

Auditor's Annual Report on Swale Borough Council

2020/21

December 2021



Contents



We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	6
Financial sustainability	7
Governance	12
Improving economy, efficiency and effectiveness	16
COVID-19 arrangements	19
Opinion on the financial statements	21

Appendices

A – The responsibilities of the Council

B – An explanatory note on recommendations

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendation made.

(Key for conclusion column: red for areas of significant weakness, amber for improvement recommendations identified, green for no issues noted)

Executive summary



Financial sustainability

Despite the uncertainty, and the challenges posed by COVID-19, the Council maintained a good financial outcome for 2020/21. The Council set a balanced budget for 2021/22 although this relies on the use of £1.2m of reserves. The Council intends to use further reserves to help address gaps in the medium term. As at 31 March 2021, the Authority held £22.2m of useable revenue reserves. Given its reserve position, the planned use of reserves is not of immediate concern. The Council faces pressure to identify savings in the years ahead.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council.

Further details can be seen on pages 7-10 of this report.



Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements in relation to governance.

Further details can be seen on pages 13-15 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 16-17 of this report.



Opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 29th October 2021 following the Audit Committee meeting on 26th October 2021. The quality of the draft financial statements and the supporting working papers, presented for audit, continue to be of a good standard. Our findings are set out in further detail in the Audit Findings Report shared at the 26th October meeting.

Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money.

Local Authorities report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 3, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 20.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2020/21 and ongoing financial pressures

The covid-19 pandemic has been the largest peace time emergency seen in this country for many years. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both Council Tax and Business Rates. There has also been a loss of commercial income in such areas as car parking and commercial rents as people stayed at home and business were forced to close. The Council does not have a large property portfolio but does have some property holdings in the district. While government grants have covered part of the general shortfall, councils have been left in a situation of greater financial uncertainty.

Throughout the huge uncertainty of last financial year, the Council worked to minimise expenditure in all areas and some of the capital programme was paused or delayed due to Covid-19. Alongside this, new, essential activity was introduced, such as the Helping our Communities page on the Council website giving up to date advice to address the impact of the pandemic on residents and starting the Swale Community Response to raise funds to support vulnerable people sheltering.

The Council set its budget for 2020/21 in February 2020, with the precepts for 2020/21 for County, Fire and Police services before the effects of the pandemic were realized. District councils have had to pay the precepts over, while collection rates have been down, which added pressure on cashflow.

The pandemic started in March and it became clear over the next couple of months that it would have a fundamental impact on the Council's finances. The Cabinet agreed the COVID-19 Recovery Plan in July 2020. At that time, it was projected that the Council would forego circa £4.1m in income and additional costs. The final outturn impact was assessed as being £3.893m with a revenue overspend on services of £2.914m. Non-specific government grants of £4.234m were received to support the Council with the shortfall. This means that there was a surplus in year leading to an increase in the general fund achieved in part by strong budgetary control and the receipt of government grants. This outcome will have positive benefits for the Council's financial resilience in 2021/22. A balanced budget was set for 2021/22 in February 2021. The 2021/22 budget does still, however, expect a reliance on reserves and savings as recovery begins. Review of Council papers indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

Financial sustainability

2020/21 and ongoing financial pressures (continued)

The future financing of local government is still unclear. A planned government long term spending review was postponed from 2020 due to the pandemic and the current local government settlement only covers 2021/22. The date of the long-term review, whilst announced in the October 2021 budget statement, is yet to be confirmed.

The Council has a detailed financial plan covering the years to 2023/24. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as council tax, business rates and the government funding settlement.

Lack of information on future funding is a national issue but we have seen pre pandemic that the Council has a sensible approach to financial planning and budget management.

Financial plans are discussed at Council, Cabinet and Scrutiny Committee The Council has a history of transparency in financial matters

Financial Planning

We found a robust financial planning process which ties in with corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Finance team is well established with significant experience of managing the Council's finances. From our knowledge, we consider that the Council has a positive financial culture and an appropriate 'tone from the top'. The ongoing management of the Council's financial position over recent years is evidence of this.

Budget holders receive monthly budget reports and take part in quarterly meetings ahead of reporting committee deadlines to ensure that information submitted is accurate. Finance and the senior management team carry out independent review of significant elements of the budget such as salaries and income so are aware of the position.

