

# Oadby and Wigston Borough Council

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

January 2025



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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 Oadby and Wigston Borough 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:

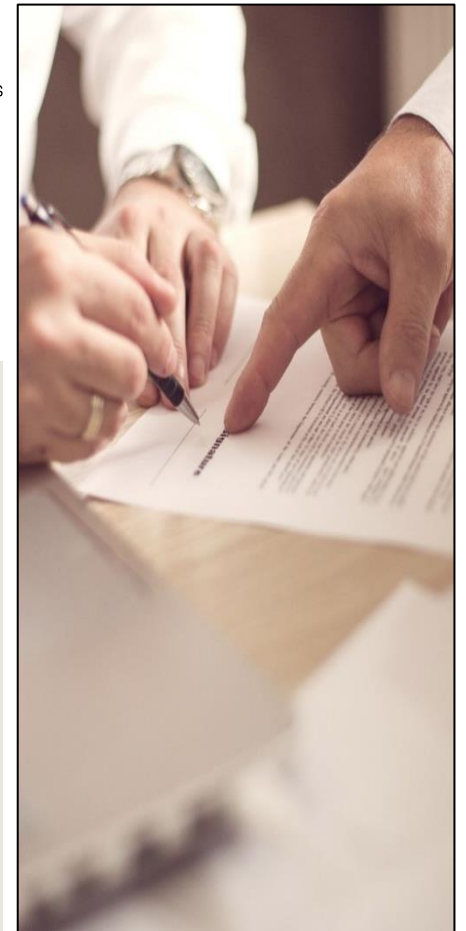
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

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 10. We have not made us of any of these powers during 2023/24.



# 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 has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 23.



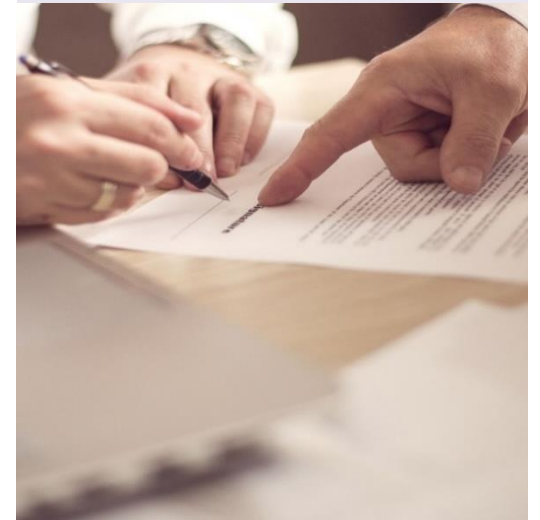
## Financial sustainability

In 2023/24 the Council incurred a General Fund overspend of £0.535m on a budget of £7.2m (over 7%) and a Housing Revenue Account (HRA) underspend of £0.382m. In December 2023 the Council was forecasting a budget deficit of £1.267m for 2024/25, with a cumulative Medium Term Financial Plan (MTFP) gap of £6.883m to 2027/28. In January 2024 we issued a Key Recommendation that the Council needed to take urgent action to address this. Members have fully embraced the difficult decisions required and in February 2024 the Council agreed a breakeven budget, without the need to use reserves, which also included a further £0.326m of growth and cost pressures identified since December 2023. The MTFP 2024/25 to 2028/29 now shows a forecast cumulative surplus. We reviewed and challenged the assumptions in the budget and MTFP and are satisfied that they are reasonable. This is supported by the 2024/25 financial position which, at Quarter Two, is a forecast overspend of £0.281m - driven by increasing demand in homelessness and garden waste collection income being £0.059m lower than planned as forecast demand was slightly optimistic. Our Key Recommendation has therefore been addressed. The Council has also made good progress in addressing the improvement recommendations we made. For 2024/25, the Council has agreed a "Sustainability Plan Programme" of £1.267m. This is currently on track to deliver as planned.

