

Value for Money Progress Report

Lincolnshire County Council – Year
ended 31 March 2022

November 2022
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Commentary on VFM arrangements

Overall summary

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VFM arrangements – Overall summary

Approach to Value for Money arrangements work

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

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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.

We have not identified any risks that require additional procedures.

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 to date against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

Our Value for Money commentary looks at the arrangements in place for the period from 1st April 2021 to 31st March 2022. We recognise that there are substantial changes in the economy and operating environment since then, including levels of inflation and an impending budget announcement and we will, therefore, be mindful of these as part of our final reporting.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness? *	Actual significant weaknesses identified? *
 Financial sustainability	5	No	No
 Governance	12	No	No
 Improving economy, efficiency and effectiveness	19	No	No

* This table represents the work performed to date and therefore subject to change.

Commentary on VFM arrangements

Financial Sustainability

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

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VFM arrangements – Financial Sustainability

Matters brought forward from 2020/21

As reported in our Annual Auditor's Report for 2020/21, we confirmed we had;

- Review the 2020/21 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements;
- Reviewed the 2021/22;
 - Revenue and Capital budgets and Medium Term Financial Plan;
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies; and
 - Considered the Council's latest financial monitoring information and its updated medium term outlook.
- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council's Annual governance Statement for any significant issues; and
- Considered the general findings from our audit work in other areas.

The following conclusions were reached, disclosed within our Annual Auditor's Report, dated December 2021:



Value for Money arrangements

In our audit report issued we reported that we had completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council's arrangements.

We therefore, have no risks of a significant weakness in the Council's arrangements brought forward from 2020/21 into the current year.

2021/22 Draft Financial Statement Performance

We have carried out a high level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work to date has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

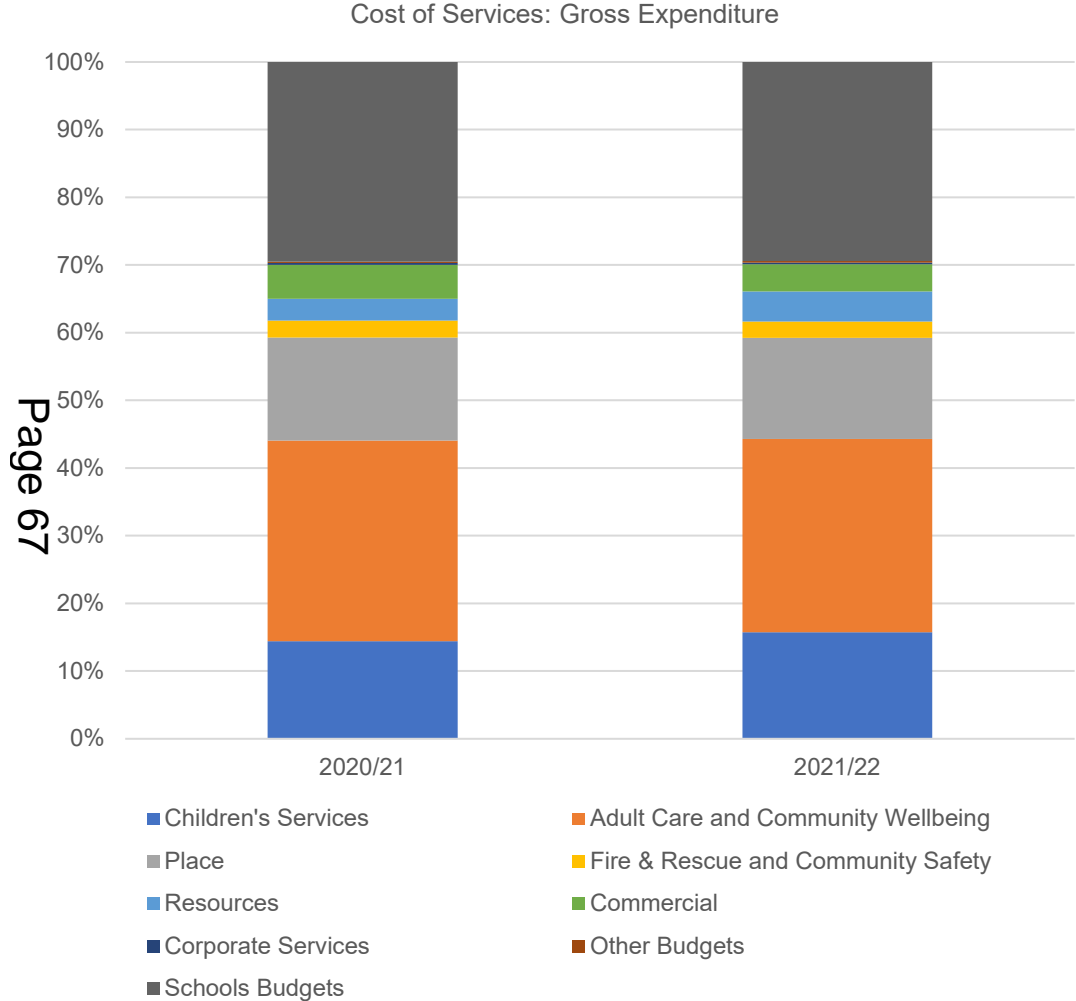
The Council's useable reserves have decreased from £366m to £332m in 2021/22 (as per Note 12 of the draft financial statements), with:

- General Fund & Earmarked Reserves of £234m, down from £247m in the prior year;
- School Reserves of £27m, up from £26m in 2020/21; and
- Capital Reserves of £72m, down from £93m in 2020/21.

