

**Progress against External  
Audit Follow-On  
Recommendations -  
December 2023**

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed ?	Further action?
Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.	Improvement	Jan-23	The Council is forecasting a cumulative deficit of £2.63m over the five-year period 2023/24 to 2027/28. Savings plans are not fully worked up, are in any event insufficient to bridge the forecast deficit, and the Council is reliant on the use of reserves over the next five years. Reserves will be used up during 2026/27, even if all of the anticipated savings are realised. This remains an improvement area.	Yes	Budget and MTFP approved in February 2024 identify a credible savings/income plan along with Members taking strategic decision not to use general reserves to balance the budget. Looking forward the financial sustainability is in a much-improved position. At the time of the budget setting meeting, significant progress had already been made with the Service Transformation element of the Sustainability Plan.
Progress with delivering the recently agreed Sustainability Plan which needs to be monitored and reported to the Policy, Finance and Development (PFD) Committee.	Improvement	Jan-23	The Council's Medium Term Financial Strategy (MTFS) explains that the regular finance reports to the Policy, Finance and Development Committee will be extended to include reporting on the progress of delivery of the Sustainability Plan. Throughout 2022/23, including the outturn report to the June 2023 meeting, there is no evidence of this. This remains an improvement area.	Yes	From Q1 outturn reporting for 2023/24 progress against the Sustainability Plan has been reported to PFDC (Q1-S4, Q2-S3, Q3-S3). The draft year end outturn report for 2023/24 will include this plus a narrative on achievements.
Consider distinguishing between core statutory services service and discretionary service costs in financial plans.	Improvement	Jan-23	The Council clearly understands and reports the cost of delivering core statutory services (£8m) and discretionary services (net income of £0.6m). The Council plans to undertake further analysis in this area.	Yes	Not applicable

Ensure that there is greater transparency in the budget setting process of the consideration of trends and risks and their impact on projected financial outturn, and of alternative proposals and scenarios.	Improvement	Jan-23	The Council has appropriate arrangements to use scenario or sensitivity analysis to model the impact of changes in key assumptions on the financial position.	Yes	Not applicable
Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.	Improvement	Jan-23	The Council has appropriate arrangements in place to consult with stakeholders over the budget. This includes with trade unions, the Federation of Small Businesses, and the public. The responses are included in full in the budget setting report, which provides a high degree of transparency.	Yes	Not applicable
Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter 3 and quarter 4 reports.	Improvement	Jan-23	While in year forecasting has improved, the outturn was significantly different to the initial budget. The Council applied £0.2m more of earmarked reserves than initially planned and made a deficit of £0.439m compared to a break-even plan. The position was therefore £0.639m worse than initially planned. Net revenue expenditure is £6.970m for 2022/23, which means that the unplanned deficit was 9% of expenditure. The total capital budget for the year was initially set at £10.905m, but only £4.643m was spent. While the reasons for this have been reported each quarter the actual expenditure represents only 43% of the original plan.	Yes	As at January 2024 improvements have generally been made to forecasting, notwithstanding the fact that errors have been identified in previous budget setting and reporting during 2023/24. As part of the 2024/25 budget setting process Star Chambers were set up where the Leader, Deputy Leader, Leader of the Opposition, Chairs of PFD and SD Committees (along with the CEX, Strategic Director and the HoF/S151 Officer) were invited to receive detailed budget information on each Council service area and challenge individual Heads of Service on any aspect of their budgets and plans for the forthcoming year. All the relevant officers were present for the meetings. ((It is worth noting that the largest variances in 2022/23 occurred because of the increased pay award and the reduced management fee from the leisure operator as a result of the general economic climate - neither could have been accurately budgeted for))

Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports.	Improvement	Jan-23	The Council intend to implement this after the local elections in May 2023. It has therefore not been done in 2022/23. The Quarter One 2023/24 Budget Monitoring Report to the September PFD Committee does not include the recommended information. This remains an area for improvement.	No	The detail within the quarterly reports from Q2 2023/24 provides significantly more information including detailed service financial performance with the relevant workforce information where it is required. The links to the corresponding Service Delivery Report are evident as they are generally considered but from Q4 a physical hyperlink will also be provided.
Improve the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, summarise the sources of assurance and include a graphical representation the direction of travel of the mitigated risk score.	Improvement	Jan-23	The Council has implemented our prior year improvement recommendation to further enhance the risk register reported to Audit Committee from January 2023. The risk register now includes all of the information we would expect to see and allows readers to clearly see the impact the risk could have on achieving the Council objectives, including the initial risk score, the mitigations or assurances in place, mitigated score, further actions required and timescales, the officer responsible and direction of travel.	Yes	Not applicable
The Audit Committee reviews its effectiveness against CIPFA's best practice guidance (see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)).	Improvement	Jan-23	The Annual Governance Statement 2022-23 shows that this is scheduled for January 2024. From May 2023 the composition has changed, and members include the Leader of the Council and members of the PFD Committee and Chair of the SDC Committee. Our improvement recommendation still stands.	Yes	The Self-Assessment was carried out and reported in January 2024 Audit Committee (Item 9) and also includes an action plan.

<p>Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.</p>	<p>Improvement</p>	<p>Jan-23</p>	<p>The Council recognises that it can make better use of benchmarking and is taking steps to develop this, with progress being reported through the Annual Governance Statement action plan. As the new arrangements were not in place during 2022/23 our prior year improvement recommendation remains valid.</p>	<p>Yes</p>	<p>Detailed presentations were provided to elected members which included cost benchmarking against a range of services during 2023/24. These were considered when discussions were taking place during budget preparation. Periodic financial benchmarking will also be undertaken during 2024/25. Benchmarking is conducted across the Council, and Customer Services participate in a local benchmarking group with other Leicestershire Councils. There are several other specific groups, for example, the DWP (Department for Work and Pensions) Benefits Performance Management Group. As a result of benchmarking with regard to planning processes, the Council have streamlined their process so that now they lead in terms of decision times.</p>
<p>Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget.</p>	<p>Improvement</p>	<p>Jan-23</p>	<p>There has been significant slippage in the original capital plan. The majority of this is moved to subsequent years. However, the Quarter Two report noted "<i>Council Office Refurbishment (£22.8k) and Bushloe House Car Park Resurfacing (£28k) both of these schemes will not go ahead. The budgetary provision has been reprofiled to form a new capital maintenance provision for Brocks Hill of £10k per annum from 2023/24.</i>"</p>	<p>Yes</p>	<p>Not applicable</p>