

A person wearing a blue suit jacket is holding a silver pen and pointing at a tablet. The tablet displays a bar chart with several bars of varying heights and colors (green, brown, red). The background is dark and out of focus.

# Isle of Wight Council

## Value for Money Interim Report

Year ended 31 March 2023

28 February 2024



Members of the Audit and Governance Committee  
Isle of Wight Council  
County Hall  
High Street  
Newport, Isle of Wight  
PO30 1UD

28 February 2024

Dear Audit and Governance Committee Members

2022/23 Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Isle of Wight Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified (of which there are none) along with recommendations for improvement. The commentary covers our interim findings for audit year 22/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit and Governance Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 18 March 2024.

Yours faithfully

Kevin Suter

Partner

For and on behalf of Ernst & Young LLP

Encl

# Contents

01 Executive Summary



02 Value for Money Commentary



03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit and Governance Committee and management of Isle of Wight Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Isle of Wight Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Isle of Wight Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.





# 01

# Executive Summary



# Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the year and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 22/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



# Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Director of Finance;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.



# Executive Summary (continued)

## Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We have no recommendations arising from our VFM work.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
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	No significant risks identified	No significant weakness identified



# Executive Summary (continued)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)





## 02 Value for Money Commentary

# Value for Money Commentary

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

No significant weakness identified

The council has appropriate arrangements in place to ensure financial sustainability.

The medium term financial strategy (MTFS) is updated annually, looking forward over a 4 year period.

Throughout 2022/23, the MTFS in place was the "Budget and Council Tax Setting 2022/23 & future years forecasts". This was presented at Council in February 2022 and was prepared on the basis of delivering services at pre-pandemic levels i.e. the "steady state" with all COVID related costs and income losses met from the COVID Contingency Fund established as part of the 2021/22 budget setting process. There were potential commitments against the COVID Contingency of £15.2m (built up from Council and Government funding in 2020/21 and 2021/22) of £6.1m, leaving £9.1m for future years. This contingency has been established to provide a good level of surety that the Council will be able to continue to deliver all of its essential services as well as being able to respond to the continuing COVID-19 pandemic and its legacy after effects.

The 2022/23 budget also included a target of £3m savings and a further forecast of £2m savings per annum over the following 3 years. Reserves in 2022/23 are maintained at £11.0m but falling to £8.2m by 2024/25 (£8.3m in 2025/26) but at a time when the risks of the Fair Funding Review and Business Rate "reset" will have passed.

Subsequent to the year we are assessing, the Financial Strategy for 2023/24 to 2026/27 and was revised and approved by Council in February 2023. The forecast indicates that there continues to be a number of spending pressures facing the Council over the coming years as core funding sources are expected to fall whilst unavoidable costs increase. A balanced budget was set for 2023/24 with no significant gaps in the future years to 2026/27, albeit with a savings target of £2m per annum.

Any potential gaps will need to be addressed by the Council in the forthcoming periods, but the Council has a good track record of addressing gaps and achieving savings targets through their annual budget processes and putting in place arrangements to do so in advance of the annual budgets based on their forward projections.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

# Value for Money Commentary (continued)

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

No significant weakness identified

The Council had arrangements in place to ensure it made informed decisions and properly managed its risks.

The Council has in place frameworks for risk and performance management alongside the strategy and policy that sets out the framework arrangements and responsibilities for the successful delivery of agreed priorities and intended outcomes. Risks and performance are monitored and reported to corporate management team and review is undertaken by the Corporate Scrutiny Committee.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections which reduce the risk of fraud or error.

The Audit and Governance Committee are also presented with quarterly updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the Committee assurance over the effective operation of internal controls and includes reporting on areas of fraud detected. The Council also takes part in the National Fraud Initiative work.

The Audit and Governance Committee receives an annual report on the incidence of fraud within the Council, which also informs them of the range of processes, policies and strategies which the Council has for identifying and responding to fraud or error. The Audit and Governance Committee has the opportunity to review the Council's draft accounts and reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.

