HRA reporting and carrying out a self-assessment of the effectiveness of the Audit, Finance and Governance Committee.	↓
Improving economy, efficiency and effectiveness	A - No significant weakness in arrangements identified, - Four improvement recommendations made	No risk of significant weakness identified.	A - No significant weakness in arrangements identified, - Three improvement recommendations made on setting stretch targets for service Key Performance Indicators (KPIs), producing a data quality strategy and the use of a council-wide partnerships register.	↔

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.

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



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 2024 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

The Council provided draft accounts in line with the national deadline.

Our work on the Council's 2023/24 financial statements is in progress. We anticipate issuing our audit opinion by the end of September 2024.



Use of auditor's powers

We bring the following matters to your attention:

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.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. Given the general election took place on 4 July 2024, any changes to government policy relating to the sector are at present uncertain.



Local context

Wealden is a local government district in East Sussex. The council is based in Hailsham, the district's largest town. The Council was incorporated on 1 April 1974. It is primarily a rural area, forming part of the South Downs National Park and has two sections of coastline. The area has a population of 160,100. The largest age group in Wealden are those aged 55-59. The council is composed of 45 councillors. It is currently run by a Liberal Democrat and Green Alliance Administration with 13 Liberal Democrat, 11 Green, 10 Independents, 9 Conservative and 2 Labour councillors.

The recent Local Government Association (LGA) Corporate Peer Challenge, February 2024, reported "Wealden is well-run and good council that is performing well with a clear ambition to continue to develop across the organisation to meet new challenges and ambitions. They recognised that council staff are a real asset, dedicated and proud of their work, the organisation, and the place. A significant number of strengths are highlighted including strong partnerships to deliver services, good examples of service delivery (with crematorium, supported housing, cost of living work and initiatives delivered by the wellbeing team), a strong Corporate Management Team and a strong commitment to good governance."

The LGA also made ten recommendations to enhance the Council's arrangements. These included improving communication, reviewing current IT and software provision, better alignment of resources and capacity to the new priorities, building on the work that has started on Equalities, Diversity and Inclusion (EDI), ensuring the right issues are going to the right committee at the right stage in the process, use of the Council's co-design approach more often, creating a more empowering and trusting culture to innovate more, fully incorporating the statutory roles of Monitoring Officer and S151 Officer roles into CMT, strengthening the relationship between senior management and political leadership and jointly creating an overarching long-term vision of place with key partners. The Council is currently putting an action plan in place setting out how it will respond to these recommendations for consideration at the next Cabinet meeting in October 2024.

Financial sustainability



We considered how the Council:	Commentary on arrangements	Assessment
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Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The outturn position for the 2023/24 financial year was a positive one for the General Fund with a provisional surplus of £1.018 million, which represents a variance of £0.410 million against the budgeted surplus of £0.608 million. There is no indication of any significant weaknesses in financial planning, budget monitoring and budgetary control processes. The Council's financial plans are based on realistic assumptions for the annual funding settlement, commercial activities, services demand, legislative and policy changes. There is a proactive attitude from the Council to tackle and mitigate risks and pressures during the year. However, the financial performance of the Council's subsidiary, Sussex Weald Homes Ltd (SWH), deteriorated during 2023/24 as the company's results showed a loss of £0.435 million (£0.219 million loss in 2022/23), and net assets of £3.563 million compared to £3.998 million at 31 March 2023. SWH owes the Council £12.5 million which is repayable by the end of the 2024/25 financial year.

