



Please ask for: Matt Berry
Extension No: 4589
E-mail: mattberry@cannockchasedc.gov.uk

30 January 2024

Dear Councillor,

Joint Cabinet and Audit & Governance Committee
6:00pm on Wednesday 7 February 2024
Meeting to be held in the Council Chamber, Civic Centre, Cannock

You are invited to attend this meeting for consideration of the matters itemised in the following Agenda.

Yours sincerely,

T. Clegg
Chief Executive

To: **Councillors:**

Cabinet

Johnson, T.B. Leader of the Council

Newbury, J.A.A. Deputy Leader of the Council and
Regeneration & High Streets Portfolio Leader

Elson, J.S. Community Wellbeing Portfolio Leader

Muckley, A.M. Environment and Climate Change Portfolio Leader

Thornley, S.J. Housing Portfolio Leader

Preece, J.P.T.L. Parks, Culture, and Heritage Portfolio Leader

Prestwood, J. Resources and Transformation Portfolio Leader

Audit & Governance Committee

Dunnett, M.J. (Chair)

Jones, P.G.C. (Vice-Chair)

Bishop, L.

Hill, J.

Hoare, M.W.A.

Johnson, J.P.

Stanton, P.

Agenda

Part 1

1. Apologies

2. Declarations of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

To declare any interests in accordance with the Code of Conduct and any possible contraventions under Section 106 of the Local Government Finance Act 1992.

3. Auditor's Annual Report for 2021-22 and 2022-23

Report of the External Auditors (Item 3.1 - 3.47).

4. Council's Response to the Auditor's Annual Report for 2021-22 and 2022-23

Report of the Deputy Chief Executive-Resources & S151 Officer (Item 4.1 - 4.17).



Auditor's Annual Report Cannock Chase District Council

2021-22 and 2022-23

January 2024



Contents



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.



Section	Page
Executive summary	03
Statutory recommendations	07
Key recommendations	13
Use of auditor's powers	27
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	28
Financial sustainability	29
Improvement recommendations	33
Governance	34
Improvement recommendations	38
Improving economy, efficiency and effectiveness	39
Follow-up of previous recommendations	42
Appendices	
Appendix A – Responsibilities of the Council	45
Appendix B – An explanatory note on recommendations	46

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Executive summary (1 of 4)

Value for money arrangements and statutory and key recommendations

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

Auditors are required to report their commentary on the Council’s arrangements under specified criteria. 2020-21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council’s arrangements for 2021-22 and 2022-23 given the similarity in issues between years and also the timing when the work was undertaken. As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

We identify ten significant weaknesses in the Council’s arrangements for value for money (VfM) resulting in three statutory and seven key recommendations

The Council have faced significant resource challenges since the pandemic which has meant that they have had to make choices on how it uses the resources it has available. In 2020-21 the Council initiated an upgrade to the financial ledger system which placed significant pressure on the capacity of the finance team. The Council bought in no specialist resource or additional support to scope or implement the new system or to programme manage its implementation. This lack of capacity has resulted in some of the weaknesses highlighted in this report

Our findings of the VfM audit for 2021-22 and 2022-23 identifies ten significant weaknesses that covers all three areas covered by our VfM work.

The three statutory recommendations relate to the urgent need to improve financial planning and monitoring and the urgent need to address the Council’s non-compliance with its statutory health and safety duties relating to the HRA. It is failing to comply with the Regulator for Social Housing’s consumer standards, including the Home Standard. The Council also needs to significantly improve its HRA management, business planning and financial sustainability.

The seven key recommendations relate to the need for a savings programme to address the medium-term financial gap rather than planned use of reserves, risk management requires significant improvement in the Council’s strategic and operational arrangements including for housing, the Council needs to address significant weaknesses relating to internal controls in ICT and fraud and it lacks a performance framework and is not using performance data to drive improvement and identify savings. The Council also has significant weaknesses its arrangements for asset management that have caused the risk of harm to its tenants and its arrangements for procurement and contract management are not adequate.

Our conclusions are summarised in the table on the next page and set out in detail on pages 7 to 26.

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Our Responsibilities

As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to inadequate arrangements relating to issues with financial planning and financial monitoring arrangements, lack of strategy and management of HRA and compliance with statutory HRA obligations. Further details are set out in the attached report.

What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

At that public meeting the Council must decide

- whether the recommendations are to be accepted; and
- what, if any, action to take in response to these recommendations.

Schedule 7 specifies the meeting publication requirements that the Council must comply with.

Executive summary (2 of 4)

Ten significant weaknesses are identified in the Council's arrangements for value for money (VFM) resulting in three statutory recommendations and seven key recommendations

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendations made	Three significant weaknesses in arrangements identified resulting in two statutory recommendations and one key recommendation. One improvement recommendations made.	Three significant weaknesses in arrangements identified resulting in two statutory recommendations and one key recommendation. One improvement recommendation made.	↓
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made	Four significant weaknesses in arrangements identified resulting in one statutory recommendations and three key recommendations. One improvement recommendation made.	Four significant weaknesses in arrangements identified resulting in one statutory recommendations and three key recommendations. One improvement recommendation made.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendation made	Five significant weaknesses in arrangements identified resulting in two statutory recommendations and three key recommendations. No improvement recommendations made.	Five significant weaknesses in arrangements identified resulting in two statutory recommendations and three key recommendations. No improvement recommendation made.	↓

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (3 of 4)



Financial sustainability

In our Auditor's Annual Report (AAR) 2020-21 we identified the Council should put in place a more detailed and regular process for monitoring budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council and we recommended the Council reviews finance team capacity. We have identified a significant weakness in the Council's arrangements for financial planning and monitoring in both 2021-22 and 2022-23 which has extended into 2023-24. There was no formal financial planning or monitoring in either year on revenue or capital. In our opinion these weaknesses were caused by a lack of financial leadership in 2021-22 and 2022-23 and ongoing finance team capacity pressures. A lack of formal monitoring continued into 2023-24. We make a statutory recommendation on page 7.

Finance team capacity in both years was impacted by the Council's decision not to bring in additional capacity to support the scoping, testing or implementation of the new finance system which has placed significant strain on the team. The lack of capacity in finance extended into 2022-23 and 2023-24. On 8 December 2022, the new Deputy Chief Executive (Resources) and S151 joined the Council. This is a joint post with Stafford Borough Council. In September 2023 he started a review of finance team capacity and planned to reset the culture of finance in the Council.

The Council has not reviewed its HRA 30-year business plan since 2015 and the last full review was in 2012. We expect this updated annually aligned to budget setting. A stock condition survey has not been delivered since 2012. Without stock condition the Council lacks an understanding of its HRA requirement and can not effectively plan its capital programme. The Council does not have an HRA asset management strategy, plan or asset register or a planned maintenance programme in either year. These were not in place by December 2023. Councils with HRA must have a major repairs reserve to plan investment of its annual major repairs allowance. The Council had HRA major repairs reserves in 2021-22 of £6.87m and £6.07m in 2022-23 but no major repairs reserve is forecast for 2023-24 or 2024-25. While a Housing Strategy is no longer a legal requirement, we would expect the Council to have a place-based housing strategy for the geographical area and to be working with its housing and other key partners. The Council needs to significantly improve its HRA management, business planning and financial sustainability. We make a statutory recommendation on page 9. This recommendation also applies to improving economy, efficiency and effectiveness.

The Council does not have a robust plan to address its financial gap in 2021-22 and 2022-23 for the medium-term, instead it was making planned use of reserves. Using reserves to fund future budget gaps is unsustainable. On 2 February 2022, the Cabinet was told there was a budget gap of £5.945m by 2024-25. On 26 January 2023, the Cabinet was told there was a budget gap of £5.729m by 2025-26 including £1.3m required to balance the 2022-23 outturn and £0.902m to fund the 2023-24 budget from reserves. The Council is starting work in 2023-24 to address this gap but has no current savings programme in place in September 2023. The scale of budget gap means the Council will likely require a transformative approach to achieve VFM and maintain effective services. We make a key recommendation on page 13. We also raise an improvement recommendation to introduce a costed workforce strategy (page 33).



Governance

The Council has significant weaknesses in internal controls relating to ICT and fraud, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas and we have made key recommendations to address these on page 17 and 19. In our AAR 2020-21 we identified that internal audit recommendations were not followed-up and we raised an improvement recommendation which is not actioned. This related to critical information systems not supported by IT, Cyber and Network Security and Information Governance audits. These issues were still present in 2021-22 and 2022-23. A further Internal Audit carried out on Cloud Strategy and Security in 2021-22 gave partial assurance and found the Council's policy for hosted solutions was not updated since 2015. We found in both years, ICT did not undertake performance monitoring or reporting to address security weakness identified from the security monitoring software or to improve the Council's ICT security. The Council's Technology Strategy was out of date in both years and access to critical systems and data by non-corporate devices was possible during 2021-22 and 2022-23.

In our AAR 2020-21 we found there was no central coordination of the National Fraud Initiative (NFI) data matches and no dedicated counter fraud officer with reliance on services to review the datasets with no formal reporting or monitoring. We raised an improvement recommendation which is still outstanding. In 2021-22 and 2022-23, the Council also only had eight days of internal audit time dedicated to fraud risks. The Council's arrangements to prevent and detect fraud are significantly out of date. They rely on an Anti-Fraud and Bribery Framework and a Confidential Reporting Framework both from 2014. Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud and make a key recommendation on page 19.

Executive summary (4 of 4)



Governance (continued)

The Council's Risk Management Strategy and Policy Framework (March 2016) needs updating, and SRR format improving. Risk, performance and finance reporting needs to be integrated for Cabinet and reported quarterly. Some risk controls are out-of-date in 2021-22 and 2022-23 given the lack of finance monitoring which is identified as a control measure. The Council should develop a housing risk register aligned to the SRR and use this as a tool to drive improvement. Risks in housing need a clear escalation process to the SRR to ensure that strategic risks such as non-compliance with statutory responsibilities are mitigated and controlled at Council level as well as in the service. It will be important that the housing risks are managed down and that assurances are in place and clearly reported to elected members to provide assurances. We make a key recommendation on page 15. We also raise an improvement recommendation to update the Officer Code of Conduct (page 38). The lack of finance team capacity extended across both 2021-22 and 2022-23 and into 2023-24 which we discuss on page 20 and 21. We include this in our statutory recommendation on page 7.



Improving economy, efficiency and effectiveness

The Council is non-compliant with its statutory health and safety duties relating to the HRA. It is failing to comply with the Regulator for Social Housing's consumer standards, including the Home Standard. There is evidence of a failure to meet minimum service standards in relation to social housing and of a repeated failure to achieve improvements in building safety. In both 2021-22 and 2022-23 the Council was non-compliant in building safety. This continued into 2023-24. These failures were first identified in 2020-21 and include a lack of fire safety checks, no asbestos survey and no central compliance register for building safety. The Council was also not routinely completing block inspections and internal audit in 2022-23 identified the risk that blocks are not in a safe condition impacting on tenant safety. In December 2022, the Cabinet was told fire risk assessments were last carried out to blocks in 2017. No new assessments were delivered until Quarter 2 of 2022-23. Intrusive fire risk assessments were needed for 36 general needs blocks and 4 sheltered scheme blocks. All blocks required works to remedy high risk passive fire protection which continued in 2023 and was still ongoing in September 2023. We identify this as a significant weakness and make a statutory recommendation on page 9.

We find performance management arrangements were weak in both 2021-22 and in 2022-23 with no evidence the Council has a performance management framework to deliver its Corporate Plan. This meant the Council was reactive to challenges rather than proactively forward planning or anticipating issues before they emerged. We make a key recommendation on page 21.

In December 2022 Internal Audit gave a limited assurance rating to a review of asset management arrangements including the lack of a comprehensive asset register, lack of appropriate management information systems to support asset management processes and identified no corporate lead for asset management. Internal audit identified as a theme to their 2022-23 audits a lack of clarity over responsibilities for buildings and their maintenance and routine compliance inspections. There is also a lack of asset management strategy, plan or asset register for the HRA. In our opinion this was caused by a lack of leadership for asset management. We make a key recommendation to significantly improve asset management (page 23).

The Council has shared some services with Stafford Borough Council since April 2011. During 2021 it began sharing the Chief Executive on an interim basis and on 7 December 2022, Full Council agreed to extend its service sharing with Stafford. The sharing agreement includes all services apart from the Housing Revenue Account in Cannock, both housing registers and elections. The first two key stages are complete with a new joint Leadership Team including two new Deputy Chief Executives. Full transformation is planned over three years. The two Councils have established a Shared Services Board with members from each Council and the joint Leadership Team. The Deputy Chief Executive (Resources) is developing a strategic transformation plan and is bringing in a transformation resources and skills. Transformation costs are funded from ear marked transformation reserves.

The Council does not have a Procurement Strategy. It has an out-of-date contracts register and out of date procurement regulations. It has no client lead for procurement and contract management and relies on Staffordshire County Council for procurement advice. It has no planned procurement programme. Procurement processes are not always followed correctly and an overreliance on the use of waivers. This meant contracts were not always market tested fully or work was issued outside of contract agreements or on contracts that had expired. Lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. In June 2023 Internal Audit reported the housing maintenance team did not engage with them on their procurement audit in relation to the procurement of ten housing contracts. They also found a lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. There is no central record of waivers. We make a key recommendation on page 25. The Council is aware it needs improvement in these areas and has included the Contracts Register in its planned governance improvements for 2023-24 and 2024-25.

Statutory recommendation 1



Financial sustainability and Governance

Statutory recommendation 1

The Council needs to improve its financial planning and financial monitoring arrangements by:

- ensuring it has adequate capacity in its finance team and ensure that budget holders receive formal financial monitoring reports during the year.
- putting in place a MTFS built on robust modelling and assumptions and an updated Capital Strategy that complies with the revised Prudential Code.
- producing draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively

Audit Year

2021-22 and 2022-23

Why/Impact

The lack of financial planning and monitoring in both years meant the Council could not deliver an efficient budget in 2021-22 or 2022-23 which impacted on its financial sustainability and on governance. As a result, it also failed to meet statutory financial statement audit deadlines.

Auditor judgement

The Council's arrangements for financial planning and financial monitoring are not adequate.

Summary findings

In our AAR 2020-21 we identified the Council should put in place a more detailed and regular process for the monitoring of budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council and recommended the Council reviews finance team capacity. We have identified a significant weakness in the Council's arrangements for financial planning and monitoring in both years which has extended into 2023-24. There was no formal financial planning or monitoring in either year on revenue or capital. In 2021-22 there was no treasury management mid-year reporting and the annual Treasury Management report for 2021-22 was a year late. In our opinion these weaknesses were caused by a lack of financial leadership in 2021-22 and 2022-23 and ongoing finance team capacity pressures. Finance team capacity in both years was impacted by the Council's decision not to bring in additional capacity to support the scoping, testing or implementation of the new finance system which has placed significant strain on the team. The finance team did not engage budget holders during 2021-22 and 2022-23 to review their financial requirements and challenge revenue or capital budget variances. There is historical underspending on revenue outturn compared with agreed budgets and historic capital slippage. The Council has no savings programme in place despite its identified financial gaps and reliance on reserves to fund its 2023-24 budget. It is not compliant with the CIPFA Financial Management Code in both years or the Prudential Code. Finance team capacity and a lack of reporting has delayed statutory the financial audit for 2021-22 by a year and the Council is yet to publish financial statements for 2022-23.