The Council has a call over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, democratic services and communications review and discuss all draft reports with the report authors prior to publication. Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet. The Council intends to move to a Committee Structure in May 2024.

The Audit and Governance Committee provide effective governance by receiving a wide range of key reports including from external and internal audit, periodic reports on strategic risks, annual governance statement, statement of accounts, treasury management strategy and contract monitoring.

The Monitoring Officer and Director of Finance maintain their legal responsibilities to ensure that the Council acts legally and within its financial means.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

# Value for Money Commentary (continued)

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

No significant weakness identified

The Council has arrangements in place to improve economy, efficiency and effectiveness. These derive from the Corporate Plan, setting out the Council's priorities and objectives. The Cabinet and Corporate Management Team (CMT) are collectively responsible for delivery of the Corporate Plan and monitors progress against the key projects, budgets and performance measures on a regular basis.

To track performance and judge how well the Council are delivering their services, financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet. Performance information is collated, particularly in the form of the service level agreement report and discussed to identify areas for improvement. Reporting of performance is combined with financial monitoring in Quarterly Performance and Finance Reports.

The Council has engaged in a Corporate Peer Review to review and challenge the way it sets priorities, determines strategy and delivers its services in a financially sustainable way. Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement. At year end performance is measured in relation to the Corporate Plan.

In accordance with section 135 of the Local Government Act 1972 the Council has a set of contract standing orders (CSOs) that governs how the Council conducts procurement processes and awards contracts.

The Council has a procurement and contract monitoring team who oversees the Council's procurement activity and actively manages, alongside the lead commissioner, any procurement where the whole life value of the contract is over £25,000. This ensures compliance with CSOs and the Public Contract Regulations 2015 (where applicable) and other associated legislation such as the Public Services (Social Value) Act 2012.

Reporting of the Council's procurement and contract activity is made on a 6 monthly basis to the Corporate Management Team and the Audit and Governance Committee. These highlight the contract management framework which is still new and still developing and monitors performance of all contracts.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.





# 03 Appendices

# Appendix A - Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

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

In-year pressures are identified through monthly Service Board Reporting to each Directorate. A summary report is then prepared for the monthly Corporate Management Team (CMT) (Directors) and the Corporate Leadership Team (Directors & Cabinet Members) which provides a focused discussion on the mitigation of budget pressures and identifies further financial risks. Pressures are firstly dealt with at a Directorate/Portfolio level with the aim of resolving them on an on-going basis. Any pressures which cannot be resolved on an on-going basis will then be considered as additions to the budget when the Medium Term Financial Strategy (MTFS) is reviewed during the process to develop the Budget Report for approval each year in February. Unavoidable pressures, inflation, growth and funding levels are then assessed and a savings plan developed to produce a balanced budget.

The Council holds a Corporate Contingency which has been increased to £4m to deal with both known and unknown unavoidable risks in year. Any risks that require on-going funding are then built into future budget through the budget process.

A Covid contingency is still in place to provide for known risks associated with the legacy impact of Covid particularly in relation to Adult Social Care (impact from the hospital discharge process during Covid which resulted in more people being placed in residential and nursing care) and Leisure Centre income where numbers of customers have taken time to recover. The Covid contingency is planned to remain until 2025/26 when it is expected that these pressures will have been removed from the system and the contingency exhausted.

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

As part of the preparation for the 2023/24 budget each Directorate identified budget pressures arising from increases in demand and prices (inflation), unachieved savings which were part of previous year's budget setting and any bids for growth. Directors were asked to identify mitigation which could be achieved to reduce the pressures and the overall impact. A series of meetings were held to establish the final set of budget pressures that would be accommodated in the MTFS and to identify any remaining risks that would be provided for within the council's contingency and reserves. This resulted in the identification of £20m unplanned cost pressures facing the Council for 2023/24. Other information is presented to support the budget pressures put forward.