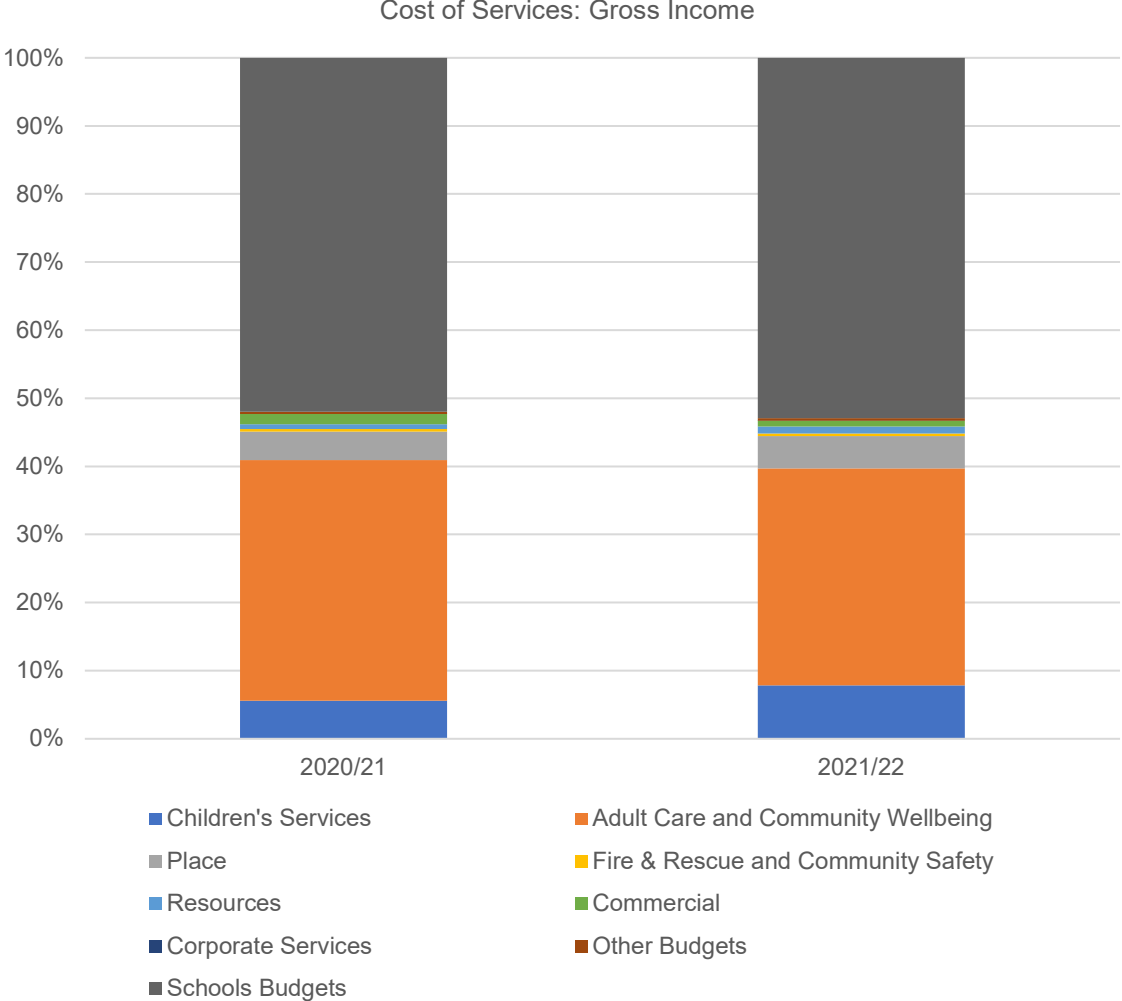
Although the Council's reserves position has decreased by 9% since the prior year, you can see from the two charts on the next slide that there has been no fundamental change in business purpose and the distribution of expenditure and income by service is sufficiently consistent with the prior year and therefore, does not indicate a risk of significant weakness in VFM arrangements under the financial sustainability criteria.

VFM arrangements – Financial Sustainability

Cost of Services – Gross expenditure



Cost of Services – Gross income



VFM arrangements – Financial Sustainability

2021/22 Draft Financial Statement Performance (continued)

The Council's balance sheet remains stable since the prior year, with material movements in Property, Plant and Equipment, Short Term Investments and Other Long Term Liabilities.

Adequate disclosures have been made in the Financial Statements (Note 15) and Narrative Report to support why these balances have moved.

Net current assets (being current assets less current liabilities) have decreased from £209m to £150m.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £890m. As shown in Note 29 of the draft financial statements, the main movements being:

- An increase in the value of pension assets from £1,427m to £1,575m; and

A decrease in the value of pension liabilities from £2,200m to £2,174m.

The Fire-fighters pension Fund net liability is £292m.

In the past few years, it is not unusual to see material movements in the net pension liability and this is consistent with our experience at other Councils.