Improvement recommendation One: The Audit, Finance and Governance Committee should receive quarterly transparent financial and non-financial reporting on the achievements of its housing subsidiary, Sussex Weald Homes Ltd, against the company's annual financial and non-financial plans so that it has proper oversight and governance over the financial sustainability of its trading company. The SWH 2024 – 2027 Business Plan needs to show how the Company plans to improve its financial performance so that SWH becomes a profit making organisation and repay the £12.5 million due to the Council by the end of the 2024/25 financial year. (Page 15)

A

Plans to bridge its funding gaps and identifies achievable savings

As part of the 2023/24 Outturn, the Council reported expected vacancy savings of £0.243 million from staff turnover which is budgeted centrally. This is off-set by the staff vacancy variances across the Services Directorates. Recruitment continues to be a challenge in a number of areas within the council, and this is resulting in the high level of underspend on staff costs. For the 2024/25 to 2028/29 MTFS, the Council 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 £2.25m across three years. This forecast predicts a healthier position of reserves reaching approximately £7 million in 2026/27 and decreasing to £5.3m in 2028/29. This will need to be monitored in the upcoming years to reassess the forecast position and the potential need to further increase the saving targets to ensure the Council's financial sustainability. In the HRA MTFS, HRA reserves are being maintained at around £1 million over the period of the MTFS. Economic uncertainties and rising building costs are already impacting on the number of houses SWH is able to build compared to the planned number in the SWH Business Plan.

A

- 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 (continued)



We considered how the Council:

Commentary on arrangements

Assessment

Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

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. Officers agree that the financial Capital Programme needs to be better aligned with the ability of services to deliver its capital projects, so the following 2022/23 recommendation is being implemented. *In relation to the capital programme covering the General Fund and the HRA, we recommend:*

* *The Council reviews and evaluates the budget setting process for the capital programmes with focus turned to assessing if the delivery of projects budgeted in the year is realistic; and*

* *Improvements to the monitoring of the capital programme, with greater clarity and reasoning in the narrative to ensure reasons for slippage can be tracked and reviewed by members.*

A

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

The Council ensures that financial planning assumptions in the financial plan and the medium term are consistent with its other key strategies such as the People Strategy, Net Zero, Capital Programme and the Treasury Management Strategy. The People Strategy sets out the workforce agenda on cross-cutting strategic people priorities with an earmarked reserve set aside for future workforce costs. The Council has a five year capital investment programme totalling £129 million (including £67 million for the HRA) which is a key feature of the Council's strategic objectives in improving well being for its residents. The Council is responding to the Climate Emergency priority as that is one of the Council's strategic objectives with an annual action plan. The Council has clear policies for the contribution of treasury management as part of its financial plan, finding an appropriate balance between mitigating risk and optimising the contribution that borrowing and investment can offer.

G

Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

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 the Council's budget monitoring and forecasting to help in promptly identifying potential variances and pressures. During the 2024/25 budget setting process, the Council undertook a review of the costs and income pressures within services. Service leads were asked to review all income and expenditure before presenting their budgets to the Council's Star Chamber as part of the budget setting exercise.

G

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 (continued)



Areas for improvement

Transparent financial and non-financial reporting required on the achievements of its housing subsidiary, Sussex Weald Homes (SWH).

The Council is exploring opportunities to become a self-financing council and one initiative to contribute towards its self-financing objective was the setting up of Sussex Weald Homes (SWH) in 2019/20. The company is a housing development vehicle for the Council and is structured as a private company limited by shares. The Council has dominant control of the company as it is 100% shareholder. Councillors and officers occupy all director positions thereby having a guaranteed majority voting rights on the Board. The company builds property to sell or rent to the Council and to the public.

The financial performance of SWH deteriorated during 2023/24 as the company's results showed a loss of £0.435 million (£0.219 million loss in 2022/23), and net assets of £3.563 million compared to £3.998 million at 31 March 2023. Gross profit was 3.71% (12.2% in 22/23) and the loss before taxation was 13.05% (10.02% in 22/23). SWH owes the Council £12.5 million which is repayable by the end of the 2024/25 financial year. The 2022/23 company results have yet to be reported to the Council's Audit, Finance and Governance Committee (AFG).

