



Auditor's Annual Report
City of York Council – year ended 31 March 2023

November 2024

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for City of York Council ('the Council') for the year ended 31 March 2023. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 6 November 2024. Our opinion on the financial statements was unqualified.



Wider reporting responsibilities

At the time of preparing this report the group audit instructions have been issued by the National Audit Office (NAO) but the NAO has not confirmed which entities will be sampled components. As a result, our Whole of Government Accounts work has not yet been concluded and we are unable to issue our audit certificate which will formally close the audit for 2022/23.



Value for money arrangements

In our 2021/22 audit report issued January 2024, we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources but had identified a significant weakness. As a result of the Council's response to our recommendations, we have not identified significant weaknesses in arrangements for 2022/23.

Section 3 provides our commentary on the Council's arrangements.

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Audit of the financial statements

Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial positions as at 31 March 2023.

Our 2022/23 audit report, issued on 6th November 2024 gave an unqualified opinion on the financial statements for the year ended 31 March 2023.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made for both years.

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Our work on value for money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Our approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance - How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- information from internal and external sources including regulators
- knowledge from previous audits and other audit work undertaken in the year
- interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see recommendations 1 to 6 on pages 12 to 14
 Governance	16	See progress against significant weaknesses and recommendations on page 22		Yes – see recommendation 7 on page 18
 Improving economy, efficiency and effectiveness	19	See progress against significant weaknesses and recommendations on page 22		Yes – see recommendations 8 to 9 on page 20

VFM arrangements

Financial Sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

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

Our review of minutes and supporting reports/papers confirms that financial planning arrangements have remained in place throughout 2021/22 and 2022/23. As our assessment covers two years, we have considered the Medium-Term Financial Strategies (MTFS) covering the periods 2021/22 to 2025/26 and 2023/24 to 2027/28, the latter being approved in November 2023. Both include financial projections, analysis and context to support the delivery for the Council's key priorities as set out in the Council Plan (2023-27).

The MTFS is refreshed annually to ensure decisions are based on the latest information. The November 2023 update reflects on the impact of the 2022/23 budget, the continued challenges from Covid-19 and funding cuts, as well as changes to local taxation.

The Council's capital investment plan for 2022/23 to 2026/27 sets out the long-term programme which is underpinned by the Council's annual capital financing investment strategy (2022/23) and treasury management strategy (2022/23 to 2026/27).

Quarterly budget position statements are considered by the Executive and are underpinned by budget monitoring arrangements at a service level which are reported to the Council Management Team. These reports provide a summary of the projected outturn and the actuals, along with supporting narrative to explain significant changes and pressures. Implications of overspends and non-delivery of planned savings and efficiencies are set out in each report. Budget Panels are also held with each Executive portfolio holder to ensure that all budget pressures are recognised in the strategy.

In 2021/22 and 2022/23, in common with other local authorities, the Council experienced significant cost pressures linked to the war in Ukraine and Consumer Price Inflation which reached 11.1% in October 2022. In 2023/24, the Council continues to report significant financial pressures stemming from both demand pressures and cost increases. As in previous years, our work confirms that there has been regular monitoring of the financial position throughout the year, which included arrangements to update the Financial Strategy, enabling the Council to respond to newly identified financial challenges throughout the life of the plan.

How the Council plans to bridge its funding gaps and identified achievable savings

Our review of the financial strategy updated in 2021/22 and 2022/23, provides assurance that forecasts are based on assumptions including the Council's assessment of funding available, service demand and other cost pressures. The overarching MTFS includes the identification of savings and efficiencies up to 2026/27

after considering estimated funding. The MTFS highlights a potential budget gap of £24.8m over the life of the MTFS which the Council plans to mitigate by identifying savings, increasing income or using reserves.

We have considered the Council's performance in delivering its savings targets within the context of the MTFS and we recognise saving plans are an ongoing and iterative process, developed by officers and agreed by Members based on the latest information. The savings target for 2022/23 was £6.47m, equivalent to 4.7% of the net budget. Of this, £4.01m was achieved, which is 62% of the target. The 2023/24 budget includes a saving target of £5.5m, which is 3.9% of the £141.6m budgeted expenditure requirement.