Financial sustainability

Financial Planning (continued)

The Council has a Revenue and Capital Plan which is regularly reviewed to reflect changing circumstances. The total value of the capital programme in 2021/22 is £18.5m of which SBC is expecting to fund £16.3m (with the balance coming from partnership funding). This investment is largely for increasing and improving the stock of affordable housing in the district, which is consistent with the Council's strategic vision. The capital strategy includes stating that any future borrowing must be linked to a specific project, rather than being generic. The Council does not have extensive borrowing currently. During the financial year the Council completed one of its major capital projects and is still planning to complete the others agreed so there is no indication that projects are being postponed, cancelled, or poorly managed.

The current corporate plan covers the period 2020 to 2023. The areas of focus are:

- Building the right homes in the right places and supporting quality jobs for all
- Investing in our environment and responding positively to global challenges
- Tackling deprivation and creating equal opportunities for everyone
- Renewing local democracy and making the council fit for the future

Statutory and discretionary spend is not clearly differentiated in the financial planning reports which underlie the budget and MTFP. After years of savings at local authorities, the Council continually reviews all of its services to identify potential savings, including the level of statutory services provided while still meeting its obligations. However, being clear on discretionary spend in its financial planning and reporting, will contribute to its decision making as the Council seeks to balance its annual budgets (Recommendation 1).

Savings plans

As part of the 2021/22 budget setting, budgets were reviewed and changes to the budget were made adjusting for pressures, new initiatives, expected cost increases and income changes. The balanced budget was predicated on 'Resisting pressures' or savings of £1.1m, government support funding of £1m (in the form of the Covid Tranche 5 funding) and use of £1.2m of reserves.

The current medium term financial plan has highlighted a funding gap of £3.3m after 2021/22 over the period of the plan to 2023/24. The intention of the Council is to use reserves to cover the portion of this funding gap relating to 2022/23 but create a savings plan to balance the 2023/24 budget. As such a savings plan has not yet been prepared, a recommendation has been raised although it is not considered to be a significant weakness because management are aware of the matter and there is not currently an indication that the issue won't be resolved (Recommendation 2).

At 31st March 2021, the Council held a healthy level of useable reserves of £22.2m. Using the CIPFA Resilience Indicator 2021 tool, Swale is considered to be a low risk council regarding its reserves sustainability measure (level of reserves in comparison to net revenue expenditure). Given its reserves position, the expected use of reserves is not, therefore, of immediate concern. The Council has been prudent in its funding assumptions, the council tax base and any increase in rates.

Managing risks to financial resilience

2020/21 has been a unique year for financial management of dealing with a pandemic including the changing profile of demands on services. Within the corporate risk register, the Council has identified the risk of not balancing the budget (matching the delivery of services to funding levels). Ways in which the Council is managing this risk include budget monitoring, the MTFP and use of reserves. Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Cabinet meetings as well as at the Scrutiny Committee. A list of financial risks is included in budget papers sent to members when setting the Council's budget. It is evident that the Council has built up its reserves to provide for such circumstances.

Financial sustainability

Managing risks to financial resilience (continued)

As the Council emerges from the pandemic, and the ‘new normal’ begins to be established – crucially, a normal which once again comes with financial constraints – the organisation should assess what covid working patterns and arrangements should continue in the post pandemic world. Based on the work performed by the Scrutiny Committee, there is sufficient challenge and consideration of alternative scenarios and mitigating strategies.

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

Medium term financial planning

We found a robust financial planning process which ties in with corporate objectives. The annual treasury management strategy incorporates financing costs based on the capital programme projections. There is evidence of staff working collaboratively across the Council as opposed to silo working. Service provision is aligned to the funding envelope.

The understanding of drivers of risk in the Council budget are strong and variances from budget are understood. The Covid-19 pandemic has made it more difficult to predict future costs and demand as the Council has experienced a ‘difficult-to-predict-and-plan-for’ year. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline will be required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. Previous experience has indicated to us that the Council is well equipped to deal with the challenges ahead.