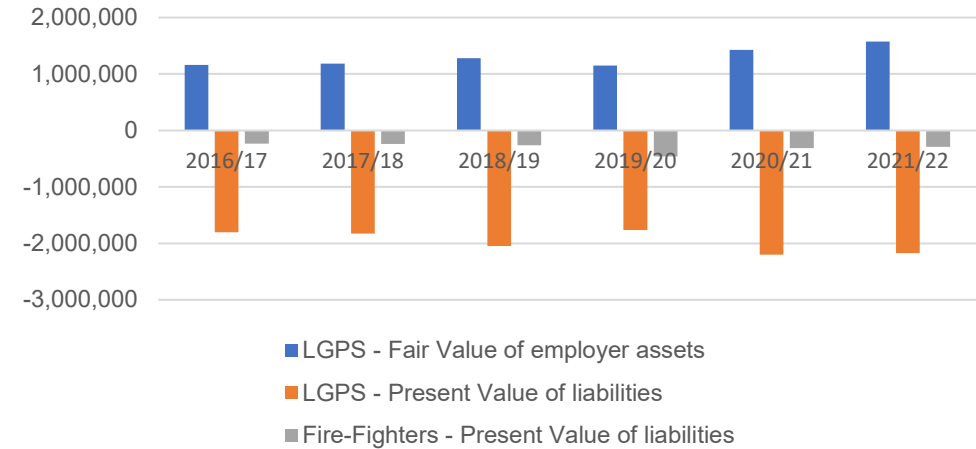
We have identified as part of our financial audit, a non-material adjustment of £11.4m being made to increase the Council's pension assets and reflect actual market changes. We do not believe this has an impact on our assessment of the financial sustainability of the Council.

We have tracked the movement in the net pension liability over a five year period to illustrate the changes and summarised in the table below and the charts opposite.

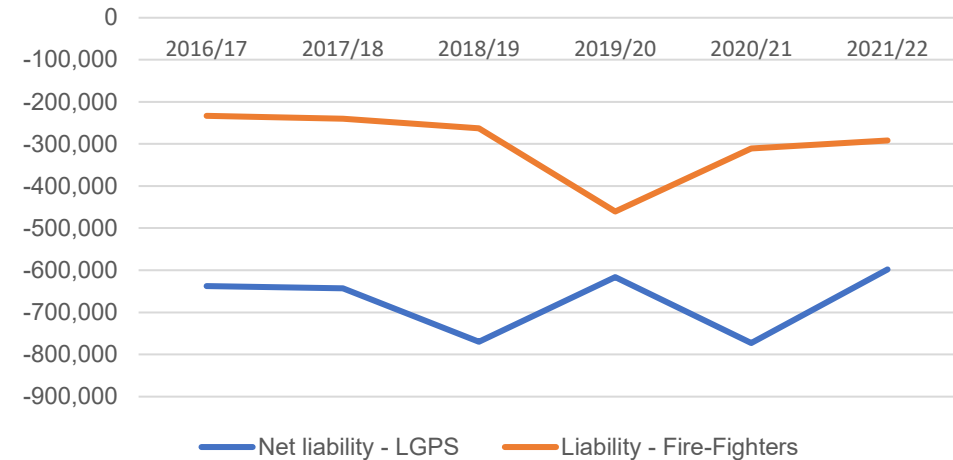
The deficit position is not unusual to Lincolnshire County Council and is a recognised area of financial challenge for local authorities.

	2017/18 (£'m)	2018/19 (£'m)	2019/20 (£'m)	2020/21 (£'m)	2021/22 (£'m)
Net Liability – LGPS	(643)	(770)	(617)	(773)	(598)
Liability_ Fire-Fighters	(240)	(263)	(461)	(311)	(292)

Pension fund assets and liabilities over time (£m)



Pension fund net liabilities over time (£m)



VFM arrangements – Financial Sustainability

2021/22 Financial Statement Performance (continued)

We have met regularly with Officers during the year and read the Quarterly Reports to Executive. Each report summarises the financial position of the Council and is supported by a set of appendices that adequately enable Members to assess revenue performance by service (such as Children’s Services, Place etc). We note the reports explain the variance to budget, which increased in size from Quarter 3 through to the year-end; this is shown in the table below. The reports also include an adequate summary and explanations of the financial impact of COVID19.

Reports to Executive include the monitoring of planned savings of £11.4m for 2021/22 and £4.8m for 2022/23 as reported in the Revenue Budget Monitoring Report 2022/23 – Quarter 1, presented to the Executive in September 2022. These savings are built into budgets and triangulate with the individual service level reports included in the supporting appendices to the Quarterly Revenue reports to Executive.

We have reviewed note 14 of the financial statements, setting out earmarked reserves, and in particular the Financial Volatility Reserve that was established to help the Council deal with the future uncertainties around Local Government funding. The Council did not use any of this reserve in the year, instead it added £6.4m leaving a balance of £46.9m as at 31 March 2022.

In July 2022, the Executive were informed that there had been:

- A £5.8m underspend on Services (1.3%) and £6.5m underspend on other budgets (6.9%), and the Council received £1.4m (less than 0.5%) more general funding income that originally budgeted for (not considered to be a material variance between reported sums);
- £17.2m underspend via dedicated schools grant, of which £13.9m relates to balances from the prior year;
- Support paragraphs explains that these underspends are mainly the result of Covid-19 and the subsequent knock on effects this has caused alongside staff vacancies and Capital programme slippage.

Overall, the Council’s arrangements for reviewing revenue financial performance are adequate.

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Source	Short Heading	Total including schools			Total excluding schools		
		Budget	Forecast	Variance	Budget	Forecast	Variance
Revenue Budget Monitoring Report 2021/22 - Quarter 1 to 30 June 2021	Q1 2021/22	511,427	510,018	1,409	505,494	504,299	1,195
Revenue Budget Monitoring Report 2021/22 - Quarter 2 to 30 September 2021	Q2 2021/22	529,623	525,952	3,671	511,348	507,668	3,680
Revenue Budget Monitoring Report 2021/22 - Quarter 3	Q3 2021/22	533,890	527,720	6,170	512,775	507,432	5,343
Review of Financial Performance 2021/22	Outturn 2021/22	565,478	536,043	29,435 *	551,790	539,568	12,222
Revenue Budget Monitoring Report 2022/23 - Quarter 1	Q1 2022/23	552,280	553,807	-1,527	549,514	550,336	-822

* Amount relates to underspends on Council and School budgets that were transferred to earmarked reserves post outturn reporting. The variance has been explained as part of the bullet points included above the table and reported to the Executive as part of the July 2022 meeting.