Statutory recommendation 1

Management comments

The Council has been through a very challenging period with numerous demands and challenges being overcome by the finance team over the time span of this audit. The findings are helpful and highlight the need to increase the capacity of the finance team to ensure that it can carry out its statutory functions whilst supporting the organisation and its wider ambitions. This is being reflected in the 2024/25 budget setting with very significant investment being included in the base budget position to increase the capacity in the finance team. In addition, a budget is being included for transformation to review processes and systems to further support this, which includes several of the actions referred to throughout this report.

Progress has been made in 2023-24 with formal monitoring restarting, engagement with budget holders and a zero-based budgeting exercise to identify and rectify budget areas of recurring over/underspending. There is still work to be done and a review of the finance structure will be undertaken to ensure adequate resource is put in place to continue this work. In addition, before new projects or workstreams begin, an assessment will be undertaken to ensure that the team will be able to support and deliver it or if new additional resource is required.

A lessons learned will be undertaken on the system implementation; this review will be undertaken with support from Internal Audit. The crisis in local government audit is well documented and Cannock is far from unique in not having completed the sign-off its accounts as detailed above. Central government is expected to issue guidance on this in the new year. A full review of policies and compliance will be undertaken as new resource is added to the team. Balanced budgets have been set each year in line with the best information available and signed off by the relevant S151 officers that they are robust in line with guidance.

Statutory recommendation 2

Financial sustainability and Improving economy, efficiency and effectiveness **Statutory Recommendation 2**

The Council should:

- deliver a full stock condition survey to inform a revised 30-year business plan which includes sensitivity analysis and put in place an investment strategy and update these annually aligned to the budget setting timescales.
- develop a place-based housing strategy for Cannock Chase District working with its housing and other key partners.
- update the Housing Allocations Policy and the Housing Register and ensure these are reviewed regularly.
- develop an HRA asset management strategy and effective housing asset management record keeping for each property which are updated regularly, including regular review of its HRA asset register aligned to stock condition data, compliance data and finance and implementing regular planned maintenance.
- review HRA reserves to ensure it has a major repairs reserve in place for planned maintenance and compliance.

Audit year

2021-22 and 2022-23

Why/impact

The Council needs to significantly improve its HRA management, business planning and financial sustainability.

Auditor judgement

The HRA capital programme does not align with service improvement and development priorities because these are not understood by the service given the lack of an updated HRA business plan, no asset plan or register and no updated stock condition information. The Council also lacks performance information in the HRA and is not using financial and performance information to assess performance and identify areas for HRA improvement. The Council does not have a major repairs reserve as required in 2023-24. We identify a significant lack of leadership in housing.

Summary findings

The Council has not reviewed its HRA 30-year business plan since 2015 and the last full review was in 2012. We would expect this to be updated annually aligned to the budget setting process. However, this relies on accurate stock condition data which had not been updated since 2012. Without stock condition the Council lacks an understanding of its HRA requirement and can not effectively plan its capital programme. The Council does not have an HRA asset management strategy, plan or asset register and it has no planned maintenance programme in either year. These were not in place by October 2023. Councils with HRA must have a major repairs reserve to plan investment of its annual major repairs allowance. The Council had HRA major repairs reserves in 2021-22 of £6.87m and £6.07m in 2022-23 but no major repairs reserve is forecast for 2023-24 or 2024-25. The Housing Allocations Policy needs updating from January 2017 and the Housing Register needs reviewing. While a Housing Strategy is no longer a legal requirement, we would expect the Council to have a place-based housing strategy for the geographical area and to be working with its housing and other key partners.

Statutory recommendation 2

Management comments

The Stock condition survey has been completed during 2023/24 for 20% of the stock. This information is being used to inform stock investment decisions and works to properties as appropriate. A revised approach is being implemented moving forwards whereby a full stock condition survey will be carried out by external consultants. This work will be completed as soon as is practicably possible. It is anticipated that a procurement exercise will be run early in the new year once the HRA budgets have been approved by Council. In addition to this, inspections are undertaken to inform the annual capital investment programme; these take the form of home inspections, Surveyors / Inspectors / Engineers and Operatives reporting any defects and proactive remediation being undertaken as appropriate.

The Allocations policy has been reviewed and is currently out to consultation. The final Policy is due to be presented to Cabinet in March 2024. The review of the Housing Allocations register was completed Autumn 2023 and monthly reviews are undertaken as a matter of policy.

We currently have unique identifiers for all of our properties and extensive information is held about them. The need is to bring this altogether in one place which this work will do. We are currently investigating the needs of the organisation with regards to the provision of asset management services. This includes processes, procedures and software. Once this work is completed a specification for a software package will be developed. As part of budget setting for 2024/25 budget provision has been made to support transformational work.

The Housing Revenue Account Net Expenditure for the 2022/23 financial year was set by the Cabinet in February 2022 with a transfer to Working Balances of £0.088 million. The final net position was a surplus of £0.151 million. The capital resources available to the HRA are also very substantial. After financing the HRA capital programme, the HRA has £25.122 million of capital resources as at 31 March, 2023 to finance the programme up to 2025/26. The uncommitted resources as at 31 March 2026 are now estimated to be £12.925 million, a £3.070 million increase on the forecast as included in the Approved Budget. The HRA has a major repairs reserve in place as per the required accounting requirements.

It has not been possible to update the 30 year business plan due to the need to complete a full stock condition survey to inform the figures. It is currently planned to revise and update the business plan once the stock condition work has been completed.

We have a Housing, Homelessness & Rough Strategy in place, but we intended to build on this and develop it further. Following the appointment of the new Deputy Chief Executive for Place we are considering our role in the wider area and our relationships with other providers/ organisations in this space. We are intending to develop the existing strategy into a place-based strategy over coming years as it becomes clear what the needs of the area and our tenants are.

Statutory recommendation 3



Improving economy, efficiency and effectiveness

Statutory Recommendation 3

The Council needs to urgently address its significant weaknesses in compliance with statutory HRA obligations by:

- addressing the breaches to its statutory responsibilities concerning tenant health and safety and considering if it needs to be short-term measures in place while it is doing so to minimise risks to tenants and ensuring non-compliance is reported to the Regulator for Social Housing
- developing a risk-based based improvement plan to address its health and safety breaches working with the Regulator for Social Housing
- ensuring it has an asset register for its homes and that each one has a unique record for building safety compliance checks which is regularly reviewed and updated and monitored against robust performance targets for building safety which are reported to members.
- undertaking a review of its compliance against the updated housing consumer standards, July 2023, ahead of them being mandated on 1 April 2024.

Audit year	2021-22 and 2022-23
Why/impact	The failure to meet building safety compliance standards could have a significant impact on the safety of the tenants living in Cannock's HRA.
Auditor judgement	The Council is failing to meet minimum service standards in its housing service and there is historic failure to achieve improvements in building safety. It is also failing to meet statutory equalities duties.
Summary findings	The Council is non-compliant with its statutory health and safety duties relating to the HRA. It is failing to comply with the Regulator for Social Housing's consumer standards, including the Home Standard. The Home Standard requires the Council to meet all statutory requirements that provide for the health and safety of tenants in their homes and to have a cost-effective repairs and maintenance service. There is evidence of a failure to meet minimum service standards in relation to social housing and of a repeated failure to achieve improvements in building safety. In both 2021-22 and 2022-23 the Council was non-compliant in building safety. This continued into 2023-24. These failures were first identified in 2020-21 and include a lack of fire safety checks, no asbestos survey and no central compliance register for building safety. These continued in both 2021-22 and 2022-23 and some of the building safety issues were ongoing in September 2023. A review of a sample of compliance records for communal blocks in October 2023 showed fire safety checks are still out of date and legionella risk assessments also need undertaking. The Council was also not routinely completing block inspections and internal audit in 2022-23 identified the risk that blocks are not in a safe condition impacting on tenant safety. In December 2022, the Cabinet was told fire risk assessments were last carried out to blocks in 2017. No new assessments were delivered until Quarter 2 of 2022-23. Intrusive fire risk assessments were needed for 36 general needs blocks and 4 sheltered scheme blocks. All blocks required works to remedy high risk passive fire protection which continued in 2023 and was still ongoing in September 2023.

Statutory recommendation 3

Management comments

There is a record of Building Safety Compliance which is linked to our evidence of risks assessments and safety checks. This record pulls together several different systems and data sources to work up a holistic picture of each individual property. This includes an asbestos register, gas safety records, electrical inspection condition report records, Water hygiene records, fire safety records, lift servicing records which are all held in a central electronic file. It is intended that these records will be reviewed and uploaded into an appropriate software solution to make reporting easier on an asset-by-asset basis.

We accept that there were some shortcomings in our safety inspections as highlighted but since that time, fire risk assessments have been procured along with the Intrusive Asbestos Surveys. Following this a budget was approved and a Contractor was appointed to carry out remedial works. Legionella checks are being undertaken.

A review of compliance against the updated housing consumer standards was carried out in September 2023. There will be an ongoing review of the consumer standards and an Improvement Plan will be developed. Moving forward detailed performance information will be provided to members on a quarterly basis as part of the Council's corporate KPI reporting.

A comprehensive review of the HRA has been commissioned and is currently being procured. We anticipate that the consultants will be appointed in January 2024. This will be used, alongside the review of the consumer standards, to develop an improvement plan for the service. The first phase of the review will focus on building safety compliance.

As part of the HRA programme moving forwards there will be an immediate and clear focus on governance. The wider HRA review being commissioned will also pick up specifically the governance and framework landscape of the HRA with a review on key oversight/process/systems/reporting/accountability and decision making. This is a fundamental requirement of the HRA.

As a minimum, it is proposed to establish a Housing Board which will provide the principal governance and oversight of the HRA. This Board will consist of elected members, key senior officers, external stakeholders and resident representation. The Board will have full terms of reference and will align with the wider governance structures of CCDC. In addition to the Housing Board, there will be key Working Groups that lead on the detailed work programme areas for the HRA.

The Deputy Chief Executive for Place will support the Housing Board and provide leadership and oversight of these work programme(s) with multi-discipline involvement of all key service departments including finance, legal, other.

There will be defined meetings across the calendar year and regular monitoring/reporting updates will be provided across all Performance Indicators on a quarterly basis (or as required) and oversight of HRA operational delivery.

The Board will also directly input and assist with the wider strategic development of the HRA and its role within the District as a whole. The Housing Board will have a clear and established accountable role and will be a key interface both internally and externally at Cannock/Staffordshire.

The Housing Property Services Team has been restructured to accommodate regulation changes: Business case to fund a Compliance Officer (Managing Asbestos Management and Fire Risk) in July 2020. Restructured Assistant Manager M&E duties to incorporate building safety compliance in May 2021, Assistant Manager (Compliance). Restructured in phases to incorporate 2 Compliance Support Officers.

Key recommendation 1



Financial sustainability

Key Recommendation 1

The Council should develop a corporate saving and transformation programme to help it reduce spending by looking at different ways of delivering services. It needs to:

- use the corporate business plan to identify its budget priorities and review service budgets.
- develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to non-essential spending.
- identify ways to deliver for less by using unit cost benchmarking to review the cost effectiveness of existing activities.
- identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities.
- consult on service changes and future spending plans with the public and include public engagement annually as part of business planning.
- ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working.
- develop early ideas for savings with budget holders and present these members to enable early engagement with key stakeholders and to enable members to see options and the impact of savings on residents across the Council.

Audit year	2021-22 and 2022-23
Why/impact	We identify a significant weakness in arrangements as the Council did not have a robust plan to address its financial gap in the medium-term, instead it was making planned use of reserves. The Council identified it needs to use £5.945m of its earmarked reserves between 2021/22 and 2025/26 to fund the revenue budget and in September 2023 it had no savings programme in place.
Auditor judgement	The Council needs to develop a corporate savings and transformation programme to identify reductions to non-essential spending and review the level at which it is delivering statutory services to ensure it is financially sustainable.
Summary findings	The Council does not have a robust plan to address its financial gap in 2021-22 and 2022-23 for the medium-term, instead it was making planned use of reserves. Using reserves to fund future budget gaps is unsustainable. On 2 February 2022, the Cabinet was told there was a budget gap of £5.945m by 2024-25. On 26 January 2023, the Cabinet was told there was a budget gap of £5.729m by 2025-26 including £1.3m required to balance the 2022-23 outturn and £0.902m to fund the 2023-24 budget from reserves. The Council is starting work in 2023/24 to address this gap but has no current savings programme in place in September 2023. The scale of budget gap means the Council will likely require a transformative approach to achieve VFM and maintain effective services.

Key recommendation 1

Management comments

Due to one year funding settlements from central government councils are unable to balance their budgets in the medium term. They are unable to include central government funding as it has not been announced but planning to bridge this gap in future years would be unreasonable as it is known funding will be announced, just uncertainty around the amount. Closing this gap entirely would lead to the end of many front-line services and be inappropriate as once the funding was announced the Council would be in a surplus position.

By trying to set the budget later the Council is planning to have better information on the central government settlement which can then be included. Benchmarking and reviewing activities are something the council will be integrating into its performance work moving forwards as this will enable it to ensure best value is being achieved, as suggested above. It will also be a key part of the transformative programme to review service delivery and processes which is planned to be implemented over the next two years; this is part of our planned approach to bringing the services together.

Key recommendation 2



Governance

Key Recommendation 2

The Council needs to improve risk management by:

- updating the Risk Management Strategy and Policy Framework including adding an escalation process between the strategic and service risk registers, including risk data transfer and ownership, risk types and agreed risk appetites for each type. The Strategy needs to set the risk levels - leadership / strategic, programme / project level and service level, an escalation process between the corporate and service risk registers, and risk types and agreed risk tolerances for each. It also needs to update risk responsibility which changed in 2017 and separate responsibility for risk management from internal audit.
- formatting the SRR to separate risks from their causes and impact and include whether risks are dynamic or static, identify for each risk type and appetite. It also needs to set out likelihood, impact, score, mitigation to date, likelihood and impact scores after mitigation, direction of travel, planned completion date, linked risks and provide members and the leadership team with a direction of travel at least quarterly.
- ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the SRR.
- integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision-making on risk and include risk considerations in committee paper sign-off.
- integrate risk, performance and financial reporting and report these quarterly to the Cabinet.
- ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the SRR revised format.
- significantly improving risk management arrangements for capital projects.
- adding risks on climate change mitigation and net zero to the SRR and reviewing other risks considering the recommendations identified in this AAR.
- adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement.
- ensuring key risks are updated to include financial planning and monitoring and the lack of HRA compliance with safety measures.
- developing a housing risk register aligned to the SRR and using this to drive improvement and inform the development of the revised 30-year business plan.
- ensuring HRA risks have a clear escalation process to the SRR to ensure that strategic risks such as non-compliance with statutory responsibilities are mitigated and controlled. It is important that the housing risks are managed with assurances in place and reported to elected members.