The last report to AFG was the "SWH Update" in January 2024 and the next "SWH Update" is planned for the September AFG Committee. Our review of the January 2024 found that the report detailed the achievements of SWH but it didn't report those achievements in comparison to its business plan nor the company's financial forecasts for 2023/24. There was no mention of the company making a loss. There are improvements required in the financial and non-financial performance reporting of the Council's housing subsidiary, Sussex Weald Homes (SWH), so that the Council has proper oversight and governance over the financial sustainability of its trading company. The SWH 2024 – 2027 Business Plan needs to show how the Company plans to:

- improve its financial performance so that SWH becomes a profit making organisation, and
- repay the £12.5 million due to the Council by the end of the 2024/25 financial year.

Improvement Recommendation One: Transparent financial and non-financial reporting required on the achievements of its housing subsidiary, Sussex Weald Homes (SWH).

The Audit, Finance and Governance Committee should receive quarterly transparent financial and non-financial reporting on the achievements of its housing subsidiary, Sussex Weald Homes Ltd, against the company's annual financial and non-financial plans so that it has proper oversight and governance over the financial sustainability of its trading company. The SWH 2024 – 2027 Business Plan needs to show how the Company plans to:

- improve its financial performance so that SWH becomes a profit making organisation, and
- repay the £12.5 million due to the Council by the end of the 2024/25 financial year.

Governance



We considered how the Council:

Commentary on arrangements

Assessment

Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a new Risk Management Policy and Framework. This sets out the risk management framework, including the methodology for risk registers and reporting requirements. All services now have risk registers which will be fully developed over the next few months. Reporting requirements will be followed from 1 April 2024. An effective internal audit function was in place throughout 2023/24. The Head of Internal Audit gave an "adequate and effective" overall opinion on the Council's framework of governance, risk management and control, in operation during 2023/24. The implementation of the new Risk Management Framework, presented to Cabinet in October 2023, is led by the Head of Financial Services and facilitated by the Internal Audit Manager. Good progress has been made to ensure that the risk management policy is successfully implemented.

Improvement recommendation 2: *We recognise that the Council is in the process of improving its risk management arrangements and recommend the:*

(a) integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

(b) the frequency of reporting of the Council's risks is aligned to the Council's quarterly reporting on performance management so members will be informed where good performance may equate to lower risk and room for more opportunity and innovation.

(c) aligning Scrutiny and Overview work plan to the high risk issues identified by the Council's Risk Register and Performance Management systems; so they perform a "deep dive" on higher risk services. (Page 18)

A

Approaches and carries out its annual budget setting process

The Corporate Budget Plan for 2024/25 to 2027/28 was presented at the February 2024 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. 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.

G

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.

Governance (continued)



We considered how the Council:	Commentary on arrangements	Assessment
Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	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 contains appropriate narrative on variances and financial, legal and human resource implications. However the HRA reporting should be revised so that it is clear that the Council drew down different levels of HRA reserves in 2023/24 and 2024/25 than planned, rather than reporting the variance against a "budgeted HRA deficit". <i>Improvement recommendation 3; The Council should revise its reporting on the financial performance of the HRA Account so that it is clear that the Council drew down different levels of HRA reserves in 2023/24 and 2024/25 than planned, rather than reporting the variance against a "budgeted HRA deficit".</i>	A
Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has arrangements in place to ensure it makes properly informed decisions, supported by appropriate evidence, which allow for challenge and transparency. The Cabinet handles strategic decisions after considering detailed reports to Council. The Scrutiny Committee investigate local policies, risk and performance, leading to reports and recommendations for the Council. The Council's Monitoring Officer ensures public access to decisions and relevant reports. Cabinet papers show sufficient detail to support key decisions. The Council's governance arrangements, including the roles of the Council, the Cabinet, the Overview and Scrutiny Committee, the Audit, Finance and Governance Committee, regulatory committees, and other committees, are detailed in the Constitution. It is good practice for the Council to annually assess the effectiveness of its the Audit, Finance and Governance (AFG) Committee each year. <i>Improvement recommendation 4: We recommend that the Audit, Finance and Governance (AFG) Committee carry out a self-assessment, using the CIPFA Checklist for Audit Committees, of its effectiveness each year and report on the outcome at the end of the financial year. (Page 18)</i>	A
Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council's arrangements to monitor compliance with legislation and regulatory standards are clearly set out in the Constitution. The Monitoring Officer has overall responsibility for compliance with both legislation and standards. The Council has its own high level but adequate local Code of Corporate Governance setting out expectations from Members and officers regarding conduct and behaviour. Members and officers must adhere to the Code. Reminders are issued annually for declaration of interest/gifts and hospitality from Members and officers and these operate adequately. The Monitoring Officer monitors statutory compliance and attends the Audit, Finance and Governance Committee to ensure compliance with the Constitution .	G