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

After considering changes in funding the remaining funding gap then dictates the amount of savings that need to be identified. The council uses a savings model to allocate the savings targets plus an amount of headroom to each portfolio. The model uses a weighted scoring approach which takes into account the service priority, the recognition of financial pressures, the ability to generate income and the opportunity to make further efficiency gains. Directors and Portfolio Holders are charged with developing a plan of on-going savings to reach the target set. A series of Star Chamber meetings will be held between the Director, Portfolio Holder, Leader, Cabinet Member with the responsibility for Finance and Senior Officers including the Chief Executive, the Director of Finance and Asst. Director of Finance to scrutinise the options for impact and deliverability. The process begins in the Summer to allow a significant amount of time for plans to be considered and finalised.

At the end of the process a list of savings options amounting to (or preferably exceeding the total savings target to offer some choice) will be discussed with the Cabinet and the final list of savings amounting to the total required will be determined. In parallel with this work a budget consultation exercise with the public is undertaken. For the 2022/23 budget this consisted of an on-line survey (running from 22 December 2022 to 30 January 2023 with 1092 responses) to determine the public preferences for making savings against service areas or raising income from fees and charges and raising council tax charges. These views are then taken into account when determining the final proposed list of indicative savings. The council also held meetings with the Union, Town and Parish Councils and the Voluntary sector and Business Sector.

Savings with a lower impact will be prioritised and opportunities to make efficiencies or generate income will be favoured over reductions in services. In the last two rounds of budget planning, service reductions have amounted to just 1% (2022-23) and 16% (2023-24) of the total savings requirement.

The Budget that is approved by Full Council each year, includes the list of indicative savings, however, these savings are indicative only and indicate the most likely way in which the budget will be delivered. If a particular saving is later not considered to be deliverable or deliverable in full then the Portfolio Holder and Director have the option to identify another alternative saving of equal value having due regard to the duty to produce an Equality Impact Assessment and to consult if applicable. Despite significant financial challenges and the scale of the budget pressures identified a balanced budget for 2023-24 was approved in February 2023.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

The Council has an approved MTFS, organised into themes which describes how the Council will approach the delivery of its necessary savings requirements. This covers the use of both Revenue and Capital Resources.

Savings targets are developed and allocated to each Portfolio of services (as previously described) by using a model which takes into account the strategic and statutory priorities of the council. Priority is given to the statutory services in terms of a lower proportion of the savings and taken together with other budget allocations awarded often results in a net annual gain for these services.

Adults and Children's social care account for c 60% of council spending, therefore when there has been the opportunity to raise an additional council tax precept for Adult Social Care this has been taken and passported directly to the service to help ensure that service delivery can be sustained. Similarly, all grants relating to Adults and Children's services are allocated directly to those service areas.

In addition the MTFS recognises that there are risks to the delivery of savings targets particularly across the statutory services where demand can be more difficult to manage or changes can take time to implement. Mitigation is therefore put in place, including the use of the Transformation Fund to pump prime investments required to deliver savings. Central budget allocations are also held to mitigate for the risk of either savings not being achieved or unexpected and unavoidable demand in the statutory services.

The Star Chamber process also examines in detail cost pressures and estimated demand pressures that service areas are experiencing in particular around Adult Social Care and Children's Services (as described above). The data is subject to significant challenge and scrutiny and where the pressure is confirmed and determined will present a risk even after mitigation then this will be considered as growth to be built in to the MTFS.

Additionally, the Council uses the outcome of the Budget Consultation to inform its spending priorities of both a revenue and capital investment nature.



# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

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's Medium Term Financial Strategy is consistent with the Corporate Plan. One of the primary objectives of the Corporate Plan is to achieve financial sustainability and deliver a balanced budget. The integration of other plans also feature in the Councils approved Medium Term Financial Strategy.

The capital programme is a key driver for the future financial sustainability of the Council and this is recognised in the MTFS. The Capital budget is developed in conjunction with the revenue budget each year. In terms of funding for the Capital Programme contributions from the revenue account are an important feature of the MTFS as other capital resources are very limited and without planning to support the programme in this way the council would have insufficient resources to fund essential capital spend.