Audit year

2021-22 and 2022-23

Why/impact

Effective risk management enables councils to improve governance, stakeholder confidence; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

Auditor judgement

Risk management is a significant weakness and requires improvement to strategic and operational arrangements

Summary findings

The Council's Risk Management Strategy and Policy Framework (March 2016) needs updating, and SRR format improving. Risk, performance and finance reporting needs to be integrated for Cabinet and reported quarterly. Some risk controls are out-of-date in 2021-22 and 2022-23 given the lack of finance monitoring which is identified as a control measure. The Council should develop a housing risk register aligned to the SRR and use this as a tool to drive improvement. Risks in housing need a clear escalation process to the SRR to ensure that strategic risks such as non-compliance with statutory responsibilities are mitigated and controlled at Council level as well as in the service. It will be important that the housing risks are managed down and that assurances are in place and clearly reported to elected members to provide assurances.

Key recommendation 2

Management comments

Agreed. The Risk Management Policy & Strategy is currently being updated and will be completed early in 2024. Our new risk management framework will be based on the ALARM model.

As part of our review of the risk management framework, we will revise:

- the format of the SRR;
- introduce directorate risk registers and specific risk registers for Housing and ICT;
- the arrangements for managing project risks (including capital schemes); and
- the presentation of the risks in the annual budget report.

Whilst a review of our SRR will be undertaken as part of the wider review of the policy and strategy, it should be noted that a number of the suggestions made in the recommendation are already in place eg likelihood, impact, risk scores, mitigations, direction of travel etc. Furthermore our reports to committee, already include a section for risk management implications.

Aligning our risk reporting with performance and finance, will be done as part of our transformation work but is likely to take longer to develop.

We do not plan to remove risk management from the role of the Chief Internal Auditor as this is within accepted practice of both the Institute of Internal Auditors and the Chartered Institute of Public Finance and Accountancy. Safeguards are in place, with audits of the risk management process being outsourced, rather than being undertaken by the in-house audit team.

Key recommendation 3



Governance

Key Recommendation 3

The Council needs to urgently address its significant weaknesses in its internal controls relating to ICT by:

- ensuring its systems are fully supported by IT, Cyber and Network Security and making sure all policies are up to date and shared with staff who are appropriately trained and ensuring regular performance monitoring to address any evolving security weaknesses identified.
- ensuring the Council has appropriate arrangements in place to meet information governance requirements including third party data transfers, privacy impact assessments and governance frameworks and ensuring staff know how to use these and access appropriate support and training.
- working with procurement and commissioning to embed ICT controls and information governance in procurement and commissioning decisions.

Audit year	2021-22 and 2022-23
Why/impact	The lack of effective controls for information governance, cyber security and fraud could expose the Council to significant financial or service loss.
Auditor judgement	The Council has significant weaknesses in internal controls, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas.
Summary findings	In our AAR 2020-21 we identified that internal audit recommendations relating to Critical Information Systems not supported by IT, Cyber and Network Security and Information Governance were not followed-up and raised an improvement recommendation which is not actioned. These three issues were still present in 2021-22 and 2022-23. A further Internal Audit carried out on Cloud Strategy and Security in 2021-22 gave partial assurance and found the Council's policy for hosted solutions was not updated since 2015 and was not compliant with current security guidance and technology solutions. In 2021-22 only 50% of staff received cyber security training. We found in both years, ICT did not undertake performance monitoring or reporting to address security weakness identified from the security monitoring software or to improve the Council's ICT security. The Council's Technology Strategy was out of date in both years and access to critical systems and data by non-corporate devices was possible during 2021-22 and 2022-23. In March 2023, the recommendations concerning the Critical Information Systems not supported by IT were still outstanding and the Audit and Accounts Committee were told a further ICT audit received limited assurance. The ICT third party supplier audit had limited assurance with data protection impact assessments, risk assessments and signed confidentiality agreements not always completed or available for third party data transfers. We found significant weaknesses in the Council's ICT control environment. It is our opinion that these weaknesses are caused by a lack of leadership and capacity in the ICT team and could leave the Council open to a greater risk of cyber-attacks, fraud and data governance breaches if not addressed.

Key recommendation 3

Management comments

Priority in addressing recommendations identified in Internal Audit reports, and the external audit recommendations, has been given to ensuring measures have been put in place to improve security. The majority of these have now been addressed, and there are just a small number of IA recommendations still outstanding. Progress has been and continues to be made to address these.

- Critical Information Systems - this was originally a limited assurance but has moved to partial. The only recommendation outstanding is the updating of the IT Security Policy
- Cyber and Network Security & Information Governance - this was originally a limited assurance but moved to partial. There is only one recommendation outstanding which relates to improving the number of staff who have completed their cyber security training (approx. 50% had). The cyber security training has been reissued to staff in December 2023 and an escalation process has been agreed to ensure that all staff complete their training.
- Third Party Supplier Management - this was originally a limited assurance but has moved to partial. The only recommendation outstanding at the last follow-up was the need for an IT contracts register. This has now been completed (copy attached).
- Change Management - this was originally a limited assurance but moved to partial. 3 recommendations were outstanding at the last follow-up and these are being addressed. A draft change management policy had been produced and this will be considered by Leadership Team in the new year for approval. This policy will address the outstanding recommendations from the change management audit.

The Council has invested £250k from government funding into updating its security arrangements and training members of the IT team. Over the last 12+ months we have:

- Put an IT security officer in place (1st February 2023);
- Received £10k grant from NCSC which has been used for Cyber training within the IT team in 2023;
- Received £250k grant from the MHLCG which has been used to improve our IT security arrangements through the provision of security hardware/software (new VPN Software, new firewalls, new email filtering system and a full backup solution across both councils)
- A yearly IT Health check (penetration testing) is performed by external provider and a workplan devised from the findings.
- Cyber Essentials Plus certification received 2022 and is currently in progress for 2023.
- The Council had to pass the PSN accreditation to be allowed to connect to the Public Services Network (copy attached)
- While we accept that some non-corporate devices still have access to critical systems and data, conditional access policies are used within Microsoft Office 365 and our VPN software to determine access to the IT network (this has been in place since 2022).

We are looking at a “network monitoring, detection and response (MDR) solution” and a paper on this will be going to Leadership Team. In the interim we have been making the most we can of the tools within the Microsoft environment including Microsoft Defender and Sentinel products.

It is acknowledged that the focus on putting controls in place and ensuring the security of our systems has meant that progress in updating policies has been slower. But new management arrangements are in place, and we are working on addressing the remaining audit recommendations and updating policies.

The IT Security Policy has been identified as the immediate priority, along with refresher training for staff and this will be completed by April 2024. The Information Governance Framework will also be completed by April 2024.

Key recommendation 4



Governance

Key Recommendation 4

The Council needs to urgently address its significant weaknesses in its internal controls relating to fraud by:

- ensuring there is central coordination for the National Fraud Initiative (NFI) matches.
- putting in place a dedicated counter fraud officer.
- updating the anti-Fraud and Bribery Framework and the Confidential Reporting Framework.
- ensuring work to detect fraud is extended to cover the finance system and procurement arrangements in the Council.

Audit year

2021-22 and 2022-23

Why/impact

The lack of effective controls for fraud could expose the Council to significant financial loss.

Auditor judgement

The Council has significant weaknesses in internal controls relating to fraud, which could expose it to significant financial loss, and it has failed to follow-up on external audit recommendations in this area.

Summary findings

In our AAR 2020-21 we found there was no central coordination of the National Fraud Initiative (NFI) data matches and no dedicated counter fraud officer with reliance on services to review the datasets with no formal reporting or monitoring. We raised an improvement recommendation which is still outstanding. This was also raised by a member of the Council's Accounts and Audit Committee on 16 November 2022. In 2021-22 and 2022-23, the Council also only had eight days of internal audit time dedicated to fraud risks, however, fraud is also considered in audit planning. Responsibility for fraud is shared between Internal Audit and the compliance officers in the Revenues and Benefits Team who mitigate risk in Council Tax fraud. The Council's arrangements to prevent and detect fraud are significantly out of date. They rely on an Anti-Fraud and Bribery Framework and a Confidential Reporting Framework both from 2014. These Frameworks need bringing up to date. Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud.

Management Comments *Management response to follow*

Key recommendation 4

Management comments

We do have a central co-ordinator for the NFI Data Matching. This role has been undertaken by the Chief Internal Auditor & Risk Manager since 2007. He monitors progress and ensures that all significant areas are covered and that data matches are followed up. Reference to the NFI/Fraud work is included in the Annual Audit Report for 2022/23. The Revenues & Benefits Team also do pro-active data matching across the county which covers wider sources than the NFI exercise.

The Internal Audit Team take a pro-active approach to fraud and this is embedded in the planning for each system review, including finance and procurement. The days for this work are accounted for separate to the 8 days referred to; the 8 days relate to working with other organisations on fraud best practise. The Chief Internal Auditor also undertakes a number of key pieces of work relating to fraud, including the NFI work and investigations and this is not accounted for in the 8 days either. The Council doesn't have a high incidence of fraud and considers that the resources allocated are proportionate to the level of risk. We do not consider it realistic to have a dedicated Counter Fraud Officer given the size of the Councils and the nature of our spending.

The Anti-Fraud and Bribery Framework and the Confidential Reporting Framework will be updated. Furthermore, an assessment against the CIPFA Code of Practice for Fraud will be undertaken as part of the review and updating of the policy framework and fraud arrangements extended to cover all aspects of the Council's financial processes and procurement. This will be completed by April 2024.

Key recommendation 5



Improving economy, efficiency and effectiveness

Key recommendation 5

The Council needs to improve its performance management arrangements by:

- establishing a golden thread for the Council, by creating a performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and report these to the public;
- developing annual delivery plans aligned with the Corporate Plan and reduce the number of service specific strategies to ensure the golden thread is in place;
- agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework;
- improving performance reporting to include targets, RAG rating, and actual measures and benchmarking. Reports should use previous year and 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement;
- ensuring the Cabinet receives quarterly performance, finance and risk reports to enable it to hold officers to account;
- using performance and financial data and benchmarking to look at delivery levels of statutory services to ensure the Council is achieving value for money;
- extending the new performance management framework and reporting to key contracts such as waste and leisure;
- developing a strategic approach to assessing the levels of statutory services needed to save money;
- agreeing corporate programme and project management methodology and ensuring its understood and applied across the Council and when commissioning these services.
- internally validating contract performance management, including outcomes, together with cost and risk and reporting these regularly to Cabinet; and
- engaging key stakeholders, where appropriate, to determine local priorities for resources or opportunities for savings.
- developing a data quality policy and ensuring the quality of the Council's core datasets.
- developing a strategic approach to asset management including putting in place a comprehensive asset register and a detailed improvement plan for asset management.
- ensuring the Council learns from complaints and external Ombudsman recommendations to improve its performance.

Audit Year

2021-22 and 2022-23

Why/Impact

Performance management arrangements are weak in both 2021-22 and in 2022-23 with no evidence the Council has a performance management framework to deliver its Corporate Business Plan. Without a framework in place, underpinned by effective performance management and validated data, it will not understand required improvements or have a golden thread to enable officers to understand how they contribute to corporate delivery or identify savings and achieve value for money. The Council was not able to use performance data to drive improvement or achieve value for money or to challenge its contractors. It needs to integrate performance, finance and risk reporting to ensure it is focusing spend on priorities to drive improvement. The Council is experiencing significant cost increases in its leisure contract, and it will require robust strategic monitoring in 2023-24 to identify further savings, scrutinise performance and contract costs. This requires closer member scrutiny.

Auditor judgement

The Council's arrangements for performance management are not adequate.

Summary findings

In 2021-22 and 2022-23 the Council lacked a performance framework and adequate performance monitoring meaning it was reactive to challenge, rather than proactively forward planning or anticipating issues before they emerged. Cabinet members cannot hold officers to account for performance if reporting is weak. Performance benchmarking is not built into the Council's arrangements. The Council is seeing increasing cost on its leisure contract but is relying on the contractor for performance monitoring. The Council needs to develop a savings programme but cannot do so effectively without robust performance arrangements.

Key recommendation 5

Management comments

The Council has performance management arrangements in place to deliver the Corporate Plan. An overarching delivery plan was agreed alongside the Corporate Plan for 2022-26 and priority delivery plans (PDPs) are prepared each year setting out the key actions to be delivered. These are approved by Cabinet/Council. Delivery against each of the 4 key priorities is reported on quarterly and monitored by Leadership Team and reported to Cabinet and the Scrutiny Committees. PDPs have been used to monitor delivery of the Council's priorities for a number of years. The Council has used its priority delivery plans to provide a planned and pro-active approach to delivery of its priorities, rather than the re-active approach referred to in the summary findings above.

The PDPs are supplemented with a number of Key Performance Indicators (KPIs) which report on the performance of operational services. The performance reports are RAG rated for both the PDPs and the KPIs. Targets and comparators with the previous year's performance are also include in the KPI reporting.

A Performance Management Framework will be produced to ensure a golden thread is established. As part of the work on this, steps will be taken to align performance with financial and risk reporting. Benchmarking data will also be used where relevant. This framework is going to take time to fully develop; but steps will be taken to improve performance reporting alongside the new Corporate Plan for 2024/25.

The framework will also include performance management arrangements for the Council's key contractors. The Council is working closely with its leisure contractor to identify further savings, scrutinise performance and contract costs.

A corporate Project Management Methodology will be developed and rolled out in 2024/25 along with training.

The Council is planning a transformation programme as part of our development of shared services. This will include reviewing the level of statutory services, as we know that there are differences between the two councils.

Key recommendation 6



Improving economy, efficiency and effectiveness

Key Recommendation 6

The Council needs to improve its asset management arrangement by developing;

- a corporate asset management strategy and plan
- an HRA asset management strategy and plan
- asset registers and keeping them updated
- management information systems to support asset management processes.
- systems to ensure compliance with building safety inspections.

