

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Agenda Item 71

Subject: Auditor's Annual Report (Value for Money) Year ending 31 March 2023

Date of meeting: 5 October 2023

Report of: Grant Thornton (External Audit)

Contact Officer: Name: Darren Wells
Email: Darren.J.Wells@uk.gt.com

Ward(s) affected: All

For general release

1. Purpose of the report and policy context

Auditor's Annual (Value For Money) Report Year ending 31 March 2023

1.1 The external auditor's (Grant Thornton's) Annual Report for the year ending 31 March 2023 reports on the council's value for money arrangements and is attached at **Appendix 1**.

1.2 The external auditor is required to consider whether the authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources i.e. securing value for money. The report reviews this under three categories which are financial sustainability, governance and improving economy, efficiency and effectiveness. Appendix B (An Explanatory note on the recommendations) within **Appendix 1** sets out three types of recommendations that can be made by the external auditors in this report which are:

- **Statutory** – written recommendations to which the council is required to discuss and respond publicly to the report.
- **Key** – recommendations where significant weaknesses have been identified.
- **Improvement** – recommendations which are not a result of identifying significant weaknesses.

The auditor can also issue specific reports in the Public Interest in cases where there are serious governance, financial, fraud or other weaknesses identified.

1.3 For the first category, statutory, there were no recommendations raised. However, on page 4 of their report the auditor notes that due to the scale of the council's financial challenge, formal action by the auditor was considered and is being kept under review.

- 1.4 For the second year there is one 'key' recommendation (set out on page 4 of Appendix 1) highlighting continuing 'significant weaknesses' in the council's financial sustainability. It is important to note that the majority of UK local authorities are facing similar challenges, particularly unitary authorities outside of London, in the current economic climate.
- 1.5 The external auditor's Annual Report was considered by the Audit & Standards Committee on 26 September 2023 which is the committee that normally receives information and reports from the external auditor. However, given the concerns over the council's financial sustainability, the external auditor has recommended that this report should also be considered by the committee with responsibility for financial oversight and monitoring of the council's budget, which is the Strategy, Finance & City Regeneration Committee.
- 1.6 Alongside the recommendation concerning financial sustainability, there are 5 other improvement recommendations made to which management has responded positively.

2. Recommendations

- 2.1 That the Strategy, Finance & City Regeneration Committee notes the Auditor's Annual Report (Value For Money) for the financial year ending 31 March 2023.

3. Context and background information

- 3.1 This is set out in summary in section 1 of this report and in detail in Appendix 1.

4. Analysis and consideration of alternative options

- 4.1 The annual Value for Money review is a statutory requirement for local authorities.

5. Community engagement and consultation

- 5.1 The review must be published and considered by an appropriate committee of the council which in Brighton & Hove City Council is the Audit & Standards Committee. This ensures that the auditor's findings are publicly available on the council's website. The auditor also has statutory powers to bring other information and reports to the public's attention, for example Public Interest reports, where this is warranted. Given the financial challenges facing the authority, the external auditor has recommended that the report also be submitted to and considered by the Strategy, Finance & City Regeneration Committee.

6. Conclusion

- 6.1 This report and appendix are for noting. The report contains improvement recommendations which the council has responded to positively and views

as an important part of providing assurance over its financial, governance and performance arrangements and in helping the council to identify continuous improvement.

7. Financial implications

7.1 There are no direct financial implications arising from this report.

Finance officer consulted: James Hengeveld Date consulted: 26/09/2023

8. Legal implications

8.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (securing value for money). The Audit & Standards Committee is the appropriate body for the consideration of this report by elected members of the council. However, given the Key Recommendation in the report and the responsibility of the Strategy, Finance & City Regeneration Committee for oversight and monitoring of the council's budget, it is appropriate for the external auditor to request that this committee also considers the findings and recommendations set out in the report, which are for noting.

Lawyer consulted: Elizabeth Culbert Date consulted: 18/09/2023

9. Equalities implications

9.1 There are none identified.

10. Sustainability implications

10.1 There are none identified.

11. Other Implications

11.1 There are none identified.

Supporting Documentation

Appendices

Appendix 1: Auditor's Annual Report on Brighton & Hove City Council 2022/23