The Capital Strategy is also reflected in the MTFS and approved alongside the main budget, annually in February. The Capital Strategy reflects the capital plans as approved in the main budget and supports the Corporate Plan priorities by balancing priorities and resources and sets out the 3 core aims of the approach to capital planning :

Aim 1 - to support a medium term outlook

Aim 2 - to maximise the capital resources available and the flexibility of their application

Aim 3 - targeted capital investment

Investment plans such as the Regeneration Programme has in recent years seen an approval for £25m of borrowing built into the capital programme to deliver on its Regeneration plan for the Island which in the longer term will lead to revenue income streams and improved economic conditions/opportunities for the Island. Borrowing costs associated with the Regeneration schemes are factored into the revenue budget. A Finance Sub-group of the Isle of Wight Health and Care Partnership Board (ICP) meet to discuss the respective financial operational plans and financial positions of each partner organisation and to ensure that each is sighted on any plans which may have a financial impact on the care system across the Island. The Better Care Fund (BCF) is a jointly financed commissioning plan agreed annually between the council and the ICB which also ensures that there is alignment of objectives for social care and health.

Despite the challenges of forecasting the on-going impact of the pandemic and the uncertainty around Government Funding until the Provisional Finance Settlement was announced in December the council was able to agree a balanced budget for 2023/24 and future years forecast were thoroughly reviewed and updated. The programme of work to achieve this was overseen by the Executive Leadership Team throughout the year. Members have also been engaged in this process via Cabinet, Scrutiny committee meetings and the Audit and Governance Committee.

# Appendix A - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

A strong focus on financial management is embedded throughout the council via a finance business partnering model which allocates dedicated financial staff resources to teams based on the risks of managing the budget due to demand challenges and the statutory nature of the service and the severity of the impact that any budget overspend may have on the council. Through this dedicated team structure the early identification of changes in demand/budget pressures is enabled and remedial action implemented as soon as possible. In addition to the focus within individual Directorates the monthly reporting of the council's overall financial position to CMT and CLT as described above provides the opportunity for a focused approach to the identification of mitigating actions to address any emerging budget pressures during the year.

In the event that an in-year financial pressure cannot be contained within a portfolio then the council has a corporate contingency budget and reserves to accommodate these events and other financial shocks.

The Council also holds a level of "headroom" over and above the minimum level of General Reserves, the minimum level being £8m. In addition, the Council holds specific Earmarked Reserves for specific risks. Examples include a Risk and Insurance Reserve, a Repair and Renewals Reserve and a Business Rates Reserve.

The council's budget plans (including the savings plan) are subject to scrutiny at the Star Chambers (as outlined above) which will also test out the underlying assumptions and data about future demand. Key areas of the council that are demand led such as Adult and Children's Social Care are subject to detailed budget planning each year (in effect zero based budgeting) where current/past trends are analysed and adjusted for estimated future changes to effectively re-set the care budget each year to align with the best estimate of demand and available resources.

Detailed risk registers are also held for every service area and reported regularly to Service Boards. The key risks to the council are contained within the Strategic Risk Register which is also reported within the QPMR reports to Cabinet and as a standalone report to the Audit and Governance Committee. The Strategic Risk Register includes two financial risks relating to the in-year achievement of the council's budget and a risk relating to the achievement of the MTFS.

# Appendix A - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

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

### Arrangements in place

The Council complies with the CIPFA Codes of Practice and Finance staff are appropriately qualified, trained, supervised and engage in CPD training. The council has a range of processes, policies and strategies to counter the risk of fraud including: a counter fraud strategy, codes of conduct for staff and elected members, comprehensive financial regulations, procurement rules, contract standing orders, policies governing gifts and hospitality, registers of interest, whistle blowing procedure, complaints procedure and on-going internal audit reviews. The Anti-Money Laundering Policy was updated and approved by Audit and Governance Committee in March 2023.