Audit year	2021-22 or 2022-23
Why/impact	The Council has an important responsibility to ensure that assets are understood, well maintained and operational, and where relevant are available to the community and wider partners to maximise shared working and achieve efficiencies. The Council has particular duties for building safety.
Auditor judgement	The Council has significant weaknesses its arrangements for asset management that have caused the risk of harm to its tenants.
Summary findings	In December 2022 Internal Audit gave a limited assurance rating to a review of asset management arrangements including the lack of a comprehensive asset register, lack of appropriate management information systems to support asset management processes and identified no corporate lead for asset management. Internal audit identified as a theme to their 2022-23 audits a lack of clarity over responsibilities for buildings and their maintenance and routine compliance inspections. There is also a lack of asset management strategy, plan or asset register for the HRA. In our opinion this was caused by a lack of leadership for asset management.
Management Comments	<i>Management response to follow</i>

Key recommendation 6

Management comments

The Council is committed to the safety of our tenants and ensuring that their homes are well maintained. We have records and processes in place to ensure compliance but recognise that further improvements can be made.

A corporate asset management strategy is in place and was approved by Cabinet in June 2022. A fundamental review of the council's corporate assets is currently being planned. The first phase of this has been the creation of an assets management group. This group is reviewing assets held by the council and determining how they add value to the activities of the council. Assets are currently held in spreadsheets, but the intention is to move to a new software solution to hold this.

One of the goals of shared services was to bring together assets under one head of service to ensure efficiencies are achieved and best practice is achieved.

Key recommendation 7



Improving economy, efficiency and effectiveness

Key Recommendation 7

The Council needs to improve its procurement and contract management arrangement by;

- developing a procurement strategy.
- ensuring the contracts register is developed, monitored, kept updated used by all services.
- updating its procurement regulations.
- ensuring it fully meets the Local Government (Transparency Requirements) (England) Regulations 2015 legislation.
- having a suitably trained client lead for procurement and contract management.
- developing a procurement pipeline to improve planning.
- maintaining a central waivers record.
- providing training for officers and members on procurement and contract management to enable them to fully understand their responsibilities for social value and VFM.
- ensuring the Council's shared arrangements for fraud also include procurement and contract management.
- complying with the Local Government Transparency Code by ensuring P card expenditure is kept updated.

Audit year	2021-22 or 2022-23
Why/impact	The Council has an important responsibility to ensure that procurement and contract management arrangements maximise the use of public finances, that value for money is achieved, and procurement delivers strategic priorities.
Auditor judgement	The Council's arrangements for procurement and contract management are not adequate.
Summary findings	The Council does not have a Procurement Strategy. It has an out-of-date contracts register and out of date procurement regulations. It has no client lead for procurement and contract management and relies on Staffordshire County Council for procurement advice. It has no planned procurement programme. Procurement processes are not always followed correctly. This meant contracts were not always market tested fully or work was issued outside of contract agreements or on contracts that had expired. Lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. In June 2023 Internal Audit reported the housing maintenance team did not engage with them on their procurement audit in relation to the procurement of ten housing contracts. They also found a lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. There is no central record of waivers.

Key recommendation 7

Management comments

The Council does have a client lead for procurement. Procurement sits within the remit of the Head of Transformation & Assurance, who acts as the client lead and has a working knowledge of procurement requirements. However, we do not consider it necessary or realistic to expect the client lead to be a procurement expert as the County Council's procurement team are contracted to provide this expertise. The client lead has sufficient knowledge and experience to manage the arrangement with the County's procurement team and provides ad hoc advice to officers.

Whilst the Procurement Regulations are out of date, our arrangement with the County Council ensures that we are legally compliant with all tender processes they provide support for.

The Procurement Regulations will be updated early in 2024/25 to comply with the new legislation being introduced. Consideration will be given as to whether to adopt a standalone procurement strategy or whether to embed the key elements into the Procurement Regulations. Training in procurement and contract management will be delivered once the procurement regulations have been updated and approved.

The Contracts Register will be updated by end of March 2024 and used to develop a procurement pipeline for 2024/25.

Arrangements for compliance with the Transparency Code will be put into place for 2024/25.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>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</p>	We issued three statutory recommendations.	We issued three statutory recommendations.
<p>Public Interest Report</p> <p>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.</p>	We did not issue a public interest report.	We did not issue a public interest report.
<p>Application to the Court</p> <p>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.</p>	We did not apply to the Court under Section 28.	We did not apply to the Court under Section 28.
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> 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 not issue any advisory notices.	We not issue any advisory notices.
<p>Judicial review</p> <p>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.</p>	We did not apply for a judicial review.	We did not apply for a judicial review.

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

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

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

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

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



Financial Sustainability

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



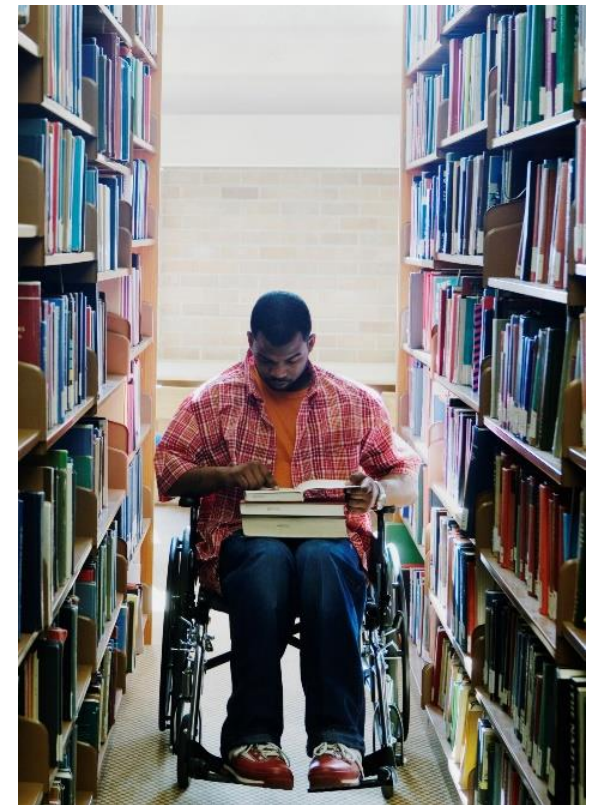
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 29 to 41.

Financial sustainability (1 of 4)



We considered how the Council:

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

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

The Council did not have a robust Medium-Term Financial Strategy (MTFS) in place for 2021-22 or 2022-23. The Housing Revenue Account (HRA) business plan and stock condition survey were not updated since 2012 impacting effective HRA budgetary planning. **We include the need to develop a robust MTFS and update the 30-year HRA business plan with supporting stock condition data in our statutory recommendation concerning financial planning and monitoring on page 7.**

Annual budget setting reflects the impact of key expenditure drivers, such as population changes, pay and other inflationary pressures. In both years, the funding settlement was for one-year creating challenges for financial planning.

In 2021, the gross budget was set at Full Council on 24 February at £14.667m. This included £1.417m from New Homes Bonus (NHB), £5.409m from Business Rates and £6.574m from Council Tax. Council Tax for a Band D property for 2021-22 was set at £225.64 or a 1.95% increase from the previous financial year. The Council Tax base was agreed as 29,136.8, a reduction of 105.72. A general fund deficit of £0.300m existed in 2021-22 and a balanced budget was achieved using earmarked reserves. In 2021-22 the general fund budget assumed a £1.359m gap in 2022-23 and a gap of £1.750 in 2023-24. Housing Revenue Account (HRA) expenditure for 2021-22 was set at £18.662m.

On 16 February 2022 Full Council set Council Tax for 2022-23 at £230.04 an increase of 1.95% or £4.40 on a Band D property. The tax base was set at 29,458.15. An increase of 321 from the previous year.

The 2022-23 gross budget of £13.237m included £5.649m from business rates, £6.777m from Council Tax, and £1.273m from NHB. A deficit of £811,000 existed in 2022-23 and a balanced budget was achieved using earmarked reserves and working balances. Housing Revenue Account (HRA) expenditure for 2022-23 was set at £20.500m.

On 15 February 2023 Full Council determined its gross budget for 2023-24 at £14.941m and set a Band D Council Tax at £236.92 or an increase of 2.99%. The Council Tax base was set at 33,543.50. Housing Revenue Account (HRA) expenditure for 2023-24 was set at £20.784m.

In January 2023, the Cabinet were advised that due to technical and resource challenges, the final outturn for 2021-22 was being finalised with a provisional position of £0.293m underspend. The forecast outturn for 2022-23 showed a requirement for £1.3m to be taken from reserves with a further requirement to use £0.902m of reserves to balance the 2023-24 budget.

In both years, the Section 25 statements in the Cabinet budget papers referenced the reserve levels and external impacts on the estimated budgets and confirmed reserve levels were appropriate. The Council set working balances of £1m for each year. However, in February 2021 working balances were set to reduce to £0.812m in 2022-23 and fall to a potential cumulative deficit by 31 March 2024 of £2.991m. **We identify a significant weakness and include this in our statutory recommendation on page 7.**

How the body plans to bridge its funding gaps and identifies achievable savings

On 2 February 2022, the Cabinet in the report was told there would be a budget gap of £5.945m by 2024-25. On 26 January 2023, the Cabinet was told there was a budget gap of £5.729m by 2025-26 including £1.3m required to balance the 2022-23 outturn and £0.902m to fund the 2023-24 budget from reserves.

As part of budget setting for 2023-24 the leadership and finance teams undertook a budget savings exercise with no budget holder engagement. Savings for 2023-24 and 2024-25 were presented to the Cabinet on 26 January 2023. Budget savings proposals amounted to £0.902m in 2023-24 and a cumulative £2.099m in 2024-25.

Financial sustainability (2 of 4)

How the body plans to bridge its funding gaps and Identifies achievable savings (continued)

This included an expected saving of £0.544m from the shared services with Stafford Borough Council over two years. However, there was no formal budget monitoring in 2021-22 or in 2022-23, this lack of monitoring extended to savings.

We include in our statutory recommendation on page 7 the need to introduce planning and monitoring for the Council's savings programme once a savings programme is in place.

The Council's planned use of reserves to bridge funding gaps is not financially sustainable. The Council is starting work in 2023-24 to address this gap but has no current savings programme in place in September 2023. The scale of budget gap means the Council will require a transformative approach to achieve VFM and maintain effective services.

We note the Council was planning to identify savings as part of the zero-budget exercise it is introducing for 2024-25 budgeting with full budget holder engagement.

We make a key recommendation for the Council to ensure it develops and monitors a savings programme to address its medium-term financial gap (see page 13).

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We include in our statutory recommendation concerning financial planning the need to separately cost the delivery of core and discretionary services in the new MTFS (see page 7).

The Corporate Plan 2022-26, establishes the priorities and strategic objectives for the next four years. It has four strategic priorities: Priority 1 - Economic Prosperity, Priority 2 - Health and Wellbeing, Priority 3 - The Community, Priority 4 - Responsible Council. Discretionary spend is aligned to this Plan with significant spending on economic development.

We include in our statutory recommendation concerning financial planning the need to align the Council's budget with its Corporate Plan priorities (see page 7).

In 2020-21 the Council initiated an upgrade to the financial ledger system which also included cloud migration. The new finance system went live on 1 April 2021 enabling payments to creditors and income collection, but full implementation is significantly delayed impacting both 2021-22 and 2022-23 with ongoing reporting issues in 2023-24.

The upgrade placed significant pressure on the capacity of the finance team. The Council bought in no specialist resource or additional support to scope or implement the new system or to programme manage its implementation.

We have been advised that, due to a lack of capacity in the finance team, financial monitoring information was not provided to members in Committee, Cabinet or at Full Council during 2021-22 (including outturn reports for 2020-21 and 2021-22). This impacted on the production of an efficient budget. From 2022-23 the Cabinet and Scrutiny Committees received no formal monitoring. Some scrutiny committees did see some limited reporting, but this was not consistently applied, and full monitoring is not planned until 2024-25. In 2023-24 some financial monitoring reports are still not ready due to finance team capacity. This has delayed statutory timescales on the financial statements audit in both years. In 2021-22, 2022-23 and 2023-24 the finance team has not worked with budget holders to produce financial monitoring or discuss budget variances. **We identify a significant weakness relating to financial monitoring and make a statutory recommendation on page 7.**

However, we note in September 2023 there are plans to introduce business partnering as part of the zero-based budget work planned for the 2024-25 budget.

A lack of capacity in the finance team and a lack of financial reporting and monitoring has delayed the statutory finance statements audit by 12 months for the 2021-22 period meaning that timely assurance cannot be provided on the Council's budget. The 2022-23 draft financial statements are yet to be published by the Council.

How the body ensures that 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 did not have workforce strategy in 2021-22 or in 2022-23 which it recognised in its Annual Governance Statement for 2022-23. **We raise an improvement recommendation on page 33 to develop a workforce strategy that is fully costed and focused on long-term transformation and the partnership with Stafford Borough Council.**

Financial sustainability (3 of 4)

How the body ensures that 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 (continued)

In December 2021, the Cabinet were told the Levelling Up Fund Bid 18 June 2021, was successful in receiving £20m from the Government Department for Levelling Up, Housing and Communities (DLUHC). This is match funded taking the programme to £44m. Match funding includes an investment of £17.2m from the Council and some private sector investment. It will redevelop Cannock Town Centre and enhance the Prince of Wales Theatre and create a new cultural hub and high-quality public realm. The oversight board met for the first time on 15 June 2022.

The Council's capital programme for 2022-23 to 2025-26 is £53.989m of which £44m is the Council's Levelling Up Programme. In 2022-23 the Council expected to spend £2.611m on capital but spent £5.207m which included £1.9m for Levelling Up.

There is a delay securing land for the Levelling Up Programme with ongoing negotiations in September 2023 and the possibility of a Compulsory Purchase Order which adds significant timescale risks to the Programme. The creation of the new Civic Hub in Cannock as part of the Programme was delayed from Quarter 2 of 2022-23 to 2023-24. In September 2023, the Council has submitted a request to DLUHC for a six-month extension to the defrayment date.

The UK Shared Prosperity Fund allocation for Cannock Chase District is £3.042m, which is available between April 2022 and March 2025. The Council submitted its Investment Plan to the Government in August 2022 and received its grant letter in December 2022.

In 2022-23 the Council overspent on disabled facilities grants from a budget of £1.025m to a spend of £1.891m, however, this was in line with spend in 2021-22. Spending on Laburnum Avenue was included in the three-year programme at £0.121m but in 2022-23 the Council spent £0.385m and expected to spend a further £0.197m in 2023-24.

Reasons for capital programme reprofiling are not presented to members and members saw no capital reprofiling reports in 2021-22 or 2022-23. We find there is no capital programme management in place and risk management arrangements for capital projects are poor. Programme benefits from capital spend are not evident. A lot of the Council's capital programme is managed by external contractors with no internal programme management oversight. The Council is aware it needs to improve capital programme management and plans to create a capital pipeline and manage that through an intelligent client function. We also think capital reporting needs more detail including programme benefits and integration with performance reporting.

The reporting on the capital programme is a significant weakness and forms part of our statutory recommendation concerning financial planning and monitoring on page 7. We identify the need to improve risk management for projects and programmes in our key recommendation on risk management on page 15.