While we have not identified evidence of a significant weakness in arrangements, we recognise the continued challenges involved in delivering savings throughout the life of the MTFS and make the following 'other recommendations':

Recommendation 1, 2, 3 and 4

The financial strategy for the period 2023/24 – 2027/28 highlights a saving requirement of £35.4m over the life of the plan. A saving target of £5.5m has been set for 2023/24. Given the growing risks around the Council's financial sustainability, there is an increased need for clear reporting and accurate forecasting of saving targets, linked to the MTFS.

The Council should ensure it applies its arrangements with sufficient rigour to identify how it will deliver savings to balance the MTFS.

It should also review its reporting and scrutiny arrangements of saving targets to ensure plans are delivered and risks to the savings programme are clearly reported to Members.

Recurrent and non-recurrent savings should be clearly identified to provide additional detail for Members when considering costed policy options and financial pressure.

The MTFS should also provide greater clarity on how it aligns with the Council's annual budget and supports both the Corporate Plan and Service Plans. Corporate priorities and staff performance objectives should be clearly linked.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Minimum Revenue Provision (MRP) is an annual charge to the general fund in respect of capital expenditure that has not been financed through the application of grants, contributions or capital receipts. In effect, the MRP acts as a replacement for depreciation. In 2021/22 the Council's MRP was significantly lower than the previous year's charge and this led to a planned budget saving predicated by a change in the calculation method from an equal instalment basis to an annuity basis. Members were made aware of the change during the meeting of the Finance and Performance Committee in February 2022.

The change was also included in the Executive report that was considered by the Audit and Governance Committee when the Treasury Management strategy for 2022/23 was presented. We have highlighted the impact of this change in the table below.

Table 1 – MRP

	2020/21	2021/22	2022/23
MRP charge (£m)	7.95	4.73	5.45
MRP as a percentage of the capital financing requirement (%)	1.8	1.0	1.1

We carried out a benchmarking exercise for our local government audits, comparing your data to eleven other unitary authorities (all from the North of England). For 2022/23, our analysis shows that the average MRP as a percentage of capital financing requirement is 2.8%, over an average of 42 years. For comparison, the City of York Council's was 1.1% and 88 years.

Recommendation 5

Regulations require councils to determine their MRP charge annually, and to ensure it is sufficiently prudent.

Members should consider whether the MRP charge is prudent and reflects the Council's capital financing requirements.

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

As in the previous year, the Council's MTFS aligns with the Council's Plan for 2023-2027 which sets out the Council's strategic direction and ambitions. Our work confirms that the MTFS continues to be based on updated assumptions based on relevant information. The MTFS is regularly reviewed and reported, including where changes in assumptions affect the forecast financial position. There is regular budget monitoring including quarterly performance reports which support the identification of in-year pressures, whether savings are being achieved and if resources need to be re-directed to areas in need. We have reviewed the outturns which span 2021/22 and 2022/23 and identified no evidence of significant short-term measures. In-year pressures, such as those in the Adult Social Care service, were clearly reported and have been reflected in the MTFS. The Quarterly combined finance and performance reports are reported to the Executive and the Corporate Services, Climate Change and Scrutiny Management Committee periodically throughout the year. These reports focus on high-risk material issues and mitigating actions, along with performance and outcomes data.

The MTFS is updated every 4 years to reflect budget changes, as part of the budget setting process. We confirmed a review of the MTFS was undertaken by the Executive board in 2022/23 to ensure that the budget remains in line with the strategic priorities of the Council.

How the Council 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 Plan is part of a Strategic Planning Framework. The MTFS is part of this Framework, and our work confirms that arrangements were in place that: link the financial plan to the Council's objectives to ensure the priorities are delivered; scrutinise the MTFS; and record key assumptions with each savings plan being risk assessed.

In line with the Prudential Code and the Council's Capital Strategy, the revenue implications of capital investment decisions are considered and form part of the MTFS planning and budget setting process. This is designed to ensure that investments are fully funded. Quarterly capital monitoring reports are considered by the Executive and reflect changes in resourcing, delivery and any new capital programmes. These reports also enable the Council to monitor the delivery and overall funding of the programme. We have confirmed that regular reports to the Executive were made throughout the reporting periods. As part of ensuring the consistency of the MTFP and annual budget with other plans, significant consultation is also undertaken on the budget, both with internal and external stakeholders.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

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

As part of the annual budget setting process, the S151 Officer sets out an assessment of the adequacy of reserves and the robustness of budget estimates. For 2022/23, this was included alongside the Revenue Budget and reported to the Executive Committee in February 2023. Risk factors were considered as part of this assessment, including the level of reserves, prudential and treasury indicators, and the reliability of inflation estimates. This is underpinned by the review of reserves set out in the annual update of the Council's MTFS, which includes an estimate of projected earmarked reserves.