VFM arrangements – Financial Sustainability

2021/22 Financial Performance: Capital Programme

We have reviewed capital expenditure as presented in the financial statements and tested capital additions and REFCUS (Revenue Expenditure Funded from Capital Under Statute), with no material issues arising over the £147m additions to Property, Plant & Equipment set out in Note 15 of the financial statements.

We also reviewed the “Review of Financial Performance 2021/22” presented to Executive on 5 July 2022. Paragraph 1.11 explains the Council spent £194m on the County's major assets, in particular on road schemes and schools. We have reconciled this to the financial statements which show a total of £195.7m (PPE Additions of £147.8m, Investment Properties of £0.5m and REFCUS of £47.4m), noting a non-material variance of £1.4m between the figures reported to Executive and that in the financial statements.

We reviewed the capital outturn report to the July meeting of the Executive, who informed that the capital outturn for 2021/22 was 33% less than planned, with Highways being underspent by £19.6m mainly: the Lincoln Eastern Bypass, the Grantham Southern Relief Road, Spalding Western Relief Road and the A52 Skegness Roman Bank reconstruction; and the Highways Asset Protection block budget. Appendix A to the Report provides a status report on major schemes, which provides members a summary of capital project including:

Spending for the financial year

Changes in the budget

- Whole life-time financial information
- Purpose and performance of the scheme.

This demonstrates adequate arrangements for monitoring the capital programme, not just on a year to year basis, but over the life of the project.

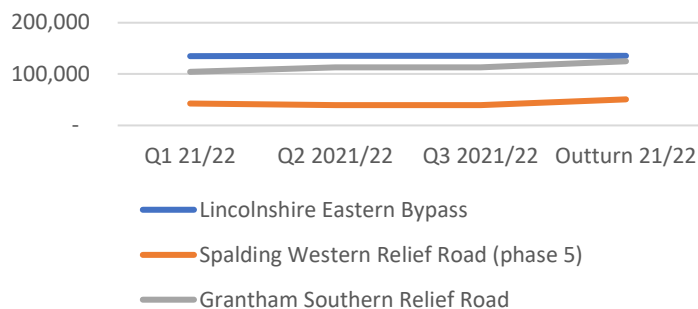
Capital Monitoring

We reviewed a sample of capital budget monitoring reports for 2021/22, starting with the “Capital Budget Monitoring Report 2021/22 - Quarter 1 to 30 June 2021” discussed at Executive on 7 September 2021 as well as the comments from the Overview and Scrutiny Management Board that supported the paper. This process demonstrates an appropriate level of scrutiny through Member oversight of the capital programme.

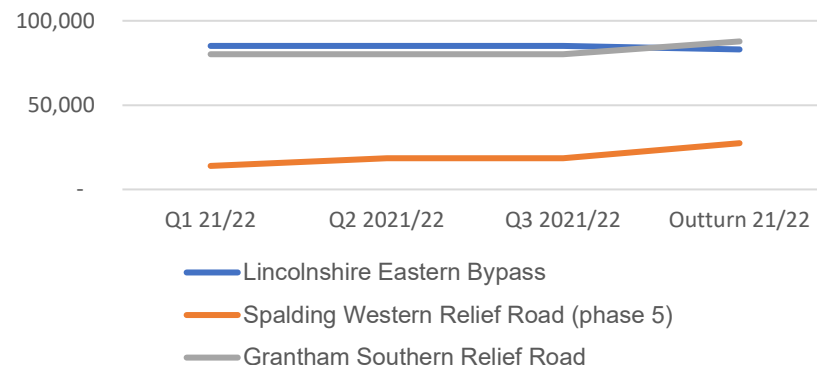
We also considered the consistency of capital programme monitoring, by reviewing a sample of reports to the Executive, reconciling inputs and considering the consistency of narrative. In our review of the capital programme, we considered the progress reports on three largest schemes: Lincolnshire Eastern Bypass, Grantham Southern Relief Road.

The reports provide sufficient detail to understand the programme as a whole, as well as the current position and any significant matters arising.

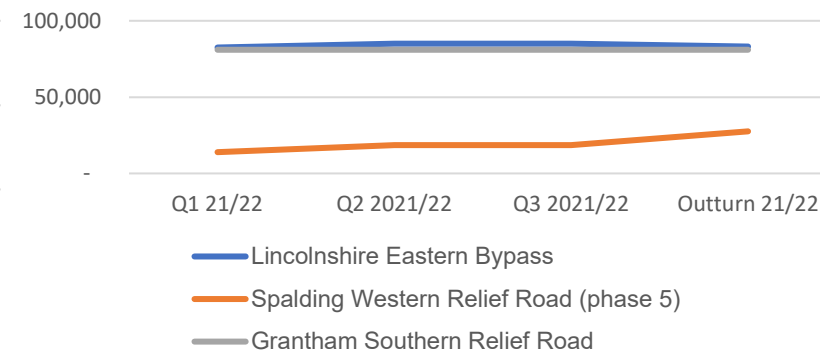
Gross Expenditure Budget



Net Expenditure Budget



Scheme total forecast



Commentary on VFM arrangements

Governance

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

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VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

2021/22 Budget Setting and the Medium Term Financial Strategy

In 2019, the Council received an LGA Peer Assessment that we have reviewed. It includes the following comments that remain relevant to 2021/22:

- “There is financial stability in the organisation and the Council has a proven track record of delivering savings while maintaining front-line services
- The budget process for 2021/22 is strong with good engagement of Members and the Corporate Leadership Team (CLT) carrying out deep dives”

We have read a variety of reports to Overview & Scrutiny Management Board, the Executive and Council covering budget setting for 2022/23 and the Medium Term Financial Strategy. We have also held a number of meetings with Officers throughout the year.