In the HRA budget papers for 2021-22, 2022-23 and for 2023-24 Cabinet members were told that the HRA capital programme was based on the previously approved 30-year Business Plan. They were told the delay to commission a Stock Condition Survey and a costed Climate Change Action Plan had impacted on the updating the capital programme for housing to reflect current priorities.

The Council has not reviewed its HRA 30-year business plan since 2015 and the last full review was in 2012. We would expect this to be updated annually aligned to the budget setting process. However, this relies on accurate stock condition data which had not been updated since 2012. Without stock condition the Council lacks an understanding of its HRA requirement. We recognise that the Council did a 20% sample survey in 2023-24 and have plans for a full stock condition survey in 2024-25. The Council does not have an HRA asset management strategy, plan or asset register and it has no planned maintenance programme in either year. These were not in place by October 2023.

Councils with HRA must have a major repairs reserve to plan investment of its annual major repairs allowance. The Council had HRA major repairs reserves in 2021-22 of £6.87m and £6.07m in 2022-23 but no major repairs reserve in 2023-24 or in 2024-25 in the February 2023 HRA budget papers.

The Council needs to develop its internal processes to keep the data updated linked to compliance data, finance and assets register data. We would expect to see the use of proprietary software which has good reporting facilities and with links to finance and asset register systems. We would also expect to see an interface for uploading information from maintenance programmes including voids and repairs. We would expect the Council to be using sensitivity analysis to inform its annual business planning review and its budget setting.

We identify several significant weaknesses relating to the HRA concerning its capital programme, lack of major repairs reserve and a lack of business planning. We make a statutory recommendation on page 9.

The Council has a new Deputy Chief Executive (Place) who recognises the issues we raise concerning the HRA and is commissioning a full HRA review in Quarter 3 of 2023-24. It will include people, ICT systems, processes, policy, tenancy agreements, repairs, capital programme, asset plan and energy and fleet. It is hoped this will be in place by December 2023 and delivered by mid-2024-25.

Financial sustainability (4 of 4)

How the body ensures that 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 (continued)

The Annual Treasury Management Report 2021-22 was presented to the Audit and Governance Committee on 23 March 2023. Neither Full Council or the Audit and Accounts Committee received mid-year reporting on Treasury Management in 2021-22. **We identify the lack of treasury management reporting in 2021-22 was due to a lack of capacity in the finance team and forms part of our statutory recommendation on financial planning and monitoring on page 7.**

The Council did not update their Capital Strategy in either year. It was last updated in 2018 and is not compliant with the new Prudential Code (2021). Members did not receive Treasury Management training in either year as required by the CIPFA Treasury Management Code. The Council needs to update its Capital Strategy to reflect the changes made to the reporting of investments which we include in our statutory recommendation on page 7.

During 2021-22 and 2022-23 the finance team did not meet with budget holders to discuss their budget requirements or reasons for budget variances. The Council plans to start budget monitoring in 2024-25 and is also planning to increase finance team capacity, reset the culture and introduce business partnering. The Council has year-on-year underspent its revenue budget and plans to address the variances between revenue budgets and their outturn as part of its zero-based budget exercise for 2024-25.

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

The Council does not use scenario planning across the medium-term such as the Office of Budget Responsibility (OBR) inflationary forecasting or expected changes to the Council Tax base over the period. Inflationary impacts are built in annually using the previous November inflation rate. **We include in our statutory recommendation concerning financial planning and monitoring on page 7 the need to use scenario planning and sensitivity testing when setting the MTFs. We think this would help the Council to plan more effectively.**

Council risk management is limited as we discuss on page 34. An appendix to the annual budget identifies very high-level risks with no impacts, controls or assurances in place. This needs aligning with the SRR format, and we include this in our key recommendation on risk management on page 15. The HRA budget report identified several risks associated with the inadequate management of the HRA Capital Programme. It said these risks were minimised by the Council's Capital Expenditure Control Procedures which includes a requirement for regular monitoring including quarterly reports to Cabinet. This did not happen in either 2021-22 or in 2022-23. **We include this requirement in our key recommendation concerning risk management on page 15.**

On 2 February 2022, the Cabinet were told the Council had £16.969m in reserves of which £10.976m was revenue and £5.993m capital. On 26 January 2023, the Cabinet were told that projected reserves for 2023-24 were £16.067m of which £11.344m is revenue and £4.723m capital reserves. The revised forecast for 2022-23 was for a £1.3m overspend funded by £0.723m of Covid-19 reserves and £0.577m from earmarked reserves.

Improvement recommendation 1



Financial sustainability

Improvement Recommendation 1

Develop a workforce strategy that is fully costed and focused on long-term transformation and the partnership with Stafford Brough Council.

Audit year

2021-22 and 2022-23

Why/impact

Costing the workforce requirements over the medium to long term will enable finance to build assumptions into the MTFS and is particularly critical given the next steps on the Council's shared transformation programme.

Auditor judgement

Developing a costed strategy will enable both Cannock Chase District and Stafford Borough Councils to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.

Summary findings

The Council is on a shared services journey with Stafford Borough Council. Having a robust and costed workforce strategy to meet the workforce challenges ahead is important particularly given the two councils are looking at aligning pay and rewards and need to invest in skills to strengthen its capacity in key services.

Management comments

Agreed - it is proposed to produce a workforce strategy in 2024-25, once work on developing the organisation's vision, culture and values has been completed.



Governance (1 of 4)



We considered how the Council:

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

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

Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

The Council's Risk Management Strategy and Policy Framework (March 2016) needs updating. It should cover an escalation process between the strategic and operational risk registers, including risk data transfer and ownership, risk types and agreed risk appetites for each type. It needs to include risk tolerances for each level of risk - strategic, programme and project, and operational or service risk. Risk responsibility needs updating which changed in 2017.

The current Strategy identifies the responsibility of the Cabinet to approve the Risk Management Policy and Strategy, set the risk appetite, approve the Strategic Risk Register (SRR) and monitor progress in managing strategic risk.

The SRR is a critical tool for the Council to capture and report on risk activity and their risk profile. The SRR format needs improvement to clearly separate risks from their causes and impact. It needs to include whether they are dynamic or static risks, risk type, risk appetite, cause. It also needs to set out likelihood, impact, score, mitigation to date, likelihood and impact scores after mitigation, direction of travel, planned completion date, linked risks.

The Cabinet needs integrated quarterly reporting on performance, finance and risk.

Since 2017, Internal Audit has led risk management. Internal audit should be separated from risk management responsibility because Audit is the third line of defence and independent of the Council's risk management arrangements.

Corporate risks and their scores are not integrated into report writing for committee papers giving members no risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets. Risk scores, mitigations and assurances are not present in performance reports. We also found that risks identified in the annual budget report to Full Council are not sufficiently detailed and need consistency with the revised SRR reporting format.

In 2022-23, Internal Audit identified missing or poor-quality project risk registers as a general theme their audit findings.

The Council should add risks on financial planning and monitoring and the risks around the HRA compliance and lack of stock condition survey impacting on uncertainty in its HRA capital programme to the SRR.

The Cabinet are told as part of HRA budget setting that self-financing increases the risks associated with the management of the HRA and a detailed risk analysis forms part of the 30-Year Business Plan. But the Plan was not reviewed for the last eight years which suggests the risks are not understood, managed, or effectively controlled. We would expect the HRA business plan to have an extensive risk register and these risks to be captured in the Council's SRR. The Council's SRR has nothing on the HRA and given the compliance issues we would expect to see risks associated with housing safety.

We find risk management is a significant weakness and make a key recommendation about risk management arrangements on page 15.

The Internal Audit Service is a shared service with Stafford Borough Council. ICT audits are delivered by an external specialist auditor. Internal audit gave partial assurance opinion for the Council's governance arrangements in 2021-22.

Governance (2 of 4)

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

Internal audit completed 18 internal audits, or 66% of the agreed plan in 2021-22. A third of these audits received partial assurance. Of the 69 audit recommendations followed up, only half were fully implemented and 30% had no progress. Audit plan delivery was impacted by compliance from services and from sickness of external audit contractors. On 27 July 2022, the Audit and Governance Committee received the Annual Governance Statement (AGS) for 2021-22, which concluded reasonable assurance. It identified the finance sustainability, finance system implementation and learning, lack of cyber security and information governance, and asset management as the key issues to address.

The External Quality Assessment (EQA) determines the performance of the internal audit function at least every five years. The outcome of the Assessment was presented to the Audit and Governance Committee on 29 November 2022. The internal audit shared service is generally conforming with the Public Sector Internal Audit Standards and demonstrating a high standard of delivery. It identified that the Quality Assurance & Improvement Programme (QAIP) was out of date from 2015 and the Audit Charter was out of date from 2016.

One area of non-conformance with the standards was relating to PSIAS 1110 Organisational Independence. The Standards require the “Chief Audit Executive” to report functionally to the Board including the Audit Committee Chair and Chief Executive commenting on the Performance Development Review (PDR). It was agreed at Audit Committee the Lead Officer would consult the Audit and Accounts Committee Chair prior to the PDR.

On 27 June 2023, the Audit and Governance Committee received the internal audit report for 2022-23. The Audit team had completed 83% of its planned work in the year. The Committee also saw the Annual Governance Statement for 2022-23. It identified reasonable assurance but included several actions to address the Council’s policy framework and finalise the finance system implementation and still identified the need for ICT improvement. The updated Audit Charter and updated QAIP were both agreed on 27 June 2023.

In our AAR 2020-21 we identified that internal audit recommendations had not been actioned including on audits relating to Critical Information Systems not supported by IT, Cyber and Network Security and Information Governance. These three issues were still present in 2021-22 and 2022-23. We raised an improvement recommendation which has not been actioned.

A further Internal Audit review carried out on Cloud Strategy and Security in 2021-22 gave partial assurance and found the Council’s policy for hosted solutions was not updated since 2015 and was not compliant with current security guidance and technology solutions. We found in both years, ICT did not undertake performance monitoring or reporting to address security weakness identified from the security monitoring software or to improve the Council’s ICT security.

The Council’s Technology Strategy was out of date in both years and access to critical systems and data by non-corporate devices was possible during 2021-22 and 2022-23. In March 2023, the recommendations concerning the Critical Information Systems not supported by IT were still outstanding and the Audit and Governance Committee were told a further ICT audit received limited assurance. The ICT third party supplier audit had limited assurance with data protection impact assessments, risk assessments and signed confidentiality agreements not always completed or available for third party data transfers.

In June 2023, the Information Governance Framework due to be completed in 2022-23 was still outstanding as was an IT Contracts Register and the IT security policy. We found significant weaknesses in the Council’s ICT control environment. It is our opinion these weaknesses are caused by a lack of leadership and capacity in the ICT team and could leave the Council open to a greater risk of cyber-attacks, fraud and data governance breaches if not addressed.

We conclude that the Council has significant weaknesses in internal controls, which could expose it to significant financial or service loss including fraud and cyber-attacks and it has failed to follow-up on external audit recommendations in these areas. We make a key recommendation on page 17.

In our AAR 2020-21 we found there was no central coordination of the National Fraud Initiative (NFI) data matches and no dedicated counter fraud officer with reliance on services to review the datasets with no formal reporting or monitoring. We raised an improvement recommendation which is still outstanding. In 2021-22 and 2022-23, the Council also only had eight days of internal audit time dedicated to fraud risks. In January 2023, the 2022-23 NFI matches were released but there is still no evidence of a coordinated response across the Council. Responsibility for fraud is shared between Internal Audit, the compliance officers in the Revenues & Benefits Team who mitigate risk in Council Tax fraud and the Housing Tenancy Team.

Governance (3 of 4)

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

The Council's arrangements to prevent and detect fraud are significantly out of date. Anti-Fraud and Bribery Framework, a Confidential Reporting Framework and an Anti-Money Laundering Framework all from 2014. These Frameworks need bringing up to date and aligning with those of Stafford Borough Council given the shared arrangements.

Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud.

The Council's arrangements to prevent and detect fraud are significantly out of date. Anti-Fraud and Bribery Framework, a Confidential Reporting Framework and an Anti-Money Laundering Framework all from 2014. These Frameworks need bringing up to date and aligning with those of Stafford Borough Council given the shared arrangements.

Procurement fraud is the second highest fraud volume area according to CIPFA's Fraud and Corruption Tracker (2020) but no work to identify fraud in this area was taking place in either year. Work to detect fraud also needs to extend to the Council's financial processes. We conclude the Council does not have adequate arrangements in place to detect and prevent fraud.

We found significant weaknesses in the Council's internal arrangements for fraud detection which could leave it exposed to fraud and financial loss. We make a key recommendation on page 19.

We also make a key recommendation for the Council to adopt the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach (see page 15).

How the body approaches and carries out its annual budget setting process

For 2021-22 and 2022-23, in common with other councils, the budget process starts each Autumn, and is refined once the Government's local government settlement is agreed in January or early February. Portfolio budgets are discussed ahead of the Full Council meeting with the service scrutiny committees, then with Financially Resilient Council Scrutiny and the Cabinet.

In 2021-22 and 2022-23 internal and external engagement in the budget setting process was not adequate. In both years, the process was too finance led. The finance team reviewed existing budgets, amended for pay awards, inflation and income from fees and charges, they did not engage with budget holders or carry out any public budget consultation.

The Council did not have a robust MTFs in either year but provided indicative budgets for the next two years based on estimates.

The Council had not reviewed its HRA 30-year business plan since 2015 and the last full review was in 2012. We would expect this to be updated annually aligned to the budget setting process.

We discuss the lack of financial reporting and engagement with budget holders on pages 31 and 31 and make a statutory recommendation on financial planning and monitoring on page 7.

Finance team capacity is the reason for the lack of both a MTFs and engagement on the annual budget process. **We include this in our statutory recommendation relating to finance on page 7.**

How the body ensures effective processes and systems are in place to ensure budgetary control

Once reestablished the financial reports need to integrate with performance and risk management and include service and workforce information to enable members to challenge effectively. **We include this in our key recommendation on performance management on page 21.**

In our AAR in 2020-21 we recommended a review of finance team capacity to reduce risk from unplanned absences and increase resilience. Senior staff capacity in the Council was significantly strained during 2021-22, and this particularly impacted finance.

The introduction of the new finance system and the lack of dedicated resource to scope and manage its implementation put considerable pressure on the finance team in 2021. This was compounded by the reliance on a small number of individuals, including the S151 Officer who left early in 2021.

Governance (4 of 4)

How the body ensures effective processes and systems are in place to ensure budgetary control (continued)

These factors led to reduced capacity to deal with business-as-usual financial operations. Internal interim arrangements were put in place in Quarter 1 of 2021-22 but for personal reasons this ended ten months later and the postholder returned to their substantive role.