Internal Audit conduct audits annually which confirm that there are authorisation controls around accounting transactions and corrections e.g. journals, accounts payable and receivable and treasury management which reduce the risk of fraud or error.

The Audit and Governance Committee are also presented with regular updates from Internal Audit on its programme of internal audits which cover a broad range of operational areas. This gives the committee the assurance of the effective operation of internal controls and includes reporting on areas of fraud detected. Follow-up audit reports are also presented to the Audit and Governance Committee to give assurance that a plan of action is being implemented where any significant weaknesses have been identified in the original audit.

The Council experiences the specific risk of fraud in relation to Benefits Administration, Direct Payments, Contracts and Payroll. These areas are appropriately covered within the Council's annual audit plan. The Council also takes part in the National Fraud Initiative work.

The Audit and Governance Committee receives an annual report on the incidence of fraud within the council, which also informs them of the range of processes, policies and strategies which the council has for identifying and responding to fraud or error.

The Audit and Governance Committee reviews the Annual Governance Statement. Any weaknesses in the system of internal control would be highlighted in the Statement.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

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

There are areas in the Council which are more prone to fraud than others as described above. Housing and Council Tax benefits are examples of where fraud is experienced on a regular basis and as such the council maintains a strong interaction with the single fraud investigation team managed by the DWP. Other areas of the Council such as treasury management, procurement cards, procurement of contracts and payments in general are all areas that management are aware of and has taken appropriate steps to manage the risk of fraud. Audit reviews of these areas are also undertaken on a risk basis.

The council produces quarterly Performance, Finance and Risk reports which include the strategic risks for each portfolio, this is taken to formal Cabinet meetings after having been through the Corporate Scrutiny Committee. In addition a separate Strategic Risk Report is taken to the Audit and Governance Committee on a regular basis after having been through internal governance such as CMT and CLT.

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

Each year the MTFs forecasts the savings requirement for a three year period, so that work can begin on developing savings plans early in the budget process, usually around July. The rolling four year Medium Term Financial Plan is refreshed each year taking into account a large range of factors, including the latest assumptions about inflation, cost pressures (as identified by the budget monitoring process in-year but which are considered to be unavoidable and on-going), unachievable prior year savings, growth in demand, external pressures (such as increases in the National Living Wage which has a significant impact on care providers and therefore pressure for fee uplifts from the council), changes in income levels from fees and charges (volume and price) and estimated changes in funding from government grants, council tax (tax base, proposed fee increases) and business rates.

All of these factors are considered in detail to arrive at a four year forecast plus current year of expenditure against funding, the gap being the savings requirement over the forthcoming year and subsequent three years. The forthcoming year's total savings target is then either confirmed as the amount set in the previous budget or adjusted and then allocated as described above to each portfolio and a series of Star Chambers held to scrutinise the savings for deliverability and impact. A final list of indicative savings is then produced after budget consultation has been undertaken.

This is a collaborative approach between senior officers and cabinet members. The process is a lengthy and detailed one commencing around July each year. The savings target is set for the forthcoming year and subsequent three years and therefore this gives the council a significant amount of time to consider and plan not only the next year's detailed savings plan, but also the direction of travel required to be able to deliver the further three years savings.



# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body 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

As described above, the council operates its financial management via a business partnering approach. Each Directorate has a dedicated team of finance staff assigned to it and led by a qualified and experienced accountant.

The finance teams are involved in day to day financial operations of the service areas and are included in service management teams and attend a large range of service meetings from which they have developed a significant knowledge of the service areas enabling them to identify early any activity/demand trends that may lead to financial pressures and in turn enabling corrective actions to be taken where possible.

Service Board reports are produced and presented on a monthly basis which depending on the nature of the service include non-finance performance information.

The Service Board Reports therefore contain bespoke information for each service but also contain standard information for each Directorate including overall revenue budget forecast, progress of savings targets, key balance sheet items and progress on the capital programme.

A monthly summary report is then produced consisting of the revenue forecast, capital programme and savings progress. This is presented to CMT and CLT whereby Directors will be held to account for the reasons for variances and the proposed plan of action. This provides for the opportunity to take remedial action.