Each service directorate supports the development of the budget, identifying cost pressures and delivery needs within the Corporate Plan before presenting a combined report on the budget and Medium Term Financial Strategy for scrutiny by the corporate leadership team, Overview & Scrutiny Management Board, the Executive and full Council. The arrangements in place for budget setting and updating the Medium Term Financial Strategy are as expected for a County Council, with arrangements for: consultation, scrutiny, evaluation of financial risk, alignment to directorate/business plans and sources of funding.

There is no indication that the Council’s Medium Term Financial Strategy and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget.

A budget consultation presentation was made to Overview & Scrutiny in January 2021 adequately summarises the financial context of the authority, including the impact of Covid-19 cost pressures, which were in additional expenditure and income loss during 2021/22, mostly covered by government grant. Members are aware of the Council’s positive track record in financial delivery, which is consistent with our knowledge, including the ability to maintain financial balance with minimal use of reserves.

Budget reports presented to Executive and Overview & Scrutiny Management Board include management’s assertion, and Members’ agreement that “These budget proposals reflect the level of government funding available to the Council in 2022/23, as well as the proposal to increase Council Tax in 2022/23 by 3.00%, which is the Adult Social Care precept allowed to be charged in 2021/22 but which this Council deferred. Service areas

have been reviewed and the budget proposals aim to support the Council’s priorities within the financial resources available”.

We are satisfied that these reports adequately describe the risks and proposals for setting the 2022/23 Budget and the Medium Term Financial Strategy.

We read the assumptions underpinning the Medium Term Financial Strategy as included in reports to the January meeting of the Executive and the January 2022 meeting of Overview & Scrutiny Management Board. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the council, which are consistent with our experience at similar sized authorities and therefore not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks.

With regard to the 2022/23 Budget and Medium Term Financial Strategy, we have noted it adequately sets out the context and approach to delivering the financial strategy

It also sets out the expected cost pressures from 2022/23 to 2025/26.

	2022/23	2023/24	2024/25	2025/26	Total
Cost pressures (including inflation but net of savings and additional income)	48.8m	15m	12.3m	18.1m	£94.1m
Transfer from earmarked reserves	(£2.3m)	(£9.3m)	(£6.5m)	(£6.9)	(£25m)
Total net amount	£46.5m	£5.6m	£5.8m	£11.2m	£69.1m

Although the table above includes large sums of cost pressures and does not take into consideration potential other movements as highlighted in the report (circa £8m), this does not represent a material risk, particularly in light of c£160m Earmarked Reserves (+ the GF reserves) estimate at 31/3/2023. Also, as previously reported the Council have a Volatility reserve which as at 31st March 2022, has a balance of £46.9m.

We have not identified a risk of significant weakness in arrangements.

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VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Governance

The Authority has a full suite of governance arrangements in place. These are set out in the Annual Governance Statement, which is reviewed as part of our audit where we confirmed they were consistent with our understanding of the Council's arrangements in place for 2021/22.

We confirmed that the Council has an [approved constitution](#) that is regularly reviewed and updated. The Constitution explains how the Council operates and makes decisions. It ensures that the Council is efficient, transparent and accountable for what it does:

- The Council comprises of all 70 councillors, meeting together to make decisions about policies and to set the Councils' budget. All 70 councillors take part in the business of the Council.
- The Executive is currently made up of nine councillors, from the majority political group, and is chaired by the Leader of the Council. Each Executive Councillor is allocated a particular area of responsibility. The full terms of reference for the Executive are set out in Part 2 of the Council's Constitution.

The Council's Chief Officer group form a corporate leadership team and each Executive Director is responsible for their specific area.

We consider the committee structure of the Authority is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

We have reviewed Council and Committee Reports and minutes during the year as well as key documents in relation to how the Council ensures that it makes informed decisions and properly manages its risks. Our review of Council and Committee papers confirms that a template covering report is used, ensuring the purpose, consultation, and recommendations are clear. We have confirmed with the Monitoring Officer that every decision-making report that comes before the County Council, the Executive or an individual Executive Councillor is required to contain a Legal Comment. As a result there is a process for identifying the legal issues raised by any proposed decision and ensuring that these are addressed in the Report.

Minutes are published and reviewed by each committee to evidence the matters discussed, challenge and decisions made.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Executive. A Quarterly report is prepared on behalf of the Executive Director – Resources for the Audit Committee.

We reviewed the Risk Management Progress Reports presented to Audit Committee during the year, including that reported in March 2022. The report provides an update on the activities being undertaken and the key strategic and operational issues facing the Council since the last update in September 2021. Appendix 1 to the Report sets out a breakdown of the risks, issues and status by directorate.

From our attendance at the meeting and review of the minutes, we note that, with regard to the limited assurance on market supply for adult care, it was advised that the Executive Director of Adult Care and Community Wellbeing, as the risk owner, would be asked to attend a future meeting on mitigating factors. Similarly, in relation to the assessment of safeguarding children, the Executive Director for Children's Services, as the risk owner, would be invited to attend a future meeting to discuss this topic.