As part of its planning for setting the 2025/26 budget the Council is refreshing its MTFP to 2029/30. This work is ongoing and Officers are sensibly being cautious with the assumptions they are using. Indications are that the Council could face a cumulative shortfall of around £1.3m over this period. With reserves likely to diminish in order to address the overspend in 2024/25 and financial pressures likely to continue, it is important that Officers and Members retain focus on the financial position and make difficult decisions when necessary. We have raised an improvement recommendation.



Our audit of your financial statements is complete. We issued an unqualified audit opinion following the Audit Committee meeting on 22 January 2025. Our findings are set out in further detail on page 9.





# Executive summary



## Governance

The Council has sound arrangements for risk management, Internal Audit, counter fraud and whistleblowing. In 2023/24 the Audit Committee undertook a self assessment against good practice standards, producing an action plan to support further improvement. This is best practice.

The Council has strengthened its budget setting arrangements, which now include a “Star Chamber” approach (Heads of Service attend to present their budget to the Leader, Deputy Leader, Chair of Policy, Finance and Development Committee, Chief Executive, relevant Strategic Director and Head of Finance.) and enhanced trend analysis and benchmarking. However, it is too early in the 2024/25 financial year to be able to conclude that the budgets were realistic and achievable, so our improvement recommendation remains open.

Quarterly financial reports clearly show the overall position of the Council, with variances against budget over £0.03m explained. The Chief Finance Officer joined the Council in July 2024 and the Deputy in April 2024. The finance team now has appropriate capacity and is not reliant on interim staff. This is a sound position to be in and we have closed our prior year recommendation.

Decision-making is clear and transparent, with appropriate information provided to Members. The Committee system enables effective scrutiny and challenge, with the Audit Committee and Policy, Finance and Development Committee playing key roles.

The Council has robust arrangements in place to ensure compliance with legislative and regulatory standards, including when it is commissioning or procuring services



## Improving economy, efficiency and effectiveness

The Council makes effective use of financial and performance information, with quarterly reporting. The Council has enhanced reports to better link financial performance with service activity and makes good use of benchmarking. We have closed our improvement recommendations in these areas. The Council continues to progress the actions arising from its Local Government Association (LGA) peer review, and meets with the LGA to discuss progress.

Arrangements to engage with partners and stakeholders are sound. Internal Audit identified opportunities to develop procurement arrangements and we have not duplicated their recommendations.

# Executive summary (continued)



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

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, but seven improvement recommendations made and three prior year recommendations carried forward.	In January 2024 we issued a report which included a key recommendation in regard to urgently developing savings plan to enable a balanced budget to be set without the need to use reserves. Whilst the Council took action to address the immediate challenge, this remains a risk of significant weakness for 2023/24.	A No significant weaknesses in arrangements identified, but one prior year improvement recommendation in relation to better demonstrating how the annual budget supports achievement of the Council's priorities has not been addressed and is carried forward. We have closed the key recommendation in regard to urgently developing savings plans. However, we have raised an improvement recommendation that the Council should continue to address the financial challenges that it faces.	↑
Governance	A Our work did not identify any areas where we considered that key or improvement recommendations were required, but one prior year recommendation carried forward.	No risk of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required. One prior year recommendation regarding budget setting is carried forward as it is too early in the financial year to be able to conclude on this.	↔
Improving economy, efficiency and effectiveness	A Our work did not identify any areas where we considered that key or improvement recommendations were required, but one prior year recommendation carried forward.	No risk of significant weakness identified.	A Our work did not identify any areas where we considered that key or improvement recommendations were required. However, we have assessed commissioning and procurement arrangements as "Amber" owing to the Internal Audit findings – we have not duplicated their recommendations.	↔

**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



## Audit opinion on the financial statements

Our Audit of the Council's financial statements is substantially complete, and we expect to issue an unqualified audit opinion, flowing the Council's Audit Committee on 22 January 2025.