How the body 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

The Council has a call over process whereby a panel of officers chaired by the monitoring officer and including legal, finance, democratic services and communications review and discuss all draft reports with the report authors prior to publication to ensure they are written in such a way as to comply with the Council's standards including clear options and evaluation of options leading to a recommendation that clearly states inter alia financial and legal implications to allow the decision maker to make a fully informed decision.

Reports also undergo review at a Pre-Cabinet Meeting where Cabinet Members and report authors can ensure that the reports are complete and accurately reflect the decision to be taken – the reports are then taken forward to the Call Over process.

Reports are presented to Scrutiny Committee in advance of decision at Cabinet Meetings to allow challenge and transparency and for Scrutiny to give any recommendations to Cabinet.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

### Arrangements in place

How the body 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 (continued)

Those decisions delegated to Cabinet Members or key Officer Decisions are published on the council's website where required reports will be subject to consultation and an Equality Impact Assessment.

The Monitoring Officer will also when needed, write reports to challenge and implement change.

The Audit and Governance Committee provide effective governance by receiving a wide range of key reports including from External and Internal Audit, periodic reports on Strategic Risks, Annual Governance Statement, Statement of Accounts, Treasury Management Strategy and Contract monitoring.

How the body 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)

The council monitors that it meets legislative/regulatory requirements and standards in terms of officer or member behaviour through the appropriate involvement of legal officers, horizon-scanning of public interest reports to use to seek out best practice from where mistakes have occurred and reports from the Committee on Standards in Public Life and through deliver of training and/or advice notes. Also, the review of member register of interests takes place periodically.

The Monitoring Officer also provides guidance on issues such as elections (pre-election guidance) and the member protocol for the annual budget meeting.

The Monitoring Officer also provides reports of the Independent Remuneration Panel (IRP) on the Member's Allowance Scheme to ensure that the approved members allowance scheme is in line with the IRP's statutory recommendations.

The Monitoring Officer will also advise on other issues as they arise such as the correct protocol for proposing amendments and guidance on Motions of Notice.

There is a standing agenda item at each committee pertaining to any conflict of interest declarations that is needed to be made by the members or officers. Officers and Members of the Council also need to submit an annual declaration of interest which is also included on the Council's website.

The accounts staff undertake a specific search of transactions and agreements to identify significant or unusual transactions to include in the annual accounts. The Council also sends an email to all members and key management staff requesting declarations of interests. As part of the Statement of Accounts process Related Parties transactions are reported upon both for Members and their family and Officers.

# Appendix A - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

### Reporting criteria considerations

How the body 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)  
(continued)

### Arrangements in place

Alongside this, the register of interests is a key source of information that underpins the Council's considerations of its related party disclosures. Following enactment of the Localism Act 2011, failure by Members of a council to comply with the requirement to register pecuniary and non-pecuniary interests is now a criminal offence.



# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Financial and performance information is discussed regularly at Directorate Service Boards, CMT and Cabinet.</p> <p>Wightcare Business Unit – Following the identification of a growing budget gap between the cost of delivery of the service and income it was agreed at Full Council that a paper would be brought to Cabinet via Corporate Scrutiny Committee to review the business model of Wightcare including the associated costs and fee structures where Cabinet agreed to retain the Wightcare service in-house and develop two-year cost recovery model from April 2023 to achieve financial breakeven, reducing dependency on public funds and stabilising the service for the future under statutory charging guidance.</p> <p>Leisure centres – Covid and market competition has led to a drop in numbers using leisure facilities. A consultant was engaged to carry out a latent demand analysis and advice on how to recover. As a result Council is investing in the sales and marketing team, leisure attendants and revising the pricing model to attract new members.</p> <p>Home to School Transport – Increasing costs in home to school transport highlighted through budget monitoring reports led to a bid to the Transformation Fund in 2022/23 to introduce spend to save minibus schemes for schools/FE setting and stronger enforcement of SEN eligibility decision making.</p> <p>Routine reporting of performance is combined with financial monitoring in the Quarterly Performance and Finance Reports.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>The Quarterly Performance Monitoring Report (QPMR) presented to Cabinet contains a large number of performance measures structured for Portfolio responsibilities which measures performance over time so that trends can be analysed. The QPRM report also contains a section on Service Updates which identify progress with planned improvements.</p> <p>Benchmarking takes place within many service areas to compare performance with national and statistical neighbours to identify where there are opportunities for improvement.</p> <p>Peer Reviews are used across the council to identify areas for improvement.</p>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body 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	<p>Each partnership is set-up on an individual basis and with individual terms of reference and objectives which will be monitored within the partnership by using action plans and the development of key metrics where applicable.</p> <p>Key strategic partnerships such as the Integrated Care Partnership have senior council representation including the Chief Executive who is the Executive Lead and the Director of Adult Social Care. In order to ensure that the Cabinet also have oversight of the activity of this board and are able to monitor its performance as key stakeholders, the minutes of this partnership board are presented to the Corporate Leadership Team meetings each month.</p> <p>Other key projects which may not have formal partnership arrangements are presented to a Members Board on a regular basis to give them oversight of progress against key milestones and to enable them to hold the project managers to account. In May 2022 the Corporate Scrutiny Committee added a scoping document to its workplan around the council's partnership arrangements, the focus of which is:</p> <ul style="list-style-type: none"><li>• Is there a formal framework for entering partnership arrangements so that its purpose and expected outcomes are fully understood and that the Council's agreed priorities and objectives are met?</li><li>• How are performance, value for money, outputs, and financial incentives measured?</li><li>• Is provision made for the scrutiny of partnerships?</li><li>• Are all partner organisations expected to provide information to the council to enable councillors to conduct a full review if required?</li><li>• Are expected outcomes being delivered?</li></ul>

# Appendix A - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>In accordance with section 135 of the Local Government Act 1972 the Council has a set of contract standing orders (CSOs) that governs how the council conducts procurement processes and awards contracts.</p> <p>The key principles of the CSOs are:</p> <ul style="list-style-type: none"><li>(i) To achieve good value for money through appropriate market competition, so that we offer best value services to Isle of Wight residents;</li><li>(ii) To be transparent to our residents about how we spend their money through our procurement processes;</li><li>(iii) To ensure compliance with the legislation and regulations which govern the spending of public money;</li><li>(iv) To ensure against any criticism or allegation of wrongdoing in the buying of goods and services or in the commissioning of works;</li><li>(v) To support sustainability and social value objectives, the public sector equality duty, and encouraging local businesses on the Isle of Wight.</li></ul> <p>The Council has a procurement and contract monitoring team who oversees the Council's procurement activity and actively manages, alongside the lead commissioner, any procurement where the whole life value of the contract is over £25,000. This ensures compliance with CSOs and the Public Contract Regulations 2015 (where applicable) and other associated legislation such as the Public Services (Social Value) Act 2012. The Council runs an in-house procurement and contract management training programme which trains Council commissioners and contract managers in the following areas; procurement landscape, specification drafting, tender evaluations and contract management. This is designed to embed the knowledge and skills in relation to procurement and contracts within the commissioning services.</p> <p>The Council has a Contract Management Framework which has been developed to assist officers in setting robust contract performance monitoring regimes, managing relationships with suppliers and to provide a structure for recording contract compliance which can be reported to Senior Managers, Elected Members and other key stakeholders. To support the Contract Management Framework, the Council is in the process of rolling out a contract monitoring system which will be a central point for recording the performance of the Council's contracts.</p> <p>Reporting of the Council's procurement and contract activity is made on a 6 monthly basis to the Corporate Management Team and the Audit and Governance Committee. These highlight the contract management framework which is still new and still developing and monitors performance of all contracts.</p>



## EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.  
All Rights Reserved.

UKC-024050 (UK) 07/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

[ey.com/uk](https://ey.com/uk)