In our view, there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

We reviewed the Strategic Risk Register reported to the March 2022 Audit Committee and determined it is adequate for the Council's purposes, given it links the risk to the corporate strategy, includes a risk owner and current and target risk scores, assurance status and existing controls. In our view, however, there are aspects that would improve clarity and understanding of the risk and its impact on the Council, including:

- Tracking the risk score by quarter
- Separating controls from assurances and including gaps in controls and gaps in assurances
- Confirming the date of last review by the risk owner
- Setting risk appetite (eg treat, tolerate)
- Specifying actions required (and confirming when these have been implemented).

Combined Assurance Report

The Audit Committee receive a 'Combined Assurance Report' to provide the Audit Committee with insight on the assurances across all the Council's critical services, key risks, partnerships and projects. We obtained and read the report to the February 2022 audit committee confirming that each Executive Director, with the Chief Executive's overview, is responsible for the annual Combined Assurance Status Report. Each Executive Director provides an overall assurance level, based on information across:

- critical service delivery activities;
- key risks;
- key projects;
- key partnerships.

The Combined Assurance report provides the Audit Committee with a good understanding about the level of assurances in place. It overlays the Strategic Risk Register, but in a more understandable format. The report and its content is demonstrative of adequate arrangements in place over risk management.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Audit Committee

The Council has an established Audit Committee that comprises seven councillors, who represent the political balance of the Council, plus two independent persons who are not a councillor, or an officer of the Council. The Audit Committee is responsible for establishing and maintaining an effective system of governance in a way that supports the organisation's objectives. It achieves this by:

- Reviewing the work and findings of internal audit and external audit;
- Reviewing the Annual Governance Statement and the financial statements; and
- Reviewing reports on risk management and internal control.

We have reviewed supporting documents and confirmed the Audit Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. Our attendance at Audit Committee has confirmed there is an appropriate level of effective challenge.

Internal Audit

We have met with management and the Head of Internal Audit regularly during the year, reviewed Audit Committee reports and attended Audit Committee to observe the performance of Internal Audit and the Audit Committee. We have documented our understanding of the Internal Audit function, which is provided by an in-house team which operates as part of Assurance Lincolnshire - supported by additional resources procured via external support framework contracts. The Council's Financial Regulations set out Internal Audit requirements and the Head of Internal Audit has direct access to all levels of management, all employees and to all elected members and particularly to those charged with governance

We reviewed the Head of Internal Audit Annual Report that was presented to Audit Committee on 11 July 2022, where the overall opinion is split across four themes:

- Governance – “Performing Well” showing an improvement since the prior year.
- Risk – “Performing Well”, being a consistent rating as the prior year.
- Internal control – “Performing Adequately” being a consistent rating as the prior year.
- Financial control – “Performing Well” showing an improvement since the prior year.

In our view, the Head of Internal Audit Opinion is sufficiently detailed to explain how each rating was determined.

The facility to hold officers to account therefore exists and we attended the July 2022 Audit committee where this report was presented, where the responsible officers for the project were in attendance to respond to questions on this issue, where applicable.

We have confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement to provide assurance that there is no significant weakness in arrangements for 2021/22.

Whistleblowing & Counter-fraud

We reviewed the annual whistle-blowing report presented to the July meeting of Audit Committee. The report provides a summary and analysis of whistleblowing disclosures received by the Council during the period from April 2021 to March 2022. The number of whistleblowing referrals (26) raised around Lincolnshire County Council activity in 2021/22 represented a decrease on the previous period's activity (29).

We also reviewed the Annual Counter Fraud Report as presented to the July Audit Committee. The Counter Fraud Annual Report provides an overview of the investigation and proactive counter fraud work completed in 2021/22. The level of fraud referrals (15) has decreased with those recorded in the previous year (20) and we identified that majority of cases are involving procurement fraud, which is consistent with the prior year.

There are no systemic or material matters impacting our Value For Money considerations and the existence of the programme, its work and progress reporting to Audit Committee is evidence of adequate arrangements for counter-fraud.

We are unaware of any allegations or incidences of major fraud or corruption.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Monitoring officer and Conduct

The Monitoring Officer has three main roles:

1. To report on matters he/she believes are, or are likely to be, illegal or amount to maladministration;
2. To be responsible for matters relating to the conduct of Councillors and officers; and
3. To be responsible for the operation of the Constitution.

We have reviewed the Monitoring Officer's Annual Report presented to the Audit Committee in September 2022 and met with the Monitoring Officer throughout the year. Our observations being:

The report confirms there were no occasions where the Monitoring Officer had to issue a formal report relating to the lawfulness of a decision.

In 2021/22 there were 68 referrals to the Local Government and Social Care Ombudsman (LGO), up from 48 in 2020/21.

Standards Complaints: From 1 April 2021 to 31 March 2022 there were 29 complaints of breach of the Code of Conduct. This is 24 more than in 2020/21.

- No issues reported in relation to the Register of Councillors' disclosable pecuniary interests or the Register of Officers' Interests.

The annual report of the monitoring officer demonstrates arrangements are in place to monitor and support lawful and informed decision making, with no indications of a significant risk in arrangements.

Scrutiny

In May 2022, Full Council received and approved the Annual Report for Overview and Scrutiny for 2021/22. We have read the report which highlights the scrutiny work that has taken place throughout the last year. The report focuses on the key successes and achievements of Overview and Scrutiny over the past year. The Annual Report is usually put before the annual meeting of the County Council for approval. In years when elections are held, the Annual Report is considered at the first appropriate meeting after the annual meeting.