The full opinion will be included in the Council's Statement of Accounts for 2023/24, which can be obtained from the Council's website.

## 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;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- 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.

## Findings from the audit of the financial statements

The Council provided draft accounts on 6 June 2024, less than one week after the national deadline. Draft financial statements were of a reasonable standard and supported by detailed working papers. Our work did identify a number of disclosure changes, which have been made in the final version of the Council's financial statements. The Council's Pension Liability at 31 March 2023 was restated, to reflect an additional liability, in line with the requirements of IFRIC 14. A similar adjustment was made to the pension liability at 31 March 2024. Neither of these adjustments had an impact on the Council's usable reserves.

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit Committee on 22 January 2025. Requests for this Audit Findings Report should be directed to the Council.

# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## Statutory recommendations

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

We did not make any 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.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

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.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



## Local context

The Council is located to the south-east of the city of Leicester and shares boundaries with Harborough and Blaby district areas. There are just under 58,000 residents living in Oadby and Wigston within an area of around nine square miles which is predominantly urban. The Borough consists of three distinct communities, Oadby, Wigston and South Wigston. Each of the three areas have very different perceived levels of affluence. South Wigston has the highest level of social deprivation and is the least affluent with Oadby having the lowest level of social deprivation and is perceived as the most affluent area. The ethnic and cultural composition of the Borough is diverse. The overall Black and Minority Ethnic (BME) population is 36.6%.

The Council owns and manages its own housing stock of 1,182 homes. The Council is severely restricted by its size and existing housing density. The Borough therefore has a limited capacity to host additional housing compared to most other districts and boroughs. This means the Council has limited capacity to increase its funding by growing its Council Tax base and attracting New Homes Bonus and is also limited in attaining Business Rates growth.

There has been political continuity since 1991 when the Liberal Democrats achieved an overall majority for the first time. The latest full local election took place on the 4th of May 2023 and 19 Liberal Democrat Members and seven Conservative Members were elected. The Council operates a committee system of governance and all 26 members are involved in decision making.

# Financial sustainability – commentary on arrangements



## We considered how the Council: Commentary on arrangements

## Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

In 2023/24 the Council incurred a General Fund (GF) overspend of £0.535m on a budget of £7.2m (over 7%) and a Housing Revenue Account (HRA) underspend of £0.382m. There was significant overspending in Finance & Resources (£0.397m on a revised budget of £3.34m, primarily due to homelessness costs) and Community & Wellbeing (£0.9m on budget of £1.09m, primarily due to lower leisure management fee income.)

The Capital Programme GF expenditure was £2.91m, with slippage of £0.70m - largely due to new sports facilities schemes totalling £0.484m being moved into 2024/25. The HRA capital programme outturn was £1.725m with slippage of £3.56m. Of this £2.178m (61%) related to New Housing Initiatives and £0.761m (21%) to the decarbonisation scheme. Comments are included in reports, but they do not explain the cause of the delays. We have not made an improvement recommendation, but this is an area the Council may wish to consider.

In December 2023 the Council was forecasting a budget deficit of £1.267m for 2024/25, with a cumulative Medium Term Financial Plan (MTFP) gap of £6.883m to 2027/28. In January 2024 we issued a Key Recommendation that the Council needed to take urgent action to address this. Members have fully embraced the difficult decisions required and in February 2024 the Council agreed a breakeven budget, without the need to use reserves, which also included a further £0.326m of growth and cost pressures identified since December 2023. The MTFP 2024/25 to 2028/29 now shows a forecast cumulative surplus. We reviewed and challenged the assumptions in the budget and MTFP and are satisfied that they are reasonable. This is supported by the 2024/25 financial position which, at Quarter Two, is a forecast overspend of £0.281m - driven by increasing demand in homelessness and garden waste collection income being £0.059m lower than planned as forecast demand was slightly optimistic. Our Key Recommendation has therefore been addressed.