The budget is monitored on a regular basis at department level ahead of quarterly reporting to the Executive Board and Scrutiny Committees. We have reviewed the outturn reports throughout 2021/22 and 2022/23 and noted that they reflect in-year changes, allowing the Council to manage its financial position and mitigate the medium-term impact of budget pressures.

In June 2023, the 2022/23 Outturn Report highlighted a net overspend of £4.8 against the net budget of £135m, which is 3.6% of the net budget. The overspend was mitigated by applying contingency and earmarked reserves to bridge the gap. In September 2023, the net overspend was revised upwards to £6.8m (5.04% of the net budget). Consistent with the prior year and other local authorities, Children and Education, and Adult Social Care continue to be the overspending services, with an aggregated £7.9m overspend in 2022/23. Partly, because of these overspends, earmarked reserves have fallen from £69.1m at 31 March 22 to £48.6m at 31 March 2023.

The CIPFA Code confirms that the revenue reserve, known as the General Fund (GF) balance, and the level of the unallocated general reserves should take account of strategic, operational and financial risks. Reserves can be held for three main purposes:

- a working balance to manage cash flows and avoid unnecessary temporary borrowing – (general reserves);
- a contingency to mitigate the impact of unexpected events (general reserves); or
- earmarked reserves, to meet known or highly likely future requirements. These are earmarked reserves and can be reported separately but remain part of the General Fund.

We have completed a benchmarking exercise and compared your 2022/23 data with eleven other unitary councils (all from the North of England). Our analysis shows the following:

Table 2 – General Fund Reserves

	City of York Council	Mazars UA population
GF as a proportion (%) of Gross Revenue Expenditure	2.2	2.3
Total reserves as a proportion (%) of GRE	11.8	13.4

This indicates that the Council's reserve levels are at a similar level to other councils. We note, however, that the Council's GF balance also includes its school reserves, which may not be included in the GF reserves of other councils in the population.

Recommendation 6

CIPFA recommends that the annual budget report should include a statement explaining the adequacy of the general reserves and provisions in respect of the forthcoming financial year and the authority's MTFS and complete an annual review of earmarked reserves (including schools' reserves) listing the various earmarked reserves, the purposes for which they are held and advice on the appropriate levels, estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.

Due to ongoing financial uncertainty, the Council should continue to consider the adequacy of its reserves (including the General Fund Reserve) to ensure they are adequate to mitigate and unforeseen events. The Council should ensure its annual budget report adopts CIPFA's recommendations, regarding its annual budget and reserves. Members should ensure they have sufficient assurance that the Council's reserves are appropriate and based on the latest financial circumstances of the Council.

Our review of committee reports and attendance at meetings of the Audit and Governance Committee, provides audit assurance that the Council continues to monitor and identify mitigations to manage any changes in demand and assumptions in the MTFS.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

With the current financial uncertainty, the Council is experiencing rising costs across most services, especially in relation to energy prices and staff costs. This, along with the ongoing cost of living crisis has put further pressure on the Council's finances. In its January 2024 'Finance and Monitor 3' report, the Council is projecting an £11m overspend, against its net budget of £141m, which it expects to reduce to £0.8m after mitigations. To respond to this, the Council has developed and reported mitigation plans, along with a further in-depth review of the earmarked reserves, to identify where funds can be released.

While we have reported 'other recommendations', overall, our work did not identify evidence to indicate a significant weakness in arrangements in the financial sustainability criteria.

VFM arrangements

Governance

How the Council ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on Governance

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

The Audit and Governance (A&G) Committee considers the adequacy of the Council's risk management framework and associated control environment. Internal Audit Services were provided for both 2021/22 and 2022/23 by Veritau Ltd. Veritau is jointly owned by both North Yorkshire County Council and City of York Council. The Internal Audit Plan and Head of Internal Audit Report is reviewed by the Council's Audit Committee to determine the priorities, consistent with the Council's goals. The plan is discussed with Service leads before being finalised.