As set out in the first page of the report "During 2021/22, 54 formal scrutiny committee meetings were held, and 78% of all formal decisions were considered by a scrutiny committee prior to them being made, which is up from 65% last year".

There is no evidence of inadequate arrangements in informed decision making in this report.

Covid-19: Governance

We have reviewed the Annual Governance Statement, which includes a specific section on the Council's response to Covid-19. We are satisfied that the Annual Governance Statement is a reasonable reflection of the Council's arrangements.

The Government asked councils to develop local political leadership through setting up outbreak management boards with key local partners. If small outbreaks in communities, schools or even an individual street are identified, a Local Outbreak Engagement Board can take measures to isolate the problem. Instead of national lockdowns, individual isolation and local action will tackle an outbreak. Since the implementation of the Council's Local Outbreak Management Plan (LOMP) that was in place from June 2020, and since the easing of restrictions in February 2022, the plan has been amended to reflect these changes and is now called the 'Living Safely with Covid' Plan), which was approved by the Local Outbreak Engagement Board in March 2022.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Regulators

We reviewed regulatory reports, including OFSTED and the Care Quality Commission, where inspections were paused as a result of Covid-19. The Council's rating's are carried forward from 2019:

- OFSTED rate Children Services as “Outstanding”
 - A focussed visit was undertaken in March 2022, where inspectors looked at the Local Authority's arrangements for children in need and children subject to a protection plan. We have reviewed the findings report and letter issued by Her Majesty's Inspector with no issues that were identified that would indicate a significant weakness in the Council's arrangements; and
- The Care Quality Commission rate Lincolnshire County Council as a provider as “Good”
- Her Majesty's Inspector for Fire & Rescue Services inspection was published in December 2021 with a rating of “Requires Improvement”. This remains appropriate for 2021/22. in line with prior year findings, we are satisfied that the report does not suggest a significant weakness in the Council's arrangements.

Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

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

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VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Local Government Association - Peer review

We revisited the 2019 LGA Peer Assessment, which includes the following comments that, based on discussions with management and our cumulative audit knowledge and experience, remain relevant to 2021/22:

- “Lincolnshire County Council is a stable, reliable and solid organisation delivering good quality services to its residents
- There is a transparent system of governance within the Council
- There is financial stability in the organisation and the Council has a proven track record of delivering savings while maintaining front-line services
- The Council has a wealth of knowledge, data and experience which needs to be utilised more effectively as part of its development

Lincolnshire County Council has sound knowledge of the local place and context generally and a deeper understanding of service needs within individual departments, albeit with a silo view of localities.

The budget process for 2021/22 is strong with good engagement of Members and the Corporate Leadership Team (CLT) carrying out deep dives

Whilst the Council has clearly adapted to and survived austerity well, it is well behind in terms of having ongoing major transformation programmes”

In our view, the Peer review does not indicate a significant weaknesses in the Council’s arrangements for financial sustainability, governance or improving economy, efficiency and effectiveness.

Corporate Plan

The Council’s arrangements are consistent with the prior year with the Council’s Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website.

The Corporate Plan underpins the ‘One Council’ approach, which aims to ensure all services are working towards shared goals and will help different areas of the Council work together more effectively. The Council’s

overall financial objectives and strategy are documented in the Council’s budget and Medium Term Financial Strategy which is reviewed and updated annually. The Council’s budget endeavours to ensure the provision of the appropriate resources required to deliver the Council’s Plan, and the types of action necessary to enable them to be affordable, to allow balanced budgets to be delivered.

Performance monitoring

The Executive and Overview and Scrutiny Management Board receive regular reporting on the measures contained within the Council Business Plan. The Council has chosen key performance measures and targets to demonstrate to elected members and the public that the directorate is achieving the priorities within each strategy area.

We reviewed reports to Executive as evidence of the Council’s approach to evaluating performance. Reports are presented to Committee by the Performance and Equalities Manager contain sufficient narrative, including the appendices, to demonstrate that there are adequate arrangements for scrutiny in assessing performance and identifying areas for improvement. We also reviewed the performance outturn for 2021/22 presented to Executive in July 2022.

Our review of the minutes shows that the Chairman of the Overview and Scrutiny Management Board confirmed that the Board had recorded its support for the recommendations to the Executive. Minutes also record Member challenge, such as requesting further information in relation to the life expectancy for Lincolnshire residents, and evaluation, such as reflecting on the reduction in people Killed or Seriously Injured on Lincolnshire’s roads.

Overall, we believe this is sufficient evidence to demonstrate adequate arrangements for performance monitoring at the Council.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance monitoring (continued)

We reviewed minutes and reports to Overview and Scrutiny Management Board during 2021/22 including the Quarter 4 People Management Information and Workforce Plan Update from the May 2022 meeting as evidence of arrangements to consider workforce performance indicators. The report provides an overview of staff headcount, sickness absence, agency costs and the health and wellbeing of the workforce. Members were informed that a regular review and monitoring of HR Management data at both Directorate Leadership Team (DLT) level and by Corporate Leadership Team (CLT) was enabling oversight of the workforce and HR performance at both a local level and for the organisation and helping Officers identify priorities and solutions required to address current and future workforce challenges, in particular to attract, recruit and retain skills in high risk areas. The report adequately summarises key issues and, alongside Member scrutiny, is indicative of adequate arrangements in monitoring workforce indicators.