In our prior year Auditor's Annual Report we made an improvement recommendation that the Council should include more sensitivity and scenario analysis in its financial planning reports. The budget setting report agreed in February 2024 includes the impact of a 1% change in key budget assumptions, including New Homes Bonus, Business Rates, Council Tax, pay costs, cost of services and income. The report also includes three different MTFP scenario analyses, with the base version (as presented in the detailed report) the most likely. The recommendation has been addressed.

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 – commentary on arrangements (continued)



## We considered how the Council: Commentary on arrangements

## Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued);

The Quarter One 2024/25 financial report forecast a GF underspend of £0.075m on a budget of £7.7m. Savings and income generation projects were delivering as planned. Whilst the Quarter Two position is now showing a modest overspend, this is driven by increasing demand for homelessness services which is a national challenge. This does not undermine the reasonableness of the budget.

The Council has not set minimum balances for the GF and HRA. However, the S.151 Officer Statement on reserves states that the previous MTFP considered reserves of 12% of net revenue expenditure to be too low. Around 20% is considered more reasonable. This would be £1.53m for 2024/25, so the Council is at the appropriate level. There is no mention of HRA, but a £1m balance is, in our experience, reasonable.

As part of its 2025/26 budget setting arrangements the Council is reviewing the Medium Term Financial Plan (MTFP) which now runs to 2029/30. The assumptions within it are cautious and it is still being finalised. However, it indicates a £0.225m deficit in 2026/27 and between £0.335m and £0.393m each year to 2029/30. The total deficit is £1.332m. Whilst the Council has sufficient time to address these deficits we have raised an improvement recommendation to support the Council in this. See page 17

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 – commentary on arrangements (continued)



We considered how the Council:	Commentary on arrangements	Assessment
plans to bridge its funding gaps and identifies achievable savings	<p>For 2023/24 the Council had a "Sustainability Programme" totalling £0.065m, comprised of £0.05m "Service Reviews" and £0.015m "Income Generation". This was achieved in full. For 2024/25, the Council has agreed a "Sustainability Plan Programme" of £1.267m. This is currently on track to deliver as planned. Some of these savings and income generation schemes involved difficult decisions for Members. To support them Officers provided two briefings, a "Star Chambers" process and three iterations of the budget. Members were therefore well sighted on the income generation and savings proposals. The Council has addressed our prior year recommendation that savings and income generation plans should only be included when fully worked and agreed by Members.</p> <p>Officers are updating the MTFP to support the 2025/26 budget, which should be balanced without the need to use reserves. In the longer term the Council is developing further options to reduce its cost base, recognising that increasing income is difficult.</p> <p>Quarter One 2024/25 financial reporting includes more detail than previously on the progress and risk assessment of each scheme, noting that it is too early to assess the full year impact of increased car parking charged (forecast to generate £0.834m). Our prior year recommendation on enhancing reporting of savings or income generation has been addressed.</p>	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The 2024/25 budget setting and MTFP report explains how capital schemes are evaluated and prioritised. Criteria includes whether there is statutory and legislative support and compliance with the Council's corporate objectives. However, the report does not show how the individual schemes support delivery of the objectives. In our prior year report we made an improvement recommendation - "The Council should enhance public budget setting reporting to clearly demonstrate how major investments – capital or revenue – will contribute to achieving the Council's priorities." This has still to be addressed. The improvement recommendation is therefore carried forward. Please see page 28.</p> <p>The Council uses LG Futures and LG Improve for benchmarking, together with membership of appropriate groups and networks.</p>	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 – commentary on arrangements (continued)