The 2021/22 and 2022/23 plans were both presented to the A&G Committee in February 2021 and January 2022 respectively. We have observed that progress against the Plan was reported at each meeting. The Head of Internal Audit Opinions were presented to the June 2022 and July 2023 A&G Committee meetings and provided the following levels of assurance:

	2021/22	2022/23
Head of internal audit opinion	Reasonable Assurance	Reasonable Assurance

As reported in the Head of Internal Audit Opinion, there were no limited assurance reviews in 2022/23, which is down from 2 in 2021/22. Internal Audit Reports have been presented to Members of the A&G Committee via the Part B section of the meetings. We considered each review to obtain assurance that the matters identified in these reviews were not indicative of a significant weakness in arrangements, none have been identified.

Our attendance at A&G Committee confirms that Members challenge management where recommendations are not implemented within the agreed timeframe. We also observed scrutiny of matters raised in Internal Audit reviews. Veritau Ltd also provided dedicated Counter Fraud services to the Council throughout both 21/22 and 22/23. Veritau undertake proactive work to identify possible fraud and investigate all suspected cases of fraud which are identified. We confirmed that outcomes of investigations into suspected fraud are reported to the A&G Committee via the Counter Fraud Annual Reports.

How the Council approaches and carried out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances. The MTFS (2022/23 to 2026/27) was presented to the Executive Committee and was updated in November 2023. Although this is at a high level, it illustrates the regular monitoring and refinement of the MTFS after Member input.

Financial Procedure Rules are in place and detail the requirements for setting the budget over a period of four years. Financial Management Standards support the Council's Financial procedure Rules set out in the Council's Constitution. Financial Procedure Rules provide the overall high-level framework for managing the Council's financial affairs and Financial Management Standards set out in more detail how these procedures are implemented to embed financial management across the Council.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We noted that regular reporting of the financial position took place throughout 2021/22 and 2022/23 financial years. Quarterly forecasts of outturn reports were presented to both the Executive and the Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The quarterly and year-end positions have not highlighted any weaknesses in the Council's monitoring and reporting arrangements. As already reported, the key areas of pressure consistent with other local authorities are Children and Education, and Adult Social Care.

In both years, the financial statements preparation timetable was approved by the A&G Committee and was achieved. Our audits of the financial statements for each reporting period did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

VFM arrangements – Governance

Overall commentary on Governance - continued

How the Council 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.

We reviewed Council reports and minutes throughout the year and have not identified any evidence of weaknesses in arrangements. Membership of the Audit and Governance Committee includes Councillors and external appointments. The Terms of Reference of the Audit and Governance Committee are detailed in the Constitution, and we have identified no evidence to indicate they are not being delivered. The Council publishes on its website notice of key decisions and all officer decisions made under the Officer Scheme of Delegations. The website also includes details on how decisions are made in Council.

The Council has scrutiny committees which are able to challenge decisions. We reviewed meetings held in both 2021/22 and 2022/23 and identified no evidence to suggest this function has not been delivered. A Scrutiny Committee Structure and Operational Task Group is also in place to oversee and coordinate the work.

How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

On page 22 of this report, we have commented on the Council's progress in addressing a previously reported significant weakness and our recommendations relating to the former Chief Executive's severance package. As a result, the Council's Constitution was reviewed, and the revised Constitution was adopted in May 2023. The Constitution sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people.

The Constitution is supported by Codes of Conduct for Members and officers. Some officers have a legal duty to ensure that the Council acts within the law and uses its resources properly. These officers are the Head of Paid Service, Monitoring Officer, S151 Officer and the Statutory Scrutiny Officer. Based on review, we are not aware of any evidence that these roles are not being delivered throughout the reporting periods.

Registers of gifts and hospitality and registers of interest are maintained for Members and officers and are available on the Council's website, and we have confirmed their existence in our audit procedures on related party disclosures. The annual accounts also include material related party transactions as well as senior

officers' remuneration and Members' allowances.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

The Joint Standards Committee is responsible for promoting and maintaining high standards of conduct by Councillors and co-opted Members. The Committee receives updates on compliance with the Code of Conduct and produces an annual report each year. We reviewed both the 2021/22 and 2022/23 reports which evidence the committee investigates complaints and the recommendations they have made to address them.