Alternative interim arrangements were put into place on 1 February 2022. Further capacity challenges were caused by DLUHC's capital grant reporting requirements on the FHS Programme.

The lack of capacity in finance extended into 2022-23 and 2023-24. On 8 December 2022, the new Deputy Chief Executive (Resources) and S151 Officer joined the Council. This is a joint post with Stafford Borough Council. In September 2023 he started a review of finance team capacity particularly around monitoring and plans to reset the culture of finance in the Council.

Both years had delayed budgets due to the finance system implementation. **The 2021-22 and 2022-23 budgets were both closed by September 2023. The ongoing lack of detailed financial monitoring has impacted on delivering an efficient budget in both 2021-22 and in 2022-23 and we make a statutory recommendation financial planning and monitoring on page 7. These issues led to a 12-month delay to the financial statements audit for 2021-22 with ongoing challenges in preparing draft financial statements for 2022-23 also caused by finance team capacity at the Council.**

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

In 2021-22 and 2022-23 the Council's protocol for Member-Officer Relations was dated September 2008 but we note it was updated in April 2023. However, it is still out of date reflecting previous Council structure and outdated guidance. This needs updating to reflect joint working with Stafford Borough Council and the shared leadership team. Policy duties are also significantly out of date. The Officer Code of Conduct was out of date in 2021-22 and in 2022-23. It was updated in April 2023 but in June 2023, the Council identified it needed further work to reflect hybrid working and to include the shared staffing arrangements with Stafford Borough Council.

An internal audit in 2022-23 identified some employees were unaware of the Officer Code of Conduct. Member and Officer Codes of Conduct available on the policy pages of the Council's website are both out of date from 2008.

In 2021-22 the Gifts and Hospitality Policy had not been updated since February 2009 but was then updated in April 2022. The guidance for gifts up to £25 is inconsistent between this policy and the updated Officer Code of Conduct and this needs addressing. Member and Officer Codes of Conduct available on the policy pages of the Council's website are both out of date from 2008.

We raise an improvement recommendation to update members and officer relationship and codes of conduct, ensure members and officers are aware of their responsibilities and comply. Policies also need reviewing to ensure they are consistent in their messages to staff and are updated on the Council's website (page 38).

We identify a significant weakness in compliance with the CIPFA Financial Management Code in 2021-22 and in 2022-23 including no MTFS, out-of-date procurement and financial regulations, no CIPFA self-assessment, no formalised budget monitoring, poor capital programme management and reporting, no mid-year treasury management reporting in 2021-22. The lack of mid-year Treasury Management Reporting also means the Council was non-compliant on the Treasury Management Code in 2021-22. We also found the contracts register is out of date from 2020-21 and the Council is not fully compliant with the Local Government Transparency Code as purchasing card information is from 2014. **We addresses these weaknesses in our statutory recommendation on page 7 concerning financial planning and monitoring and in our key recommendation on page 25 concerning procurement and contract management.**

Improvement recommendation 2



Governance

Improvement Recommendation 2

The Council needs to improve how it monitors and ensures appropriate governance standards by ensuring:

- the Officer Code of Conduct is updated to consider the shift to hybrid working arrangements and the integration of staffing arrangements with Stafford Borough Council.
- staff and elected members are aware and comply with their respective codes of conduct.
- codes of conduct are updated on the Council's website.
- codes of conduct and gifts and hospitality policies are consistent in their language for gifts under £25.
- the Member and Officer Relations Policy is updated to reflect shared leadership team arrangements and the joint working with Stafford Borough Council.

Audit year

2021-22 and 2022-23

Why/impact

The shift to hybrid working creates additional risk to the Council, this together with the next phase of shared working arrangements with Stafford Borough Council means it needs to update, and communicate, the Codes of Conduct and ensure its Member and Officer Relations Policy is updated.

Auditor judgement

The Council needs to update its Officer Code of Conduct to reflect the greater risk from hybrid working and to align the Code of Conduct across both Councils, communicate these on its website and ensure staff are aware and comply with the contents. It also needs to ensure the Member and Officer Relations Policy is updated to reflect shared leadership team arrangements and the joint working with Stafford Borough Council.

Summary findings

The Officer Code of Conduct was out of date in 2021-22 and in 2022-23. It was updated in April 2023 but in June 2023, the Council identified it still needed updating to reflect hybrid working and to include the shared staffing arrangements with Stafford Borough Council. Codes of conduct and gifts and hospitality policies are inconsistent in their language for gifts under £25. Codes of conduct on the Council's website are out of date from 2008 and an internal audit report in 2022-23 identified some employees were unaware of the Officer Code of Conduct. In 2021-22 and 2022-23 the protocol for Member-Officer Relations was out of date. It was updated in April 2023 but does not reflect shared leadership team arrangements or the joint working with Stafford Borough Council.

Management comments

Agreed - the Officer Code of Conduct will be reviewed in 2024/25 as set out in the Annual Governance Statement. Work on developing the organisations' vision, culture and values need to be completed before this.

The Member and Officer Relations Policy will also be updated to reflect the shared leadership team arrangements and the joint working with Stafford Borough Council as appropriate.

Improving economy, efficiency and effectiveness (1 of 3)



We considered how the Council:

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

How financial and performance information has been used to assess performance to identify areas for improvement

On 27 April 2022, Full Council approved a revised Corporate Plan 2022-26. It has four strategic priorities:

- Economic Prosperity,
- Health & Wellbeing,
- The Community,
- Responsible Council.

It replaced the previous one due to run to 2024. This was updated earlier than planned to reflect the aspirations of the new administration.

The Corporate Plan is underpinned by a four-year delivery plan which was discussed at Cabinet on 15 September 2022. This plan lacks outcome measures and expected measures of success by 2026. It does not align the budget given the lack of MTFs. In 2022-23 the Cabinet did not see a performance report on the Corporate Plan until November 2022 which we consider late. End of year performance reports are taken to Cabinet. Until 2018-19 the Council published a resident facing annual performance report and this would be good to reintroduce.

Quarterly performance reports to the Cabinet are not adequate. Performance reports include no trends, RAG rating, or outcomes and are to process focused. The Council has no golden thread in place for performance management in 2021-22 or in 2022-23. This thread would link the Council's objectives to what each of its services does and how the budget is spent. The Council reviewed its key performance indicators for the new Plan, but these need to be more meaningful and include indicators related to social housing.

We find performance management arrangements are weak in both 2021-22 and in 2022-23 with no evidence the Council has a performance management framework to deliver its Corporate Plan. A lack of effective performance management meant the Council was reactive to challenges rather than proactively forward planning or anticipating issues before they emerged. The Council was not able to use performance data to drive improvement or achieve value for money or to challenge its contractors.

It needs to integrate performance, finance and risk reporting to ensure it is focusing spend on priorities to drive improvement. **We identify performance management as a significant weakness and raise a key recommendation on page 21.**

The Council has not reviewed its HRA 30-year business plan since 2015 and the last full review was in 2012. We would expect this to be updated annually aligned to the budget setting process. However, this relies on accurate stock condition data which had not been updated since 2012.

While a Housing Strategy is no longer a legal requirement, we would expect the Council to have a place-based housing strategy for the geographical area and to be working with its housing and other key partners.

In 2022-23 Internal Audit gave partial assure to an audit of Housing Allocations. It found the Housing Allocations Policy needed updating from January 2017. Applications were not processed in line with expected timescales. The Housing Register was not subjected to regular review.

There is no performance reporting in the Housing (building safety) compliance team. This was due in 2022-23 but was delayed until 2023-24 and in September 2023 it is outstanding. On 14 March 2023 the Health, Wellbeing and Community Scrutiny Committee were told the housing maintenance team needed to improve its customer service, its service interactions and its complaints levels aligned to corporate KPI's following the Social Housing White Paper introduced during 2020, enacted on 20 July 2023.

On 31 March 2022, the Housing Ombudsman found there was service failure in the landlord's complaint handling in breach of the Complaint Handling Code. On 8 August 2022, the Housing Ombudsman found there was service failure by the landlord in respect of its handling of the resident's concerns about staff conduct. The Ombudsman recommends the landlord provides guidance to staff about identifying and investigating complaints about staff conduct. The Council did not engage tenants and leaseholder in 2021-22 or 2022-23 or learn from housing related complaints.

Improving economy, efficiency and effectiveness (2 of 3)

How financial and performance information has been used to assess performance to identify areas for improvement (continued)

We identify significant weaknesses in the Council's arrangements for managing its social housing stock and its Housing Revenue Account (HRA) and we make a statutory recommendation on page 9.

In December 2022 Internal Audit gave a limited assurance rating to a review of asset management arrangements including the lack of a comprehensive asset register, lack of appropriate management information systems to support asset management processes, and the split of asset management responsibilities across the authority. Internal audit identified as a theme to their 2022-23 audits a lack of clarity over responsibilities for buildings and their maintenance and routine compliance inspections. **There is also a lack of asset management strategy, plan or asset register for the HRA. In our opinion this was caused by a lack of leadership for asset management, and we make a key recommendation on page 23.**

In 2019 the Council declared a climate emergency and agreed a net zero target by 2030. Achieving this is not costed in the budget which we include in our statutory recommendation on financial planning and monitoring on page 7.

How the body evaluates the services it provides to assess performance and identify areas for improvement

There is evidence of a failure to meet minimum service standards in relation to social housing and of a repeated failure to achieve improvements in building safety. In both 2021-22 and 2022-23 the Council was non-compliant in building safety. This continued into 2023-24. This means the Council is failing to comply with Regulator for Social Housing's consumer standards, including the Home Standard. The Home Standard requires the Council to meet all statutory requirements that provide for the health and safety of tenants in their homes and to have a cost-effective repairs and maintenance service.

In April 2020, an Internal Audit report on housing building safety identified a lack of fire safety checks, no asbestos survey and no central compliance register for building safety. This was followed up in December 2020 with no change to the partial assurance. In September 2021 this still received a partial assurance with fire safety inspections and compliance records not actioned and limited progress on the asbestos survey. A further follow-up in May 2022 still gave partial assurance. Fire call points still needed installing in communal blocks which were delayed due to the need for the asbestos survey. The fire survey contract for communal blocks was not procured and no progress made on the compliance checks record. In September 2022, Internal Audit flagged serious compliance concerns on fire safety checks.

In 2021-22 and 2022-23 communal asbestos surveys were not in place for the Council's communal blocks, but this was rectified in 2023-24. A review of a sample of compliance records for communal blocks in October 2023 showed all the fire safety checks are still out of date and legionella risk assessments also need undertaking.

In November 2022, Internal Audit also gave a partial assurance to an audit of Housing Consumer Housing Standards Compliance. It found the Resident Involvement Strategy is dated 2017-2020. They also identified that block inspections not routinely completed. A monthly check should be completed by the caretaker, but the audit team were advised the caretaker had not completed scheduled block inspections and there is a risk blocks are not in a safe condition impacting on tenant safety. The Council should undertake a review of its compliance against the updated housing consumer standards, July 2023, ahead of them being mandated from 1 April 2024. Inspection and maintenance of communal areas is included in two of the new RSH consumer standards.

In December 2022, the Cabinet was told fire risk assessments were last carried out to blocks in 2017. No new assessments were delivered until Quarter 2 of 2022-23. These fire risk assessments were carried out following the identification by work contractors of breeches in the compartmentation of flats and communal areas in the blocks. These breeches were not identified in the initial fire risk assessments in 2017. Following recommendations from the contractor, the housing department commissioned 'intrusive' fire risk assessments to 36 general needs blocks and 4 sheltered scheme blocks. The Council directly awarded the passive fire protection contract to an existing supplier for its corporate buildings using a waiver. It identified the timescale to carry out the work to all 40 blocks was 6 months. All blocks required works to remedy high risk passive fire protection which continued in 2023-24 and were still ongoing in September 2023.

The Council is also non-compliant with its statutory equalities' duties relating to the HRA as it did not have a reasonable adjustments policy for housing in 2021-22 or 2022-23.

We conclude there are significant weaknesses in relation to statutory obligations in the HRA, including significant tenant safety concerns and we make a statutory recommendation on page 11.

It is recommended by the Local Government Association (LGA), the national membership body for local government, that councils have a Corporate Peer Challenge every five years which makes recommendations for improvement. The last LGA CPC review was undertaken in September 2016. We feel an updated review jointly with Stafford Borough Council could be helpful to test their shared arrangements and support their transformation journey.

Improving economy, efficiency and effectiveness (3 of 3)

How the body evaluates the services it provides to assess performance and identify areas for improvement (continued)

The Council does not review and challenge strategic priorities and cost-effectiveness of existing activities, identifying those which do not contribute sufficient value. It also does not consider lower cost options for service delivery or use financial benchmarking. We include these improvements in our key recommendation on performance management on page 21.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

The Council has shared some services with Stafford Borough Council since April 2011. The first phase focussed on support services commencing with the Monitoring Officer role and subsequently Finance, Internal Audit, Risk and Resilience, Legal, Information Technology and Human Resources being shared. In addition, two front facing services, Building Control and Revenues and Benefits, were also shared. As already noted, during 2021 it began sharing the Chief Executive on an interim basis and on 7 December 2022, Full Council agreed to extend its service sharing with Stafford. Members discussed the business case for full sharing arrangement between both Councils, with a shared Chief Executive and Leadership Team and agreed this model would maximise benefits from the sharing arrangements. The sharing agreement includes all services apart from the Housing Revenue Account in Cannock Chase District Council, both housing registers and elections.

The first two key stages are completed with the establishment of a joint Leadership Team (with effect from 1 April 2023) and a legal agreement setting out the framework and authority for sharing. The two new Deputy Chief Executive are in post to provide a new strategic level of support to Members and the Chief Executive.

The next step is to complete the next tier management restructure, with one post outstanding in September 2023, and start bringing teams together. Full transformation is planned over three years. The two Councils have established a Shared Services Board with members from each Council and the joint Leadership Team. The Deputy Chief Executive (Resources) is developing a strategic transformation plan and is bringing in a transformation resources and skills. One of the first priorities will be to align pay and jobs. Transformation costs are funded from ear marked transformation reserves. The Council has a shared services reserve of £0.549m in each year for the next four years. Savings from shared services will be allocated to each Council based on the contribution made to transformation costs.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

The Council does not demonstrate effective leadership for procurement and contract management. It has a no intelligent client for procurement and no procurement strategy. The Council's Procurement Regulations were last updated in March 2016. These do not reflect the changes since the UK left the EU. Threshold in the Regulations are out of date. There is no mention of using the UK's e-notification service, Find a Tender, rather than the EU Official Journal. They also need to reference the National Procurement Policy Statement, June 2021 and consider the LGA national procurement framework from 2018, updated in 2022. The Strategy needs to address social value, climate change and the risk of modern slavery. It also needs to include how it meets the Local Government (Transparency Requirements) (England) Regulations 2015. The contracts register was meant to be completed in 2020-21 but is outstanding in September 2023.