In 2020/21, an additional role of the Council was to support the response to the pandemic. The response was coordinated at a county level by the Kent Resilience Forum (KRF), of which Swale Borough Council is a member. The Council has paid out millions of pounds in Covid grants, supported local residents and business and providing advice to business. Planning for 2021/22 has been challenging as the pandemic has provided increased uncertainty around future funding. In November 2020, a one-year funding settlement was announced and the next year’s funding settlement is due for announcement shortly at the time of writing

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified several opportunities for improvement which are set out overleaf.

Improvement recommendations



Financial sustainability

Recommendation 1

Recommendation Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

Why/Impact This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside of or in addition to its statutory obligations.

Summary findings No distinction is made in the financial information reported to decision makers between statutory and discretionary spending.

Management Comment The issue is deeper than statutory and discretionary. The council budgets will consider the level of all services provided and how it can meet statutory commitments while achieving a balanced budget in the medium term.

Recommendation 2

A savings plan based on the medium term financial plan budget projections to 2023/24 will need to be developed.

To identify how the Council can reduce the funding gap without excessive reliance on reserves which can only be used once.

The medium term budget strategy is to use reserves. This is reasonable given the current uncertainties and level of reserves at the Council. It is not, however, sustainable in the long term. Management is aware of this and has agreed the approach with Cabinet.

Given the current uncertainty around government settlements, such a plan has not yet been developed but will be.



The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all element of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth to power.

The Annual Governance Statement for 2020/21 notes that the governance framework ‘comprises the systems and processes, and culture and values, by which the Council is directed and controlled’ and that ‘the system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level’.

Risk Management was reviewed by Internal Audit in 2020/21 which concluded that the procedures in place ‘provide sound assurance’.

Based on our review of your risk management processes, we concur with this view. The risk management framework is reviewed annually (most recently in March 2021) and there is separate guidance to staff on the risk management process. Roles and responsibilities are clearly defined and the guidance describes the process for identifying, assessing, evaluating, escalating, allocating and monitoring risk.

The Council Strategic Risk Register is reported annually to the Audit Committee. It was last reported to the Audit Committee in March 2021. The Strategic Risk Register for 2020/21 contained 13 risks, allowing adequate review of those threats to Council objectives. Risks are scored and the risk register contains three “red” risks after the consideration of mitigating controls.

The risk register format is clear showing current and mitigated risk score, risk owner, consequences, current mitigations and actions required. A risk information report is shared with cabinet bi-annually as per the risk management framework.

Governance

Internal Audit services are provided by Mid-Kent Services – a partnership with other districts within Kent. Although the agreed plan had to be adjusted because of the pandemic, Internal Audit provided sufficient fieldwork and completed reports within the year and the Head of Internal Audit Opinion provided to the Council by July 2021. Progress reports highlighting key issues and findings on reviews are reported to Audit Committee periodically. The Head of Internal Audit Opinion concludes that the internal control, governance and risk management arrangements are effective and give sufficient assurance. Review of the Annual Internal Audit Opinion indicates a wide breadth of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

The annual work plans for internal audit are currently approved and overseen by the Audit Committee. From our attendance at Audit Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

Leadership and committee effectiveness/decision making

From review of papers and discussions with staff, we believe the Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

All major policy decisions are taken to Policy Committees in accordance with the Council's Constitution. All reports must be reviewed by Legal and Finance - to ensure relevant information is provided, before going to Committee. It is evident from our review of papers that sufficient information is provided to members and they challenge and hold senior management to account appropriately. Alternative options are presented to cabinet before decision making and have their own section in report papers. For example, in October 2020 Cabinet agreed to establish a housing company, Swale Rainbow Homes Ltd, but only after in March 2020 other legal delivery mechanisms for housing were presented.

The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

Covid-19 brought some unique challenges to the Council and some decisions had to be taken on a short timescale. However, as reported in our section on Covid in this report, we feel that appropriate arrangements were put in place to facilitate both agile decision making but also appropriate scrutiny and authorization in line with the wishes of the Council.

Financial and operational activity appears well planned with no need for reactive actions and short-term remedies. Even during the height of the effects of the pandemic response have been deliberate and thought out.



Governance

Budgetary control

The Finance team is duly qualified, stable and experienced. The S151 Officer during the financial year 2020/21 left the position post year end but has been replaced promptly. The new Director of Resources is appropriately part of the Management Team. We have no concerns over the turnover of officers.