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.

Governance (continued)



Areas for improvement

Enhancement of risk management arrangements

Having reviewed the risk management arrangements, we identified that the Council's strategic risks are not mapped to the delivery of the outcomes and underlying priorities in the Corporate Strategy 2023 - 2027. The Council's arrangements for both performance management and risk management could be streamlined so there is one integrated reporting framework for strategic outcomes in the Corporate Strategy, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register. We suggest that the frequency of reporting of the Council's risks is aligned to the Council's quarterly reporting on performance management so members will be informed where good performance may equate to lower risk and room for more opportunity and innovation. The Scrutiny and Overview Committee work plan could be more focused if aligned to the high-risk issues identified by the Council's Risk Register and Performance Management systems so that they could perform "deep dives" on higher risks on services.

Improvement recommendation 2: Enhancement of risk management arrangements

We recognise that the Council is in the process of improving its risk management arrangements and recommend the:

- (a) integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs);
- (b) the frequency of reporting of the Council's risks is aligned to the Council's quarterly reporting on performance management so members will be informed where good performance may equate to lower risk and room for more opportunity and innovation;
- (c) aligning Scrutiny and Overview work plan to the high risk issues identified by the Council's Risk Register and Performance Management systems so they can perform a "deep dive" on higher risks on services.

Clarification of the reporting of the HRA

Housing legislation does not allow the Council to plan for a HRA deficit in year, yet the Council's 2024/25 Quarter 1 Forecast to Cabinet in September 2024 reports a Housing Revenue Budget forecast deficit of £2.238 million. The Provisional Financial Outturn 2023/24 Report to the Audit, Finance and Governance Committee in July 2024 reports on a "provisional Housing Revenue Account deficit of £1.177 million, a variance of (£1.688) million against the budgeted deficit of £2.865 million." Officers recognise that they need to amend the wording in its financial reports to clarify that there was no "budgeted deficit" but that the drawdown from reserves varied from what was planned in both financial years.

Improvement recommendation 3: Clarification of financial reporting of the HRA

The Council should revise its reporting on the financial performance of the HRA Account so that it is clear that the Council drew down different levels of HRA reserves in 2023/24 and 2024/25 than planned, rather than reporting the variance against a "budgeted HRA deficit".

Annual self-assessment of the effectiveness of the Audit, Finance and Governance Committee

An annual self-assessment would allow the Audit, Finance and Governance Committee to report annually on how the committee has complied with the CIPFA Position Statement, discharged its responsibilities, and include an assessment of its performance.

Improvement recommendation 4: Annual self-assessment of the effectiveness of the Audit, Finance and Governance Committee

We recommend that the Audit, Finance and Governance (AFG) Committee carry out a self-assessment, using the CIPFA Checklist for Audit Committees, of its effectiveness each year and report on the outcome at the end of the financial year.