Procurements are not planned across the Council. For tenders over £50k the Council gets procurement support from Staffordshire County Council who administers the tendering process, but officers are expected to know who to ask.

In June 2023 Internal Audit reported the housing maintenance team did not engage with them on their procurement audit in relation to the procurement of ten housing contracts. They also identified some common reoccurring procurement weaknesses from their work in previous years, including procurement processes not always followed correctly and an overreliance on waivers. This meant contracts were not always market tested or work was issued outside of contract agreements or on contracts that had expired and to regular contractors without following a tender exercise. They also found a lack of knowledge of current contracts, end dates and the timescales needed to re-tender major works. There is no central record of waivers.

The Council is aware it needs improvement in these areas and includes the Contracts Register in its planned governance improvements for 2023-24 and 2024-25. **We identify procurement and contract management as a significant weakness and make a key recommendation on page 25.** A procurement strategy would also help the Council to hold its contractors to account by improving the Council's contract management arrangements. Arrangements for members to monitor the performance of key contractors is not adequate. **We include this in the key recommendation on performance management relating on page 21.**

The Council has given significant financial support to its Leisure Services provider since 2021 which continued into 2023-24. This was to mitigate the impact of COVID-19 and because of the energy price increases. The leisure contract will require robust strategic monitoring in 2023-24 to identify further savings, scrutinise performance and costs of the contract, and risk. **We recommend closer member scrutiny in this process and include it in our key recommendation on performance management on page 21.**

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The Council should put in place a more detailed and regular process for the monitoring of budget performance by members, including quarterly reporting to Scrutiny Committees, Cabinet or Council throughout the year. The summary information provided must be sufficiently informative to enable performance against net spend by service, income, efficiency savings and any mitigating action taken by the Council to be properly examined and challenged.	Financial Sustainability	29 November 2022 at Audit and Governance Committee in the AAR 2020-21.	No formal budget monitoring in 2021-22 or in 2022-23	No	Yes, we make a statutory recommendation on financial planning and monitoring on page 7.
2	Internal audit recommendations should be implemented promptly.	Governance	29 November 2022 at Audit and Governance Committee in the AAR 2020-21.	Internal audit have a new system to track and escalate audit recommendations since November 2022 but no progress on some of the 2022-23 audits on ICT.	No	Yes, the issues relating to ICT controls are still not addressed and continue in 2023-24. We make a key recommendation on page 17.
3	The Council may wish to action the one area of significant non-compliance with standards raised by the Public Sector Internal Audit Standards (PSIAS) in relation to PSIAS 1110 <i>Organisational Independence</i> of the internal audit. The standards require the “Chief Audit Executive” to report functionally to the Board and this includes the Audit Committee Chair and Chief Executive commenting on the Performance Development Review (PDR).	Governance	29 November 2022 at Audit and Governance Committee in the AAR 2020-21.	The Lead Officer has agreed to discuss the performance of the Internal Auditors prior to the PDR with the Chair of the Audit Committee	Yes, Audit Chairs to be consulted as part of the PDR process.	No
4	The Council may wish to ensure adequate follow-up on the NFI datasets released by the Cabinet Office NFI team and report to the appropriate committee on the work undertaken.	Governance	29 November 2022 at Audit and Governance Committee in the AAR 2020/21.	We found a lack of resource for fraud detection in the Council.	No	Yes, we also identify other concerns relating to fraud and make a key recommendation on page 19.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
5	The Council should monitor the use of retrospective purchase orders (POs).	Economy, efficiency and effectiveness	29 November 2022 at Audit and Governance Committee in the AAR 2020/21.	No progress	No	Yes, we include this in our statutory recommendation of financial planning and monitoring on page 7.
6	The Council should review the capacity of the Finance team with a view to ensuring resilience and removing risks which could arise from unplanned absences of individuals whom the Council rely on for financial information.	Economy, efficiency and effectiveness	29 November 2022 at Audit and Governance Committee in the AAR 2020/21.	The Deputy Chief Executive (Resources) joined in December 2022.	Yes, in part for 2022-23	Yes. The Deputy Chief Executive (Resources) is reviewing capacity, but this is ongoing in January 2024.
7	The Council should undertake an independent review of the issues that led to difficulties with the implementation of the new finance ledger which resulted in its inability to produce some time-critical business management information for decision makers and statutory reports. The review should learn lessons to improve the Council's project and contract management procedures.	Economy, efficiency and effectiveness	29 November 2022 at Audit and Governance Committee in the AAR 2020/21.	No progress	No	Review not yet commissioned. This relates to the leadership and capacity of the finance team during the procurement of the system and its implementation. Leadership is now strengthened with the new Deputy Chief Executive (Resources) who intends to learn lessons.

Appendices

Appendix A – Responsibilities of the Council

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

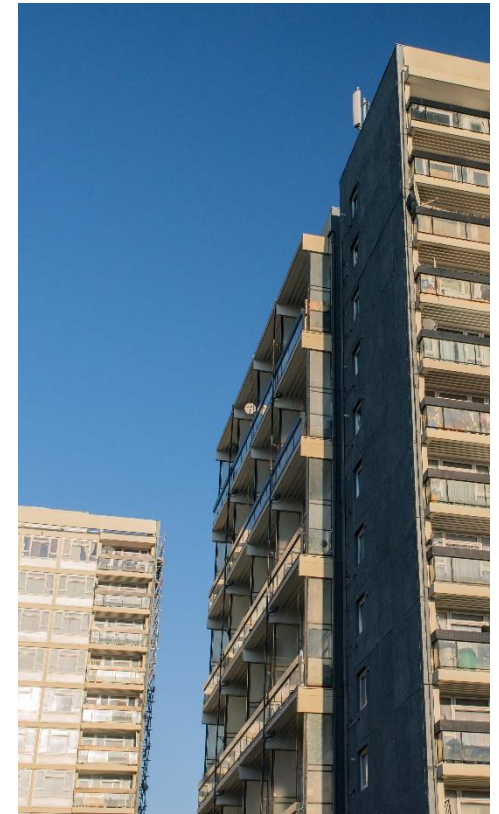
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the [type of body] under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	Yes	7-12
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	13-26
Improvement	These recommendations, if implemented should improve the arrangements in place at in the Council but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 33 and 38



Council's Response to the Auditor's Annual Report 2021/22 and 2022/23

Committee:	Audit & Governance Committee / Cabinet
Date of Meeting:	7 February 2024
Report of:	Deputy Chief Executive (Resources) & S151 Officer
Portfolio:	Resources and Transformation

1 Purpose of Report

- 1.1 To set out the Council's response to the External Auditor's Annual Report (AAR) for 2021/22 and 2022/23, and proposed actions.

2 Recommendations

- 2.1 That Members note the findings, recommendations and management comments set out in the AAR for 2021/22 and 2022/23.
- 2.2 That Members recommend to Council accepting the Statutory Recommendations set out in the AAR for 2021/22 and 2022/23.
- 2.3 That Members recommend to Council the approval of the improvement plan attached at Appendix 1 to address the issues identified in the AAR.
- 2.4 That Members note the additional resources required to address the issues identified in the AAR as set out in 5.9, which are provided for in the budget for 2024/25.

Reasons for Recommendations

- 2.5 The AAR has identified several significant issues relating to the Council's financial, governance and asset arrangements which need to be addressed as a priority.

3 Key Issues

- 3.1 The Council's External Auditors, Grant Thornton, have recently concluded their AAR of the Council covering the period 2021/22 and 2022/23. Their report on the outcome of the review is a separate item on the agenda.
- 3.2 The report has highlighted several significant issues relating to the Council's financial, governance and asset arrangements and made recommendations for addressing these. Three of these recommendations are statutory and are being addressed as a priority.
- 3.3 The majority of the financial and governance findings set out in the AAR have already been reported to the Audit & Governance Committee through the quarterly reports from the Chief Internal Auditor & Risk Manager and/or the Annual Governance Statements. However, progress in addressing these issues over the last few years has been hampered by capacity issues and this is acknowledged in the External Auditor's report.

- 3.4 An improvement plan to address the financial, governance and asset issues has been drawn up and is set out at Appendix 1. Additional resources are required to deliver the improvement plan and provision has been made for these in the budget to be approved by Council for 2024/25. The funding for the financial and governance issues will be matched by Stafford Borough Council as appropriate.

4 Relationship to Corporate Priorities

- 4.1 Good governance and financial management specifically links to the Council's priority to be "a modern, forward thinking and responsible Council". It also underpins the delivery of the Council's other corporate priorities and operational services.

5 Report Detail

- 5.1 As part of the work of the External Auditors, they are required to undertake a review of the Council's arrangements for Value for Money. This requirement was re-introduced to their work in 2020/21.
- 5.2 The first review in 2020/21 was relatively light touch but the review covering 2021/22 and 2022/23 has been much more in-depth and the standards expected have increased. This partly reflects a change in financial standards and the environment in which local government is operating with several councils having issued s114 notices.
- 5.3 The AAR covers the years 2021/22 and 2022/23 has identified several areas of concern primarily:
- (i) the delay in preparation of and audit of final accounts and budget monitoring;
 - (ii) the management of our HRA and corporate assets;
 - (iii) weaknesses in our arrangements for our IT systems, fraud, procurement, performance management and managing our workforce.
- 5.4 The External Auditors have acknowledged that there has been a lack of capacity in key service areas to address these issues.
- 5.5 None of the issues themselves are new; they were identified in the previous AAR, have been raised in reports issued by Internal Audit and/or have been raised as significant governance issues in the Annual Governance Statement over the same period.
- 5.6 However, the External Auditors have now raised the profile of these issues and the need to address them to prevent significant governance failings. Three statutory recommendations have been made and these are being progressed as a priority.
- 5.7 Whilst the Council's response to each of the recommendations is set out in the AAR, a separate improvement plan setting out the actions to be undertaken is attached at Appendix 1.

5.8 Progress in delivering the actions set out in the improvement plan will primarily be overseen by:

- The Leadership Team;
- Audit & Governance Committee.

The Audit & Governance Committee will escalate any concerns to Cabinet and the Cabinet will also receive periodic updates.

All actions relating to the Housing Revenue Account (HRA) assets, will also be overseen by a Housing Board which is to be set up. This will comprise:

- Cabinet Member for Housing;
- Shadow Cabinet Member for Housing;
- The Deputy Chief Executive - Place;
- Head of Housing & Corporate Assets;
- Tenant representatives from across the District; and
- Independent person with housing expertise.

5.9 As referred to in 5.4, lack of capacity has been a key factor in the slow progress in addressing the issues. Consequently, to move forward and address the issues identified in the AAR, additional resources are going to be needed in key corporate services, primarily Finance and Transformation & Assurance. The corporate functions have lost considerable capacity over the last 12 years; the effect has been cumulative with savings taken as part of shared services, the outsourcing of leisure services and successive savings as part of the annual budget setting processes. In addition, corporate services have seen an increase in workload as a result of the Council's success in achieving funding from the Levelling Up Fund for the regeneration of Cannock Town Centre, UK Shared Prosperity Funding etc.

5.10 The additional resources needed will be primarily focussed around:

- Finance - increased capacity, development of the finance system, budget monitoring, training for managers and supporting for key projects; and
- Transformation & Assurance - development and maintenance of the contracts register, performance, risk & assurance reporting and project management.

Provision for the additional resources has been included in the budget for 2024/25. £141,000 has been included for Finance and £100,000 for Transformation & Assurance. This funding is to be matched proportionately by Stafford Borough Council as part of the shared services arrangements. The additional resources will be for both staffing and IT systems.

5.11 Additional resources will also be required to address the HRA issues and the initial focus will be to commission an independent review. £35,000 has been set aside for this. Provision has been made in the budget for 2024/25 for undertaking the housing stock condition survey (circa £0.5m) which is essential to the preparation of the 30 Year HRA Business Plan. Budget has been allocated to bring in additional management support to facilitate the delivery of the improvement plan.

6 Implications

6.1 Financial

The financial implications are referred to throughout the report.

6.2 Legal

Under the Local Audit and Accountability Act 2014, statutory recommendations made by a local auditor must be considered at a Council meeting within one month of receipt. The Council must consider whether the recommendation is to be accepted and what, if any, action to take in response. The report will, therefore be considered at the next full Council meeting.

6.3 Human Resources

None

6.4 Risk Management

Failure to address the recommendations set out in the External Auditors' report would put the Council at risk of Judicial Review / Intervention. There is also a risk to the Council's reputation and relationship with partners, ability to attract funding etc. These risks are mitigated by the actions set out in the Improvement Plan.

6.5 Equalities and Diversity

None

6.6 Health

None

6.7 Climate Change

None

7 Appendices

Appendix 1: Improvement Plan

8 Previous Consideration

None

9 Background Papers

AAR for 2020/21 and 2021/22 - 2022/23

Internal Audit Progress Reports and the Annual Audit Report to the Audit Committee for 2020/21, 2021/22 and 2022/23.