It is clear that financial delivery is a key objective from the top down. 2020/21 has been a tough year financially for Swale and without a concerted effort across the council the year end position could have been troubling for financial sustainability.

Treasury management strategy and performance of investments and borrowings is reported to the audit committee.

We consider budget management arrangements to be robust and we have found no areas of concern during our work.

Budgetary Setting Process

The Government financial landscape has made this a unique year for financial planning. The Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us that arrangements are in place with the Council to model the uncertainties in the system notwithstanding the factors that are outside the Council's control. We understand that the model medium term financial strategy is a living document, constantly updated following discussions across the council. Given the approach, we have seen evidence of the scenario planning.

Budgets are discussed with budget holders, senior leadership and members prior to approval at Council level.

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments.

Governance

Monitoring and ensuring appropriate standards

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements.

Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

Officer and Member conduct is set in codes of conduct within the constitution. Members interests are published on the Council website. We are satisfied that these are up to date based on our review. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. There is a member protocol on gifts benefits and hospitality. The gifts and hospitality register are retained by the Monitoring Officer and is available for inspection on request.

Good governance requires an appropriate culture. As an intangible, regularly testing of the culture of the Council is good practice. One way of testing the culture is through staff surveys. We understand that a comprehensive staff survey was carried out in late 2021 with results expected in early 2022.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified an opportunity for improvement which is set out overleaf.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

This year has been incredibly challenging one for public services as a whole and Swale are no different. Kent was the first to see the Alpha variant of Covid-19 and this has meant the county has been particularly hard hit by the pandemic. The first six months of the year were spent getting to grips with the unique challenges of the pandemic, as services adapted to this unknown threat and challenges of the first lockdown. Swale played its part in the county wide effort to support residents and local business. Local Government will face yet more challenge as it moves from the Covid response stage to the task of supporting long-term economic and social recovery.

In respect of the performance management of the Corporate Plan objectives, Swale's Cabinet, Scrutiny and Strategic Management team monitor 49 indicators (33 with targets) and have monthly performance reports demonstrating performance publicly. The Scrutiny Committee reviews a quarterly and annual Performance Management Report. The outcome for the 2020/21 annual report was 21 of the targeted KPIs met their target with all others being inspected and considered further including the 4 of the 12 missed targets that were partially met or amber rated.

The Council has a Data Quality Standard which is reviewed annually. The standard sets out the Council's data quality standards, roles and responsibilities for data quality and the Council's expectations in regard to system and processes.

Benchmarking has been used to assess performance compared to similar and neighbouring authorities through the Mid Kent Planning Support Service. It has also been used to compare investment and borrowing information. Swale works with a number of peer networking groups to consider best practice. There isn't however a formal or structured consistent approach to benchmarking. Whilst we acknowledge that there are limitations to benchmarking, it can be a useful starting point to understand areas of high unit costs or low outcomes compared to other like councils. For example, Swale has high housing services costs per head compared to other councils that appear to be driven by high bed and breakfast expenditure (Recommendation 3).

Evaluation of services

The Corporate Plan is used by officers to deliver services and to inform their recommendations to service committees. Councillors use it to inform their decisions too. The current Corporate Plan runs until 2023.

The arrangements for considering lower cost alternatives for delivery of services are considered sufficient by the auditor based on the 'options for delivery' reporting presented to Cabinet when a new contract is required – different scenarios and alternatives are reported for scrutiny and decision making.

Improving economy, efficiency and effectiveness

Partnership working

Partnerships and in particular shared services have been seen as a cost effective and efficient way to provide services by the Council for a number of years. Partnerships have been entered into with neighbouring councils in Kent to provide key services such as waste management, building control and internal audit.

The Council also works with other agencies to co-ordinate and improve services and value for money.

The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.

Procurement

Procurement support services across the organisation delivering front line and back-office services. The Council has a Procurement policy and forward plan strategy awaiting approval in late 2021. The strategy covers partnering, e-procurement, procurement with small to medium size enterprises and the voluntary sector and sustainable procurement. This update is appropriate Given recent events and the adoption of a revised Corporate Strategy in 2020, and the introduction of the National Procurement Strategy for Local Government in England in 2018.

There is a system in place to capture any contracts not following procurement policy (quarterly reporting to the SMT with a log of all contracts and how they were procured including any waivers sued). No issues identified.