We considered how the Council:	Commentary on arrangements	Assessment
<p>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</p>	<p>The People Strategy 2023-26 is aligned to the Council's five strategic objectives and four vision areas. The Council has an ambition of achieving net zero emissions by 2023 and has calculated this is likely to cost £13.3m. Given its financial challenges the Council intends to access available funding to support this, and has already been successful in a number of areas.</p> <p>As we have reported elsewhere, the Council continues to experience slippage in its capital programme and also needs to better link capital projects to its objectives.</p>	G
<p>identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>Key financial risks facing the Council are clearly set out in the budget setting report, quarterly finance reports and the risk register. The Quarter Two 2023/24 finance report to Policy, Finance and Development Committee states that the Council's budget is not sustainable and that urgent action is needed. Actions being taken are explained, including a vacancy freeze on non-essential posts; a freeze on non-essential, non-contractual, non-invest to save expenditure and improving communication and engagement with budget holders and senior officers. As noted earlier in this report, action was taken to ensure that the 2024/25 budget could be balanced without the need to use reserves In preparing the annual budget the Council uses sensitivity analysis and scenario modelling, and this is included in reports.</p>	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

### Medium Term Financial Plan

The Council has responded positively to the Key Recommendation we made in January 2024. Finances are now stronger than they were at that time. However, financial pressures and challenges continue to emerge. The updated Medium Term Financial Plan, whilst cautious, indicates that the Council could face a total deficit of around £1.3m up to 2029/30. It is important that the Council continues its efforts to address this and that Members continue to make difficult decisions when necessary.

**Improvement recommendation 1:** In order to ensure that it remains financially sustainable in the medium term and is able to balance its annual budget without the need to use reserves, the Council needs to develop further income generation or savings schemes in order to address the forecast gap in its Medium Term Financial Plan. Members will need to continue to take difficult decisions when necessary.



# Governance – commentary on arrangements



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	<p>The Council has well-established arrangements to monitor and assess risks, supported by a comprehensive risk management framework and regular reviews. The Strategic Risk Register and Strategic Risk Update ensure that key risks are identified, mapped to corporate objectives, and monitored appropriately. Internal Audit is delivered by 360 Assurance and provides assurance on both strategic and operational risks, ensuring audits are aligned with key risks and confirming that governance and controls are effective.</p> <p>Fraud prevention is integrated into the Council’s risk framework, with policies such as the Anti-Fraud and Corruption Policy and Whistleblowing mechanisms ensuring a zero-tolerance approach. Regular assessments and reviews by the Audit Committee help detect and manage fraud risks. Furthermore, internal control breaches, especially workforce-related, are tracked through corporate complaints and whistleblowing procedures, ensuring prompt detection and resolution.</p> <p>The Audit Committee undertakes an annual assessment against good practice, producing an action plan to support further improvement. This is best practice.</p>	<b>G</b>
approaches and carries out its annual budget setting process	<p>In our prior year report we made an improvement recommendation that the Council should ensure that revenue and capital budgets are realistic and achievable. The Council accepted this and has strengthened arrangements for 2024/25 budget setting, including the introduction of a "Star Chamber" which is a process where Heads of Service attend to present their budget to the Leader, Deputy Leader, Chair of Policy, Finance and Development Committee, Chief Executive, relevant Strategic Director and Head of Finance. The Council also uses trend analysis and benchmarking, as well as public consultation which resulted in 395 responses. However, it is too early to be able to conclude on the effectiveness of the enhanced arrangements. The 2023/24 outturn report shows an overspend of £0.535m on a budget of £7.2m (over 7%), after increasing the budget by £0.123m. The improvement recommendation therefore remains valid and is carried forward. See page 29.</p>	<b>A</b>

- 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 – commentary on arrangements



We considered how the Council:	Commentary on arrangements	Assessment
<p>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</p>	<p>Quarterly finance reports and the annual financial statements provide clear explanations of the overall position on the General Fund and Housing Revenue Account for both revenue and capital. Variances over £0.03m are highlighted with explanations. Where budgets change in year, this is also set out.</p> <p>In our PY report (VFM1) we made an improvement recommendation - <i>"The Council needs to continue with its efforts to ensure that it has an appropriately resourced and skilled finance team."</i> The Chief Finance Officer and Deputy are now both permanent members of staff and the finance team includes only one interim staff member, with plans to recruit to this position on a permanent basis by the end of 2024. Our recommendation can be closed.</p>	<p><b>G</b></p>