Improving economy, efficiency and effectiveness



We considered how the Council:

Commentary on arrangements

Assessment

Uses financial and performance information to assess performance to identify areas for improvement	Cabinet receives quarterly performance reports on key performance indicators (KPIs) which gives members assurance on how well the Council's services are performing, as the Council was judged to be a well-run council through Local Government (LGA) Corporate Peer Review in February 2024. However, the Council could more formally use its financial and performance information to assess performance to identify areas for improvement. In response to our 2022/23 recommendation, the Council is considering how it can use independent formal benchmarking in its reporting to the Cabinet to (1) explore any high unit costs, and potential savings, within its services and (2) provide assurance that it is delivering cost effective services in other areas. We have also raised the two following improvements recommendations for 2023/24: Improvement recommendation 5: <i>We recommend that the Council sets stretch targets for Key Performance Indicators for each service area to reflect the good governance ethos of “continuous improvement” and a more ambitious improvement in service performance. (Page 21).</i> Improvement recommendation 5: <i>The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports. (Page 21).</i>	A
Evaluates the services it provides to assess performance and identify areas for improvement	The outcome of the LGA Corporate Peer Challenge (CPC) was commendable. The LGA reported that “Wealden Council is well-run and good council that is performing well with a clear ambition to continue to develop across the organisation to meet new challenges and ambitions. They recognised that council staff are a real asset, dedicated and proud of their work, the organisation, and the place. “ A significant number of strengths are highlighted including strong partnerships to deliver services, good examples of service delivery (with crematorium, supported housing, cost of living work and initiatives delivered by the wellbeing team), a strong Corporate Management Team and a strong commitment to good governance. The LGA also made ten recommendations to enhance the Council's arrangements. These included improving communication, reviewing current IT and software provision, better alignment of resources and capacity to the new priorities, building on the work that has started on Equalities, Diversity and Inclusion (EDI), ensuring the right issues are going to the right committee at the right stage in the process, use of the Council's co-design approach more often, creating a more empowering and trusting culture to innovate more, fully incorporating the statutory roles of Monitoring Officer and S151 Officer roles into CMT, strengthening the relationship between senior management and political leadership and jointly creating an overarching long-term vision of place with key partners. The Council is currently putting an action plan in place setting out how it will respond to these recommendations for consideration at the next Cabinet meeting in October 2024.	G

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.

Improving economy, efficiency and effectiveness (continued)



We considered how the Council:	Commentary on arrangements	Assessment
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	The Council takes a lead role in working with partners to greater benefit the district as a whole. This includes ongoing work with parish and town councils, the voluntary sector and stakeholders to focus on delivering effective and joined up solutions and improvements to priority issues for the local area. In line with the values from the Corporate Plan to “deliver more by working with partners”, the Council continues to work with its partners to protect and deliver services in new ways. Improvement recommendation 7: <i>The Council could produce a Partnership Register to show what types of partnership the Council has and how they contribute to the delivery of the outcomes in the Council’s Strategy 2023 - 2027. Details of how the value of partnerships in terms of how partnerships contribute to corporate objectives should be included. (Page 21)</i>	A
Commissions or procures services, assessing whether it is realising the expected benefits	The Council's Procurement Strategy 2022 - 2025, approved in March 2022, provides a clear governance framework for officers and members to work within when carrying out commissioning and procurement activities on behalf of the Council. 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 procurement 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 National Procurement Strategy also provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy. The proportion of total procurement expenditure through exemption criteria is 1.4%, amounting to a spend of £615,507.75. The remaining procurement expenditure is carried out in accordance with the competitive criteria laid down in the Contract Procedure Rules. Regular reviews and checks are made by the Procurement Business Partnership Manager, the Head of Legal and Governance Services and the Head of Finance through his internal audit team to ensure that Contract Procedure Rules are followed.	G

- 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.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

Setting of KPIs for each service area with stretch targets

The Council's corporate performance framework has quarterly service reporting to Cabinet. Officers agree that targets for service key performance indicators could be more challenging to encourage greater performance.