Core Spending Power

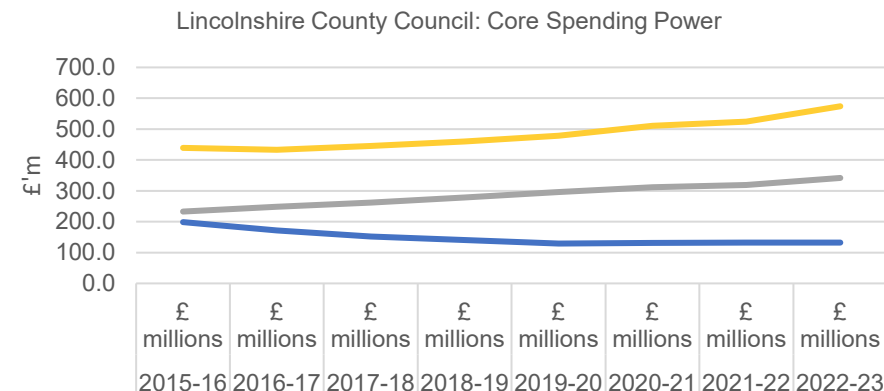
We have also considered the Council's financial position in relation to spending power using publicly available information published by the Ministry of Housing, Communities & Local Government in February 2022.

Overall spending power has increased year on year and in line with all English Councils. The increase in the council tax requirement compensates for the reduction in the settlement funding assessment, which is in line with Government Policy.

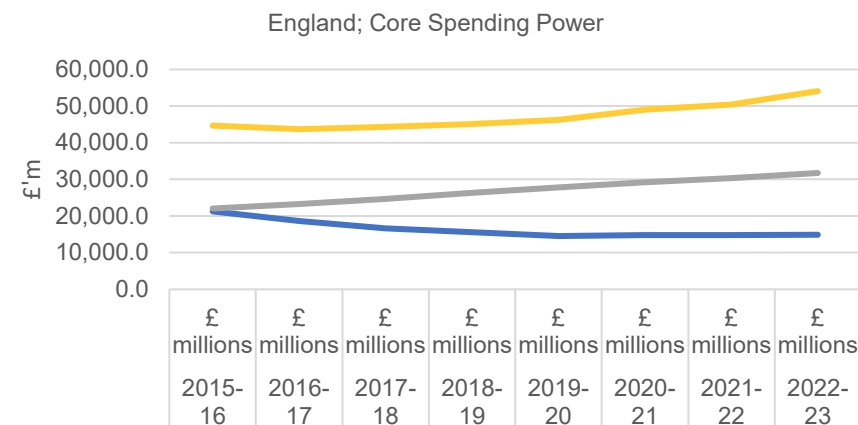
There is no indication of a significant weakness in arrangements.

Benchmarks

We reviewed a selection of benchmarking data available to us, including the CIPFA financial resilience index and the VFM profiles provided via the Local Government Association (called LG Inform VfM available from the following link: <http://vfm.lginform.local.gov.uk/>). We did not identify any indicators of a significant weakness in arrangements for 2021/22.



— Settlement Funding Assessment
 — Council Tax Requirement excluding parish precepts1
 — Core Spending Power



— Settlement Funding Assessment
 — Council Tax Requirement excluding parish precepts1
 — Core Spending Power

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Partnerships and Commissioning

One Council Commissioning Framework 2021-2024

In 2020, the Council undertook a piece of work with external consultants, Impower, to review the current commissioning model and overall approach in use across the Council to consider how current commissioning practices could be more effective.

We reviewed the report presented to the Overview and Scrutiny Management Board on 17 March 2021, which considers the Draft One Council Commissioning Framework 2021-2024, subsequently to be presented to the Executive on 07 April 2021. The views of the Board were reported to the Executive as part of its consideration of this item.

Having read the document, we are satisfied this is indicative of adequate arrangements for strategic commissioning.

Better Care Fund (BCF)

Note 33 of the Council's Financial Statements explains the Council is the host for pooled budgets relating to: Proactive Care, Specialties including Learning Disabilities, Integrated Community Equipment Service, and Child & Adolescent Mental Health Services; and is responsible for their financial administration. Outside this Better Care Fund is a stand-alone Section 75 Agreement for Sexual Health. Our testing of the financial statements has not identified any material issues over these disclosure notes, which show each pooled budget remains in balance.

Due to Covid-19 assurance has been more light touch; however an end of year finance report has been submitted and there has been quarterly performance and finance reports throughout the year, with notable highlights being:

- Plans covering all mandatory funding contributions have been agreed by Health and Wellbeing areas and minimum contributions are pooled in a section 75 agreement (an agreement made under section 75 of the NHS Act 2006).

- The contribution to social care from the Clinical Commissioning Group the Better Care Fund is agreed and meets or exceeds the minimum expectation.

We have not identified any significant weakness in arrangements.

Serco contract

We reviewed a report from the Assistant Director, Commercial, and the Serco Contract Manager, on the Performance of the Corporate Support Services Contract presented to Overview and Scrutiny Management Board in April 22. The report provided an update of Serco's performance against contractual Key Performance Indicators specified in the Corporate Support Services Contract covering the period October 2021 to March 2022. The last report to the Overview and Scrutiny Management Board was on December 2021.

The report highlighted that the majority of Key Performance Indicators were either at and above the Target Service Level and the number in mitigation went from 3 in October 21 to 4 in March 22.

The role of the Overview and Scrutiny Management in reviewing performance of major contracts, and the report not identifying any significant issues, means there is no indication of a significant weakness in the Council's arrangements.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.