- 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 – commentary on arrangements (continued)



We considered how the Council:	Commentary on arrangements	Assessment
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council has established comprehensive arrangements to support informed and transparent decision-making. Key oversight is provided by the Policy, Finance, and Development (PFD) Committee, which scrutinises decisions with thorough reporting, and the Audit Committee, which provides independent assurance.</p> <p>Scrutiny is integrated into the committee system, embedding challenge across financial and operational decisions. Senior Leadership Team involvement, particularly the S.151 Officer’s active role in financial oversight, and the Monitoring Officer’s governance oversight reinforces a constructive "Tone from the Top," fostering inclusiveness and transparency. The adherence to high standards is reflected in reports that confirm alignment with the Nolan Principles.</p> <p>In previous years we have raised an improvement recommendation that the Audit Committee reviews its effectiveness against CIPFA’s best practice guidance. This has been undertaken and was reported in January 2024. An action plan has been developed, which also includes a training plan for Members.</p>	<p>G</p>
<p>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.</p>	<p>The Council has robust arrangements in place to ensure compliance with legislative and regulatory standards, supported by the roles of the statutory Officers. These officers oversee governance and ensure adherence to legal requirements, supported by the Constitution, Codes of Conduct, and regular training on ethical behaviour, including managing conflicts of interest, gifts, and hospitality. The Standards Committee and regular reports such as the Standards and Ethical Indicators ensure compliance is monitored and enforced.</p> <p>The Council’s Procurement Policy 2023-2026 outlines procedures to ensure compliance with current legislation. The Contracts Register further supports transparency and accountability in procurement activities, while the Fraud and Corruption Policy helps safeguard ethical standards.</p>	<p>G</p>

- 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 – commentary on arrangements



We considered how the Council:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	<p>The Council uses financial and performance information to monitor service delivery, workforce, and operational performance through quarterly Integrated Performance Reports and Budget Monitoring Reports. We have previously made an improvement recommendation "Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports." The arrangements in place are appropriate for a council of this size and capacity. We have therefore closed the recommendation.</p> <p>In previous years we have raised an improvement recommendation "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." The Council uses benchmarking and external support on areas such as climate change and budget setting. The Annual Governance Statement explains that the Council undertakes benchmarking across a number of services. Examples given are customer services, benefits, and planning. We have closed our recommendation.</p>	G
evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council has appropriate arrangements in place to evaluate its services, focusing on financial, social, environmental, and health-related value. The Council uses benchmarking to help identify cost-saving opportunities while maintaining service quality. Additionally, the Climate Change Strategy highlights the Council's commitment to broader social and environmental outcomes.</p> <p>Progress on the Local Government Association (LGA) Corporate Peer Review Action Plan has been closely monitored, with the majority of actions completed and no significant issues reported, although the last publicly reported update was in June 2023. The Council continues to progress the remaining recommendations and meet with the LGA to discuss progress.</p>	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 – commentary on arrangements (continued)