Improvement recommendation 5: Setting of stretch targets for KPIs in each service area with stretch targets

We recommend that the Council sets stretch targets for Key Performance Indicators for each service area to reflect the good governance ethos of "continuous improvement" and a more ambitious improvement in service performance.

Data quality strategy

The basis for good performance information is assurance that the information is based on good quality data. Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design and data management.

Data quality strategy (continued)

Improvement recommendation 6: Use of a data quality strategy

The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.

Use of a Partnership Register

The Council leads the Wealden Strategic Partnership and the Safer Wealden Partnership. The Council also has a good working relationship within the Local Economic Partnership. Effective partnerships are therefore essential to deliver the Council's Strategy 2023 - 2027. These partnerships undertake a range of partnership activities and consultation exercises to enable all residents and customers to contribute to and shape the strategic themed plans. Details of how the value of partnerships is measured should be included in a central Partnerships Register.

Improvement recommendation 7: Use of a Partnership Register

The Council should produce a Partnership Register to show what types of partnership the Council has and how they contribute to the delivery of the outcomes in the Council's Strategy 2023 - 2027. Details of how the value of partnerships is measured should be included in the Register.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Actions agreed by Management
Financial sustainability		
Transparent financial and non-financial reporting on the achievements of its housing subsidiary, Sussex Weald Homes Ltd The Audit, Finance and Governance Committee should receive quarterly transparent financial and non-financial reporting on the achievements of its housing subsidiary, Sussex Weald Homes Ltd, against the company's annual financial and non-financial plans so that it has proper oversight and governance over the financial sustainability of its trading company. The SWH 2024 – 2027 Business Plan needs to show how the Company plans to: - improve its financial performance so that SWH becomes a profit- making organisation, and - repay the £12.5 million due to the Council by the end of the 2024/25 financial year.	Improvement	Actions: Council officers, in discussion with Sussex Weald Homes, will consider both the financial and non-financial reporting requirements. Responsible Officer: Director of Community Due Date: January 2025
Governance		
Enhancement of risk management arrangements We recognise that the Council is in the process of improving its risk management arrangements and recommend the: (a) integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs); (b) the frequency of reporting of the Council's risks is aligned to the Council's quarterly reporting on performance management so members will be informed where good performance may equate to lower risk and room for more opportunity and innovation; (c) aligning Scrutiny and Overview work plan to the high risk issues identified by the Council's Risk Register and Performance Management systems; so they can perform a "deep dive" on higher risk services.	Improvement	Actions: (a) Officers will look to include information in the performance management reporting to comment on the risk impact of any falling performance. It would be possible to develop a clearer alignment between the Corporate Risk Register and Council Strategic priorities. This work could be undertaken in 2024/25. (b) The Council has a relatively recent risk management framework which is still being embedded. The risk framework already provides for quarterly monitoring reporting and six monthly reporting to AFG and Cabinet. This recommendation could be something to consider once the review cycle and process is more familiar to managers. (c) Officers understand the rationale for the recommendation but agree there should be some discretion for O&S to determine its own work programme. As a wider observation, the Constitutional Review will be looking closely at the role of scrutiny at Wealden. Responsible Officer: Chief Financial Officer Due Date: March 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation		Type of recommendation *	Actions agreed by Management
Governance (continued)			
IR3	Clarification of financial reporting of the HRA The Council should revise its reporting on the financial performance of the HRA Account so that it is clear that the Council drew down different levels of HRA reserves in 2023/24 and 2024/25 than planned, rather than reporting the variance against a “budgeted HRA deficit”.	Improvement	Actions: Officers will revise the presentation of future financial reports as recommended. Responsible Officer: Chief Financial Officer Due Date: December 2024
IR4	Annual self-assessment of the effectiveness of the Audit, Finance and Governance Committee We recommend that the Audit, Finance and Governance (AFG) Committee carry out a self-assessment, using the CIPFA Checklist for Audit Committees, of its effectiveness each year and report on the outcome at the end of the financial year.	Improvement	Actions: The Council agrees with the recommendation. It is recognised as best practice for an Audit Committee to undertake an annual self-assessment. Officers will work with AFG Committee members to facilitate the production of an Annual Report using the CIPFA checklist for Audit Committees. Responsible Officer: Head of Legal and Governance / Chief Financial Officer Due Date: July 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