The Council holds interests in several companies, and the Council has established the Shareholder Committee which acts as the owner or joint owner of these companies. Governance and trading arrangements can be complex and can change over time, we have therefore made the following 'other' recommendation:

Recommendation 7

The Council should regularly review and report trading and procurement arrangements for Council controlled companies to ensure they comply with legal requirements, including those regarding state aid and pricing regulations.

Our work has not identified evidence of a significant weaknesses in arrangements for the governance criteria.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

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

As previously highlighted in this report, we have observed the Council's financial performance reporting arrangements. We have also noted that the Council has overall arrangements to measure service quality and deliver services in line with the Council's objectives and priorities. The Council's Performance Management Framework (2023-2027), which is linked to the Council Plan, is designed to enable stakeholders to understand how the Council will deliver its objectives and improvements at strategic and operational levels. Performance is routinely monitored by the Executive, including scrutiny of the full-year Performance Report. The arrangements enable scrutiny of corporate performance and the identification of areas for improvement, but management recognises the scope to improve the alignment of priorities, service plans and staff objectives.

Recommendation 8

To ensure the Performance Management Framework is applied consistently, the Council should ensure the framework includes the alignment of corporate goals, service plans and staff objectives.

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

The Council's Customer and Corporate Services Scrutiny Management Committee received quarterly performance management reports throughout both 2021/22 and 2022/23. Reports were in a consistent format and designed to report on the direction of travel of indicators and evaluate the Council's performance.

Alongside this, the Council also considers the output from regulators to review performance. The output from regulators feeds into the Council's overall corporate risk register, which is reported to the A&G Committee. The Council's services are reviewed by several regulators, including the Care Quality Commission and Ofsted. In the most recent Ofsted review (dated May 2022), Children's Services received an overall rating of 'requires improvement to be good'.

Recommendation 9

The Council should regularly review and update its action plan designed to mitigate the issues raised in the Ofsted report. Monitoring and reporting arrangements should assess whether delivery of the action plan is on track and highlight any issues which could jeopardise its success.

Our attendance at A&G Committee confirmed regular reporting by Internal Audit of recommendations raised and management's response.

We observed the Committee challenging management on individual reviews and the actions taken in following up on recommendations.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

The Council Plan 2023-2027 sets out the long-term ambitions and priorities across service areas. While the plan refers to partnership working, it does not explicitly confirm how these arrangements will work, but our wider knowledge of the Council provides assurance that these arrangements are in place.

The Council's 10 Year Plan also sets out the key priorities for the Council over the next decade. Strategic partnership meetings are held to review the priorities set out, as well as design actions to achieve these. Along with North Yorkshire County Council, the Council is a member of York and North Yorkshire Local Enterprise Partnership. The partnership oversees and makes decisions about the region's strategic economic plan.

The Council is also a non-constituent member of West Yorkshire Combined Authority which, in conjunction with other councils across the city region, is responsible for economic development, regeneration and transport decisions in an area.

The Council is a leading member of the York Health and Wellbeing Board, which brings together leaders from across the district including the Council, the NHS, the Police, Fire and Rescue, social housing and the Voluntary and Community sector, to provide strategic leadership across a wide range of health and wellbeing outcomes across the local area and the wider North Yorkshire region.

The Council works in partnership with the local NHS Integrated Care System, which brings together NHS organisations, councils, charities and the Community and social enterprise sector to improve health and wellbeing.

The Council uses various channels of communication and feedback mechanisms, including social media (Twitter, Facebook, YouTube and Instagram) to engage with and meet the needs of its communities. These channels alert the community to events taking place as well as information about the services they provide.