Annual Governance Statement 2022/23

Contact Officer: Judith Aupers

Telephone Number: 01543 464411

Report Track: Joint meeting of the Audit & Governance Committee and Cabinet / Council

Key Decision: No

Improvement Plan

Action	Lead Officer	Timescale
Financial Sustainability (Statutory Recommendation 1)		
Restructure of the Finance Team and creation of additional capacity	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
Commence recruitment to new Finance team structure	Deputy Chief Executive (Resources) & S151 Officer and Deputy S151 Officer	Quarter 2 - 2024/25
Lesson learnt exercise to be undertaken of implementation of the finance system	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
Implementation of remaining module of the finance system, ongoing development and maximising use of system functionality	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2024/25
Training of managers in budget management and use of the new finance system.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
Follow-on zero-based budgeting session with managers to continue work started as part of the 2024/25 budget setting process	Deputy Chief Executive (Resources) & S151 Officer	Quarter 3 - 2024/25
Medium Term Financial Strategy for 2024/25 to 2026/27 drafted and approved by Cabinet. Due for approval at Council 21 February 2024. Modelling, assumptions and risk assessment included as part of the budget report. MTFS includes assessment of likely future government funding.	Deputy Chief Executive (Resources) & S151 Officer	Completed
Capital Strategy to be updated in accordance with the revised Prudential Code.	Deputy Chief Executive (Resources) & S151 Officer	Completed

Action	Lead Officer	Timescale
Bring treasury strategy and its reporting to members up to date	Deputy Chief Executive (Resources) & S151 Officer	Completed
Regular performance monitoring to be re-established with budget managers and Leadership Team.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
Performance reporting for Cabinet and Scrutiny to be developed. This will be done alongside the review and development of performance and risk reporting.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2024/25
Reporting on the delivery of savings to be established and discussed at Strategic Leadership Team meetings. Where appropriate, project plans will be developed to support the delivery of significant/complex savings.	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25
Produce draft financial statements in line with statutory requirements and working with external auditors to deliver audits effectively. (Decision to be made on outstanding audits as there is a consultation taking place as to how to clear the backlog of audits nationally at present)	Deputy Chief Executive (Resources) & S151 Officer	This is to be discussed with Azets as to approach
Draft accounts published up to 2023/24	Deputy Chief Executive (Resources) & S151 Officer	Quarter 4 - 2023/24
Review of Financial Regulations	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
Training for managers on Financial Regulations	Deputy Chief Executive (Resources) & S151 Officer	Quarter 2 - 2024/25
HRA (Statutory Recommendations 2 & 3)		
Appointment of additional senior resource (HRA Recovery Lead) to support the delivery of the HRA action plan and implement recovery actions (starting 26/2/24)	Deputy Chief Executive (Place)	Completed

Action	Lead Officer	Timescale
<p>Set up the new Housing Board to enhance governance and oversight of delivery of the improvement plan. The Board will comprise:</p> <ul style="list-style-type: none"> • The Deputy Chief Executive - Place; • Head of Housing & Corporate Assets; • Cabinet Member for Housing; • Shadow Cabinet Member for Housing; • Tenant representatives from across the District; and • independent person with housing expertise 	<p>Deputy Chief Executive (Place) Head of Housing and Corporate Assets</p>	<p>Q2 2024/25</p>
<p>Liaise with other HRA providers to determine best practice to aid our work and use this information to undertake appropriate benchmarking.</p>	<p>Head of Housing and Corporate Assets</p>	<p>Ongoing</p>
<p>A review is to be undertaken of existing systems and processes in the HRA and General Fund to align them to ensure that we have a standardised approach to building safety inspections.</p>	<p>Head of Housing and Corporate Assets Housing Property Services Manager Corporate Assets Manager</p>	<p>Q2 2024/25</p>
<p>HRA 30 Year Business Plan (Statutory Recommendation 2)</p>		
<p>A review of the stock condition survey work undertaken to date will be used to help inform investment and the programme of works.</p>	<p>Head of Housing and Corporate Assets Housing Property Services Manager</p>	<p>Q1 2024/25</p>
<p>As stock condition data increases a rolling programme of improvements will be developed and reported on to the Housing Board.</p>	<p>Head of Housing and Corporate Assets Housing Property Services Manager</p>	<p>Ongoing</p>

Action	Lead Officer	Timescale
Provision to be included in the capital programme for 2023/24 and 2024/25 to fund the stock condition survey.	Deputy Chief Executive (Resources) & S151 Officer Head of Housing and Corporate Assets	Completed (Approval of budget will be February 2024)
Procurement of contractor to deliver the stock condition survey. Award notice planned for February 2024 with contractor to start March.	Head of Housing and Corporate Assets Housing Property Services Manager	Q1 2024/25
Undertake a full stock condition survey. <ul style="list-style-type: none"> • An approach to delivering the full stock condition survey has now been developed with the contractor on a phased basis. • Performance and programme delivery to be monitored on monthly and quarterly basis and reported to Housing Board. 	Head of Housing and Corporate Assets Housing Property Services Manager	To be completed by Q4 2024/25
Revision of the 30-year business plan, informed by results of the stock condition survey and housing needs assessment: <ul style="list-style-type: none"> • Business plan to be updated on a rolling basis as stock condition data increases. • Business plan review to be undertaken on a quarterly basis. • HRA recovery lead to develop and roll out training for housing staff on business plan and assumptions. • Develop HRA asset management strategy 	Head of Housing and Corporate Assets HRA recovery lead Deputy Chief Executive (Resources) & S151 Officer Deputy Chief Executive (Place)	Ongoing throughout the year as data is gathered

Action	Lead Officer	Timescale
<p>Development of a place-based housing strategy, working in conjunction with key partners. This will be part of a longer-term project to understand the needs of the area and our tenants. It will also link in with the Local Plan process.</p> <ul style="list-style-type: none"> Housing Needs Assessment completed. SHLAA and Brownfields register completed. Draft Local Plan has well informed evidence base (proposed submission Summer 2024). 	<p>Deputy Chief Executive (Place) Head of Wellbeing Head of Housing and Corporate Assets Head of Economic Development & Planning</p>	Q4 2024/25
<p>Review and update of the Housing Allocations Policy.</p> <ul style="list-style-type: none"> Consultation complete, Policy going to Cabinet in March 2024 with implementation in April 2024. 	<p>Head of Housing and Corporate Assets Tenancy Services Manager</p>	Q1 2024/25
<p>Review of Housing Register to ensure it is maintained up-to-date</p> <ul style="list-style-type: none"> Larger scale review completed in October 2023; and Ongoing monthly review of application forms on the anniversary of the application form date. 	<p>Head of Housing and Corporate Assets Tenancy Services Manager</p>	Ongoing
<p>Comprehensive external HRA review to be undertaken including Health & Safety (Compliance) and HRA Business Plan & Capital Investment.</p>	<p>Head of Housing and Corporate Assets</p>	Q2 2024/25
<p>Review of HRA reserves to fund planned maintenance, compliance and works arising from the stock condition survey.</p>	<p>Deputy Chief Executive (Resources) & S151 Officer</p>	Q3 2024/25 (linked to budget setting process)
HRA Compliance (Statutory Recommendation 3)		
<p>Regular inspections of properties and blocks will continue to be undertaken and will be reported to Housing Board and Cabinet. This includes gas safety, electrical safety, asbestos, water hygiene and fire safety.</p>	<p>Head of Housing and Corporate Assets Housing Property Services Manager</p>	Q1 2024/25

Action	Lead Officer	Timescale
<p>A full review will be undertaken of all records and information held to data cleanse and identify gaps/ weaknesses in the data held. All records will be held electronically so that there is one version of the data record. An on-going reconciliation will be undertaken of the HRA asset register to the health and safety checks completed, compliance data and other inspections. Options for a new single asset register compliance system will be explored.</p>	<p>Head of Housing and Corporate Assets All Housing Service Managers</p>	<p>Q3 2024/25</p>
<p>A review of compliance against the housing consumer standards (July 2023), has been undertaken and an action plan is to be developed from this which will improve tenant engagement. A residents engagement officer post has been established.</p>	<p>Head of Housing and Corporate Assets Strategic Housing Manager</p>	<p>Q2 2024/25</p>
<p>Corporate Savings & Transformation Programme (Key Recommendation 1)</p>		
<p>Process to be established for developing savings options - this will comprise a service reduction programme and a service transformation/efficiency programme.</p> <p>Initial steps for both:</p> <ul style="list-style-type: none"> • a discussion with the Cabinet after the May elections to review priorities and key projects; • engagement with Heads of Service and Service Managers to review current service levels for statutory and discretionary services (to include high level benchmarking) - this will be a pre-cursor to bringing the services together and establish the baseline for service transformation (this will build on the initial work done on SLAs). • Range of options for service reduction and efficiency savings/transformation <p>Service Reduction:</p> <ul style="list-style-type: none"> • Savings options to be assessed for impact and deliverability and discussed with Cabinet. 	<p>Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance</p>	<p>Quarter 3 - 2024/25</p>

Action	Lead Officer	Timescale
<ul style="list-style-type: none"> • Range of options to be refined and consultation exercise to be undertaken with public and partners where relevant; • Outcome of consultation to be used to inform savings options to be progressed as part of development of budget <p>Transformation:</p> <ul style="list-style-type: none"> • Transformation options to be assessed and added to transformation programme for prioritisation. Will need to consider any investment required to deliver savings/service improvements; resourcing to deliver the changes, etc • Project Manager and Project support officer to be recruited to support delivery of transformation programme, funding allocated in budget 2024/25 to fund posts; • Training of managers and key officers in transformation techniques 		
Review current corporate plan and priorities to determine if an update is required and if so, engage with stakeholders as appropriate	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	To be done for new Corporate Plan (s) and any savings exercises going forwards
Consultation and engagement to be embedded into the planning for the delivery of key projects where appropriate to ensure schemes meet community needs eg regeneration projects, redevelopment of play areas	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 3 - 2024/25
Align the MTFs to the corporate priorities in the Council's Business Plan including the costed climate change actions	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Completed as part of budget setting 2024/25 to be revisited Quarter 2 2024/25

Action	Lead Officer	Timescale
Risk Management (Key Recommendation 2)		
Review of risk management policy and framework - includes review of format of the SRR	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 - 2023/24 (currently in draft to be presented to Leadership Team in February 2024)
Review of guidelines on risk implications for committee reports	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 - 2023/24
Training for Leadership Team, managers, team leaders/principal officers on risk management	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 1 - 2024/25
Develop risk registers for each Directorate, the HRA and ICT	Deputy Chief Executive (Resources), Deputy Chief Executive (Place), Head of Housing & Corporate Assets and Head of Transformation & Assurance	Quarter 2 - 2024/25
Establish escalation process between other risk registers and the SRR eg services, projects	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 2 - 2024/25
Review of risks in annual budget report to be consistent with corporate process	Deputy Chief Executive (Resources) & S151 Officer	Completed

Action	Lead Officer	Timescale
IT (Key Recommendation 3)		
Update IT security policy and adopt a cyber security policy	Head of Transformation & Assurance and Chief Technology Officer	Quarter 1 - 2024/25
Develop assurance reporting for IT eg report on outcome of annual health check / penetration testing to Leadership Team and Audit Committee	Head of Transformation & Assurance and Chief Technology Officer	Quarter 2 - 2024/25
Implement outstanding recommendation from Cyber and Network Security Audit - staff to complete cyber training	Chief Technology Officer and Information Manager	Quarter 4 - 2023/24
Provide refresher training to ensure compliance with process for 3 rd party data transfers and completion of privacy impact assessments	Chief Technology Officer and Information Manager	Quarter 1 - 2024/25
Review of what we include in procurements re ICT controls and information governance	Head of Transformation & Assurance, Chief Technology Officer, Head of Law & Governance and Information Manager	Quarter 2 - 2024/25
Finalise the change management strategy	Chief Technology Officer	Quarter 4 - 2023/24 (currently in draft to be presented to Leadership team in February)
Finalise Information Governance Framework	Head of Law & Governance	Quarter 4 - 2023/24 (Currently in draft)
Complete the IT strategy	Deputy Chief Executive (Resources) & S151 Officer	Quarter 1 - 2024/25

Action	Lead Officer	Timescale
Fraud (Key Recommendation 4)		
Review Anti-Fraud & Bribery Policy	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
Review of Confidential Reporting Policy	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
Assess compliance against Cipfa 2014 Code for Fraud and develop an action plan as necessary	Chief Internal Auditor & Risk Manager	Quarter 3 - 2024/25
Assess fraud risks and include in risk registers as appropriate	Chief Internal Auditor & Risk Manager and Leadership Team	Quarter 4 - 2024/25
Review the information we report on fraud work (including data matching) to the Audit Committee.	Chief Internal Auditor & Risk Manager	2025/26
Performance Management (Key Recommendation 5)		
Develop and adopt a performance management framework to establish golden thread from Corporate Plan to service plans through to employee reviews. Framework to include protocols for ensuring data quality	Head of Transformation & Assurance	Quarter 4 - 2024/25
Review our performance report style - delivery plans and KPIs. To consider the development of performance outcome measures	Head of Transformation & Assurance	Quarter 4 - 2024/25
Performance reporting for waste and leisure: <ul style="list-style-type: none"> • review of KPIs for monitoring and reporting on performance; • establish internal validation process of contract performance; and • review information reported to Cabinet / Scrutiny 	Head of Transformation & Assurance, Head of Operations and Head of Wellbeing	Quarter 4 - 2024/25

Action	Lead Officer	Timescale
Establish a Corporate Project Management Methodology. Provide templates, guidelines, and training for key officers (LT, Service Managers and key Principal Officers/Team Leaders).	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 2 - 2024/25
Establish corporate project resources to support transformation work (funding allocated in 2024/25 budget)	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 2 - 2024/25
Review of all projects, the current governance arrangements and establish project reporting to Leadership Team	Deputy Chief Executive (Resources) and Deputy Chief Executive (Place)	Quarter 2 - 2024/25
HRA and Corporate Asset Management (Key Recommendation 6)		
A Corporate asset management strategy is in place and an action plan will be developed.	Head of Housing and Corporate Assets Corporate Assets Manager	Q3 2024/25
A full review will be undertaken of all records and information held to data cleanse and identify gaps/ weaknesses in the data held. All records will be held electronically so that there is one version of the data record. An on-going reconciliation will be undertaken of the corporate asset register to the health and safety checks completed, compliance data and other inspections.	Head of Housing and Corporate Assets Corporate Assets Manager	Q3 2024/25
Procurement and Contract Management (Key Recommendation 7)		
Review and update the Procurement Regulations	Deputy Chief Executive (Resources), Head of Transformation & Assurance and Head of Law & Governance	Quarter 2 - 2024/25
The key elements of the procurement strategy will be built into the procurement regulations rather than as a stand-alone document.	Head of Transformation & Assurance	Quarter 2 - 2024/25

Action	Lead Officer	Timescale
Update the contracts register and ensure it is compliant with transparency requirements	Head of Transformation & Assurance and Leadership Team	Quarter 4 - 2023/24 (this will be the first draft to be revisited Quarter 3 2024/25)
Work with managers and the County's Procurement Team to develop a procurements pipeline	Head of Transformation & Assurance and Leadership Team	Quarter 3 - 2024/25
Provide training for managers on procurement and contract management	Head of Transformation & Assurance	Quarter 2 - 2024/25
Process to be established for publication of key data on the Council's website to meet transparency requirements re spend data, contracts register	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 3 - 2024/25
HR related issues (Improvement Recommendations 1 and 2)		
Establish our culture, values and type of organisation we want to be. This work will inform the following actions	Deputy Chief Executive (Resources) & S151 Officer and Head of Transformation & Assurance	Quarter 1 2024/25
Complete review of hybrid working. This will inform the development of the workforce strategy and the review of the Code of Conduct as well as support the development of an asset strategy	Head of Transformation & Assurance and HR Manager	Quarter 1 2024/25
Develop a hybrid working policy and review other related policies and processes.	Head of Transformation & Assurance and HR Manager	Quarter 3 2024/25
Development of a workforce strategy that links to long term transformation / shared services	Head of Transformation & Assurance and HR Manager	2025/26

Action	Lead Officer	Timescale
Review and update the Employee Code of Conduct	Head of Transformation & Assurance and Head of Law & Governance	Quarter 3 2024/25
Other Related Actions		
Review of Code of Governance	Head of Transformation & Assurance	Quarter 4 - 2024/25
Development of Assurance Model	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	2025/26
Review of Audit Reporting to Leadership Team and escalation protocols	Head of Transformation & Assurance and Chief Internal Auditor & Risk Manager	Quarter 4 2023/24 (Coming to leadership team February 2024)
Establish an inventory of key policies and a programme of periodic reviews	Leadership Team	Quarter 3 - 2024/25