

## **Appendix 2**

### **External Auditors Statutory Recommendation 2023/24**

#### **Recommendation 1**

The Council is in an extremely challenging financial situation with significant financial pressures creating budget overspends combined with low levels of reserves. There is a risk that the Council will need exceptional financial support to balance the financial position in 2024/25 and to set a balanced budget in 2025/26. We (the auditors) recommend the Council take immediate action to manage the risks this should include:

- Identify additional savings and efficiencies to mitigate forecast overspends in 2024/25, especially in consideration of the Council's low level of reserves and the unfunded budget gap within the Council MTFs.
- Ensuring the Council has the necessary organisation grip to progress the Council's planned transformation programme at scale and pace to identify budget savings and wider efficiencies.
- Satisfying itself that social care services have the required focus, skills, and capacity to ensure efficiency of delivery.
- Revising the robustness and relevance of performance reports, recently introduced and planned to be introduced, to ensure these are adequate in supporting the Council to respond to the serious financial challenges it faces.
- Reviewing the sufficiency of the finance team resources to the necessary capacity is in place to support the organisational responses to the critical financial position.
- Ensuring that member oversight of the Council's actions to address its financial challenges is optimal and reflects the significance of the situation.

#### **Management Comments**

It is acknowledged that the Council faces a significant financial challenge and that sustainable savings proposals are urgently required to manage the position, which exists against the backdrop of increased demand and costs for social care services, compounded by the previous significant reductions in Government funding and uncertainty around the future financial settlements.

The Council has implemented a number of measures in-year to mitigate the pressures that have been identified. These measures have been insufficient to address the increasing demand, particularly within Adult Social Care. The Council has approached the Ministry of Housing, Communities & Local Government (MHCLG) for Exceptional Financial Support for the 24/25 financial year to protect the remaining reserves that the Council holds.

The Council is in the process of developing a Budget Recovery action plan as part of this work which will be reflected in a refreshed Medium Term Financial Plan (MTFP).

The Council recognises that significant deliverable cost reductions need to be identified and approved for the Council to meet its statutory obligation to set a legal and balanced budget.

There is a growing disparity between the resources available to local government and the demand pressures that the sector faces. The growing demand for social care for both Adults and Children's services cannot be sustained over the MTFP period without additional funding, the long-awaited review of local authority funding is of paramount importance in this respect.

The difference between the pressures facing the Council in 2025/26 and the available resources will require difficult decisions to be made around the level of support that can be provided and a continued focus on increasing efficiency and reducing costs. It will require the organisation to shrink overall in terms of the number of established posts and a reorganisation of how some services are provided.

Within the context set out above, Directorates have been asked to prepare a set of cost cutting proposals, which must give consideration to all aspects of the organisation's operations, which will be discussed with elected Members prior to formal presentation of budget setting proposals.

To support the active pursuit of delivering savings and efficiencies, CIPFA have been commissioned to deliver a rapid review of the Council's 2024/25 and 2025/26 budget positions; the aim being to supplement current finance team resources in the short term to identify potential, additional, savings and efficiency opportunities.

In addition to, and building upon, budget review activities, the CIPFA commission is also undertaking deep-dive activity in respect of social care services, taking account of benchmarking, commissioning, best practice, savings and growth assumptions. Systems, processes, structures and behaviour will be reviewed to determine barriers to improvement that may exist in order that recommendations for change can be made.

Recruiting the right people is crucial in delivering the Finance service the organisation needs, this has proved challenging for a number of junior posts within the function recently. Proactive recruitment activity, which incorporates external recruitment agency support, has been and continues to be undertaken to attract suitable candidates that have appropriate knowledge, skills and experience to enable them to have an impact.

The Council's Transformation Portfolio (Change Programme) was approved by Policy & Resources Committee in March 2024 and since then has been further refined to:

- Transform the Council's digital and data capability to modernise and streamline business processes
- Streamline back-office functions to ensure they are as efficient and effective as possible
- Reduce the Council's estate to deliver value for money and generate capital receipts
- Manage demand for statutory services particularly Adult & Children's social care
- Modernises the Council's leisure and cultural services offer

Social Care services are under immense pressure, particularly through the continuing demand for Adult Social Care Services. These services have

experienced a significant and sustained increase since the Covid pandemic that currently shows no signs of abating. The Directorate understands the cost drivers and is working with partners across the whole social care and health system to effectively manage the demand for services.

The Children's services cost pressures are a product of both demand and pricing within the sector. Improvements have been made in relation to the number of Looked After Children and the SEND improvement programme that has been implemented.

The Change Programme is the Council's vehicle for developing and implementing the required projects that support the delivery of the Medium-Term Financial Plan (MTFP). A new Benefit Management Framework has been developed to ensure all programme and project benefits demonstrate how they contribute to delivering the MTFP. All new business case proposals require benefits to be clearly defined, with clear ownership and benefit realisation plans. There is a comprehensive Programme and Project Management approach to maintain effective oversight of schedule, budget, risk and overall delivery confidence across all Change Programme activity. Monitoring is monthly by exception with regular reporting quarterly the governance of which includes Chief Officer and Elected Member oversight.

A Council Plan Performance Management Framework (PMF) was developed with Elected Members in early 2024 and this has now been introduced in 2025/26 with quarterly reporting through relevant committees. In addition to this, detailed operational performance reports are provided to committees to enable them to maintain oversight of operational delivery. Progress has been made in financial reporting out of the new Enterprise Resource Planning (ERP) system and improved budget planning and forecasting has been implemented in-year.

The Council has implemented changes for the 2024/25 financial year to improve Member oversight of all aspects of the budget process. All Policy Committees have regular Budget Oversight Panels focussed on both the in-year challenges and the future savings requirements. These panels ensure that Members receive appropriately detailed information to enable effective decision making. The Policy and Resources committee is supplemented by the Finance Working Group which receives detailed briefings on all key financial matters, budget monitoring. These groups provide an appropriate forum to ensure are fully briefed around material financial issues and the detailed actions that are being taken to address the financial challenges.