Except the other recommendations highlighted on this page, our work has not identified evidence to indicate a significant weakness in arrangements for the improvement of the 3Es criteria.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in the prior year

As part of our 2020/21 audit work, we identified the following significant weaknesses and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2022/23 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>We issued a Public Interest Report (PIR) on 19 April 2021 including recommendations to address the significant weaknesses we identified in the Council's arrangements in respect of the severance of the former Chief Executive:</p> <ul style="list-style-type: none"> elements of the exit package, described in both the business case considered by Members and in the financial statements as contractual, were paid at the discretion of the Council and were not contractual entitlements; the business case considered by Members did not include sufficient facts, both in terms of financial analysis and background information, to make an informed decision; decision records that document the use of public funds under the scheme of delegation were not maintained; and safeguards to prevent conflicts of interest and demonstrate the Council applies the principles and values of sound governance were not applied. 	<p>Governance Improving the 3Es</p>	<ol style="list-style-type: none"> The Council should adopt and apply appropriate standards for business case preparation in relation to exit and pension discretions to improve information supporting decisions. Decision notes should be maintained that document the factors that explain the case for the use of public funds under the scheme of delegation such as where payments exceed contractual entitlements. The Council should review the design of its governance policies and procedures to manage conflicts of interest (including self-interest threats). This should include updating the Council's constitution and scheme of delegation. The Council should ensure all Members fully understand the requirements of the Code of Conduct in relation to declaration of interests. The Council should review its policies and procedures to reflect Government guidance in the use of non-disclosure agreements. 	<p>In response to the PIR, the Council implemented the following actions:</p> <ul style="list-style-type: none"> September 2021 – Code of Conduct, Conflicts of Interest, and Declarations of Interest training was delivered to officers and Members. April 2022 – the Council's Constitution (including the Scheme of Delegation) was revised and approved by the Council. May 2022 – the revised Constitution was fully adopted. November 2022 - A report to the Audit and Governance Committee confirmed, the PIR Implementation Plan developed to address our recommendations had been completed, addressing all the recommendations. February 2023 – the Council received the LGA's 'PIR Assurance Final Report'. The report concluded that 'the Council responded well to the PIR and has, overall, effectively fulfilled its Action Plan'. May 2023 – the Council delivered Member Induction and Training which included module on the Code of Conduct, Declaration of Interest and Conflict of Interest training to the new and returning Members. 	<p>Based on the actions taken by the Council in 2021/22 and 2022/23, the recommendations have been satisfactory addressed, and the significant weakness no longer applies in 2022/23.</p>

Other reporting responsibilities and our fees

Other reporting responsibilities and our fees

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the time of drafting this report, the NAO has not confirmed a list sampled components. As a result, our whole of government accounts work has not yet been concluded and we are unable to issue our audit certificate which will formally close the audits for 2022/23.

Fees for work as the Council's auditor

Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23
Planned fee in respect of our work under the Code of Audit Practice	£97,221
Additional fees in respect of:	
• Pension valuations	£9,625
• Statutory powers	£3,066
• Property valuations	£17,150
• Quality and technical issues	£3,929
• VFM commentary	£12,600
• VFM risks	£4,221
• ISA 540 requirements	£3,091
• Infrastructure assets	£1,463
• New ISA 315 requirements	£6,286
Total Fees	£158,65

Appendices

A: Further information on our audit of the financial statements

Appendix A: Further information on our audit of the financial statements

Significant risks and audit findings

As part of our audit, we identified significant risks to our audit opinion during our risk assessment. The table below summarises these risks, how we responded and our findings. These were also reported in our Auditor Annual Report for the year ending 31 March 2022 including draft commentary for year ending March 2023 (April 2024).

Risk	Our audit response and findings
Management override of controls	Our work in these areas provided sufficient assurance and no significant issues or material errors were noted.
Revenue recognition	
Net defined benefit liability valuation	
Valuation of land, buildings and surplus assets	

Appendix A: Further information on our audit of the financial statements

Summary of uncorrected misstatements

We reported two uncorrected misstatements arising from our 2022/23 audit work. These were reported in our ACR 2022/23 (January 2024) and Auditor Annual Report for the year ending 31 March 2022 including draft commentary for year ending March 2023 (April 2024). No additional uncorrected misstatements were reported in our ACR 2022/23 Follow Up Letter (November 2024).

Appendix A: Further information on our audit of the financial statements

Internal control observations

We reported three control deficiencies arising from our 2022/23. These were reported in our ACR 2022/23 (January 2024) and our Auditor Annual Report for the year ending 31 March 2022 including draft commentary for year ending March 2023 (April 2024).

Contact

Forvis Mazars

Mark Kirkham

Partner

Tel: + 44 (0) 7747 764529

mark.kirkam@mazars.com

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