## We considered how the Council:

## Commentary on arrangements

## Assessment

<p>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</p>	<p>The Council has established sound arrangements to engage with key stakeholders and partners to develop and review its strategic priorities, ensuring alignment with objectives. Budget Monitoring, Corporate Performance and Operational Updates provide assurance to Members that partnerships are delivering value, with no significant financial or service failures reported. This includes the Leicestershire Resources and Waste Strategy and key services, such as leisure services. Internal Audit have highlighted that there is scope to improve the content of performance data provided to the Council in respect of the Lightbulb partnership which supports residents to remain safe in their homes through collaboration with multiple agencies.</p>	<p><b>G</b></p>
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The risk register includes partner failure as a key risk with comprehensive actions taken and arrangements in place to mitigate risks clearly set out. The net risk is reduced to 4 (low).</p> <p>Internal Audit rated contract management as "Moderate Assurance," indicating that while controls are adequate, there is room for improvement in monitoring processes. Internal Audit reported the "audit has identified a number of areas where improvements can be made to the arrangements in place to manage the performance of SLM, including the introduction of regular site visit 'audits' to the leisure centres, receipt of relevant documentation in support of dashboard reporting provided by SLM, more timely provision of dashboard reports and improved detail on complaints management."</p> <p>Internal Audit also undertook a "Procurement" review as part of their 2023/24 work, providing "Significant" assurance. They summarised "Expert procurement advice is obtained through a contract with Welland Procurement (hosted by Melton Borough Council). This is a 3-year contract running from March 2021 until March 2024. This contract was not renewed, and specialist procurement advice will be sought on a case by case basis. Our review of the Council's published payment and order listings highlighted a large number of individual payments to one contractor where no formal contract was in place." There is therefore scope for the Council to further develop arrangements in this area. We have not duplicated the Internal Audit recommendations, however we have rated this criterion as "Amber".</p> <p>The Council has appropriate arrangements in place to monitor, control and report on large capital projects. For example, the office relocation to Brocks Hill.</p>	<p><b>A</b></p>

**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.

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



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 In order to ensure that it remains financially sustainable in the medium term and is able to balance its annual budget without the need to use reserves, the Council needs to develop further income generation or savings schemes in order to address the forecast gap in its Medium Term Financial Plan. Members will need to continue to take difficult decisions when necessary.	Improvement	Financial Sustainability	Review of the Quarter Two 2024/25 financial report and draft Medium Term Financial Plan to 2029/30.	The Council has made significant progress in ensuring its financial sustainability. However, challenges remain and it is important that Officers continue to identify opportunities to address the forecast deficit and that Members take difficult decisions when necessary.	The financial sustainability of the Council is at the forefront of all of the Senior Leadership Team's decisions. All financial decisions require a full business case and work is underway with the Members to increase fees and charges, increase income generation and to rationalise assets to ensure that we are able to balance the Medium Term Financial Plan in the future.  Work with Members is ongoing to ensure that they are fully aware of the financial position of the Council to ensure that the message of savings and sustainability continues.

\* 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.

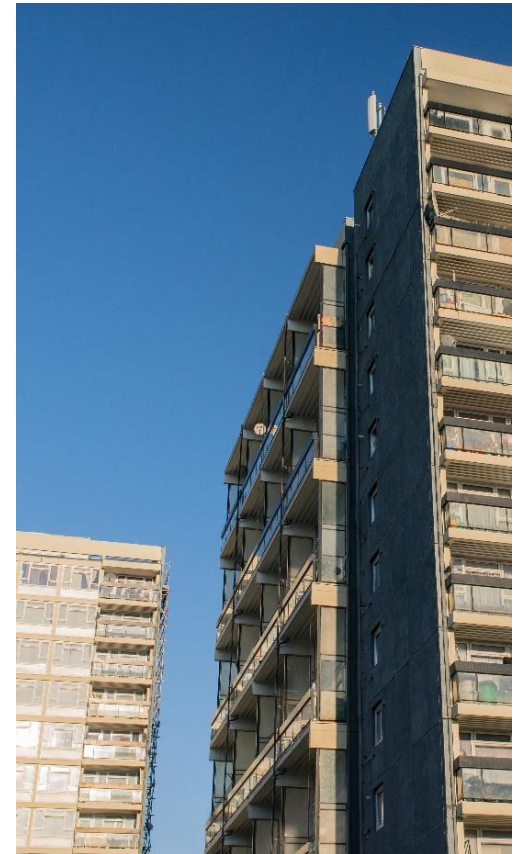
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
KR1 The Council needs to take urgent action to implement savings plans identified in order to ensure that the use of reserves to balance the budget does not continue and that the Council does not find itself in a position where it is unable to fund its expenditure in 2025/26.	Key	January 2024	The 2024/25 budget setting and Medium Term Financial Plan (MTFP) report to February 2024 Council states that the General Fund revenue budget is balanced, with no use of reserves and that the MTFP 2024/25 to 2028/29 shows a forecast cumulative surplus. The report shows the movements from the budget gap in December of £1.267m (when we issued our KR) to the breakeven position. This actually includes a further £0.326m of growth and pressures, so is a balanced presentation. Members have taken the difficult decisions required.	Yes	We have raised an improvement recommendation on page 17.
IMP1 The Council should enhance its public reporting of financial planning by including more detail on the work that has taken place to develop key assumptions and any sensitivity analysis, especially around increased charges for services it provides.	Improvement	January 2024	The Chief Financial Officer's S.25 Statement in the Budget Reporting includes the impact of a 1% change in key budget assumptions, including New Homes Bonus, Business Rates, Council Tax, pay costs, cost of services and income. The report also shows MTFP scenario analysis, with three different scenarios, with the base version (as presented in the detailed report) the most likely.	Yes	No
IMP2 The Council should only include savings or income generation schemes in financial plans when they are fully worked up and, ideally, have been approved by Members.	Improvement	January 2024	Members received two briefings, Star Chambers and three iterations of the budget. Members were therefore well sighted on the income generation and savings proposals.	Yes	No