Recommendation		Type of recommendation *	Actions agreed by Management
Improving economy, efficiency and effectiveness			
IR5	Setting of KPIs for each service area with stretch targets	Improvement	Actions: KPIs are reviewed by officers as part of service planning. This recommendation can be incorporated into this process.
	The Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge		Responsible Officer: Policy, Insight and Communications Manager Due Date: Service Planning 2025/26
IR6	Use of a data quality strategy	Improvement	Actions: Developing a data quality strategy may take some time. Officers will review the requirements of the recommendation to ensure a thorough and effective approach.
	The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in its corporate performance framework, with a view to including an assessment of specific data sets within non-financial performance reports.		Responsible Officer: Policy, Insight and Communications Manager / Digital Services Manager. Due Date: tbc
1R7	Production of a Partnerships Register	Improvement	Actions: The Council agrees with the recommendation. Developing this should be fairly straightforward, as much of the data for the Partnership Register already exists.
	The Council should produce a Partnership Register to show what types of partnership the Council has and how they contribute to the delivery of the outcomes in the Council's Strategy 2023 - 2027. Details of how the value of partnerships is measured should be included in the Register the performance and information of how partnerships contribute to corporate objectives and how performance is monitored should be included.		Responsible Officer: Head of Legal and Governance Services. Due Date: tbc

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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.

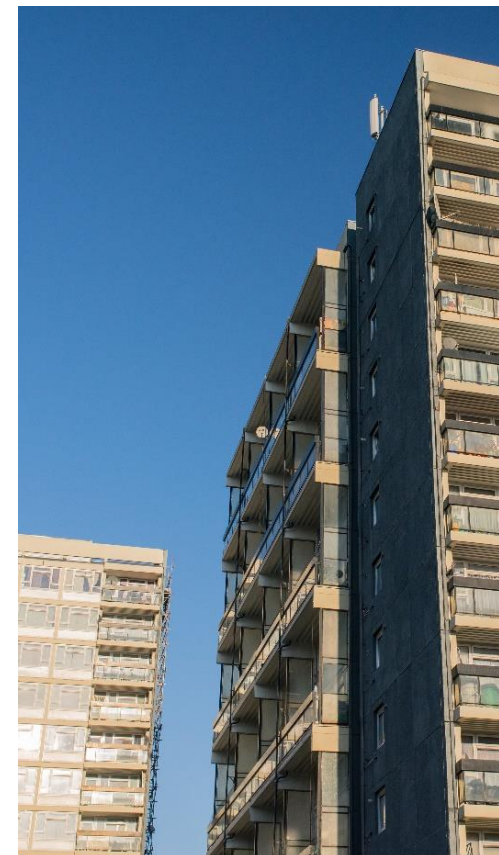
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

Value for Money Auditor responsibilities



Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C:

Follow-up of previous recommendations

Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
Financial sustainability					
2 In relation to the capital programme covering the General Fund and the HRA, we recommend : * The Council reviews and evaluates the budget setting process for the capital programmes with focus turned to assessing if the delivery of projects budgeted in the year is realistic. * Improvements to the monitoring of the capital programme, with greater clarity and reasoning in the narrative to ensure reasons for slippage can be tracked and reviewed by members.	Improvement	Feb 2024	Officers are reviewing improvement recommendations for Capital Programme budget setting for 2025/26 and providing greater clarity in the narrative of monitoring reports.	No	Yes
Improving economy, efficiency and effectiveness					
4 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	Feb 2024	The Council is reviewing the action recommended by audit.	No	Yes

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