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

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
IMP3 Officers and Members need to work together, taking difficult decisions where required, to ensure that the Council is put on a more financially stable longer term footing.	Improvement	January 2024	This was superseded by our subsequent key recommendation.	Yes	No
IMP4 The Council needs to enhance reporting against all savings and income generation plans to provide both Members and the public with assurance that progress is being made and to identify areas where corrective action is required.	Improvement	January 2024	Public reporting at Quarter One 2024/25 clearly shows each income generation or savings project, the forecast and an update on progress or explanation for any variances. The recommendation has been addressed.	Yes	No
IMP5 The Council should enhance public budget setting reporting to clearly demonstrate how major investments – capital or revenue – will contribute to achieving the Council's priorities.	Improvement	January 2024	The 2024/25 budget setting and MTFP report to February 2024 Council explains how capital schemes are evaluated and prioritised, with criteria including whether there is statutory and legislative support, and compliance with the Council's corporate objectives. However, the report does not show how the individual schemes support delivery of the objectives.	No	Yes – carried forward.

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

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
IMP6 The Council needs to ensure that both revenue and capital budgets are realistic and achievable to avoid significant revenue overspends or capital underspends.	Improvement	January 2024	The Council made enhancements as part of the 2024/25 budget setting process, but we cannot conclude on the effectiveness of these at this stage. The 2023/24 outturn saw significant overspending, partly as a result of errors in budget setting	No	Yes – carried forward.
IMP7 The Council needs to continue with its efforts to ensure that it has an appropriately resourced and skilled finance team.	Improvement	January 2024	The Chief Finance Officer and Deputy are now both permanent members of staff and the finance team includes only one interim staff member, with plans to recruit to this position on a permanent basis by the end of 2024. Our recommendation can be closed.	Yes	No
PY1 Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves	Improvement	January 2023	Superseded by the subsequent Key Recommendation.	Yes	No

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

# Appendix C: Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
PY7	Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports.	Improvement	January 2023	The Council has made progress in this area, particularly with regard to service activity where this impacts finances. Whilst there is scope for further development, the arrangements are appropriate for a council of this size and workforce capacity.	Yes	No
PY9	The Audit Committee reviews its effectiveness against CIPFA's best practice guidance (see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)).	Improvement	January 2023	The Audit Committee Self-Assessment shows that this has been undertaken and was reported in January 2024. There is also an action plan, which also includes a training plan for Members.	Yes	No
PY10	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	January 2023	The Annual Governance Statement explains that the Council undertakes benchmarking across a number of services. Examples given are customer services, benefits, and planning.	Yes	No

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