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Procedure Rules and Contract Procedure Rules).

We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Council has no significant commercial ventures.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for ensuring economy, efficiency and effectiveness in its use of resources. We have identified an opportunity for improvement which is set out overleaf.



Improvement recommendations



Improving economy, efficiency and effectiveness (recommendation 3)

Recommendation	Consideration should be given to a formal or structured consistent approach to benchmarking, appropriate to the Council's circumstances, to identify areas of potential high unit costs or low outcomes for further investigation.
Why/impact	Benchmarking will allow the Council to learn from "best in class" councils and improve services.
Summary findings	Swale is a member of service network groups in Kent for sharing best practice and there is informal review of neighbouring local authority fees and charges but there is not a formal benchmarking process in place.
Management comment	Formal benchmarking data does not always provide a like for like comparison. The current benchmarking process and change in senior management positions has given the council sufficient opportunity to assess best practice. Swale is also part of shared service partnerships which help internal audit identify other performance improvement points. Management considers that Swale has a good record of picking up good practice from other councils through networking.



The range of recommendations that external auditors can make is explained in Appendix B.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

COVID-19 arrangements

On 15 March 2020 based on epidemiological forecasts, the UK government said everyone should avoid all "non-essential" travel and contact with others, avoid crowds, and work from home if possible. Those with symptoms, and their household, were asked to self-isolate. Pregnant women, people over 70, and those with certain health conditions were asked to self-isolate for longer. On 20 March 2020, the UK governments closed all schools, restaurants, pubs, indoor entertainment venues and leisure centres, with some exceptions. On 23 March 2020, the government imposed a lockdown on the whole population, banning all "non-essential" travel and contact with people outside one's home, and shutting almost all businesses, venues, facilities, amenities and places of worship. People were told to keep apart in public. Police were given power to enforce the lockdown, and the Coronavirus Act 2020 gave the government emergency powers including local authorities.

In response to the covid-19 pandemic, the multi-agency Strategic Coordination Group declared the coronavirus pandemic a major incident on 24 March 2020 and Kent and Medway went into a national lockdown on that date. These measures did not significantly change through the whole financial year 2020/21. The first six months of the year was spent largely adjusting to the demands of the pandemic with new services being introduced and the payment of grants to support residents and local business. Staff were seconded to help with Covid related work and this had a knock-on effect to day-to-day services.

To manage the response, the Council initiated daily "Business Continuity" (BC) virtual meetings, with an extended management team to include key staff leading on a number of themes relating to service delivery and to initiate any response to requests from the government and the Kent Resilience Forum.

The Leader, Deputy Leader and Cabinet Member with responsibility for emergency planning had virtual meetings at least weekly with the Chief Executive and Deputy Chief Executive.

In March there was an impact on business as usual and delivery of services mainly from staff working at home and some self-isolation, some services were unable to function during the initial lockdown such as parking enforcement. Decisions around any necessary changes to internal controls were discussed with senior managers and escalated if necessary. The Council procured personal protective equipment to help staff carry out their roles. An initial assessment of the costs and loss of income of immediately apparent changes was also carried out and reported to management and members.

COVID-19 arrangements

COVID-19 arrangements (continued)

The pandemic has had significant financial effect on the Council predominately through the loss of income from such things as car parking. However, operational changes have led to a change in expenditure profile which have partially offset losses.

In the early stages of the pandemic the Government announced various funds to provide financial support for business (Small Business Grant Fund, the Retail, Leisure and Hospitality Grant Fund and the Local Authority Discretionary Grant Fund (LADGF)). Local authorities were made responsible for delivering grants to eligible businesses.

Member meetings went on-line and all staff started working from home where possible to reduce the risk of spread of the disease. Other measures were put in place to ensure the safety of those who still had to work in the community.

There is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Council's core funding in the immediate future. In the short term any unexpected shortfall in funding will be met from reserves.

The Council received additional grant funding to cover costs incurred as a result of Covid-19. This funding was utilised in a variety of ways. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of 95% of the budgeted position will be funded by Government Grant.

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

The Council was kept up to date with the situation through regular updates through reports to Cabinet.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the Covid-19 pandemic.



Opinion on the financial statements



Audit opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 29th October 2021 following the Audit Committee meeting on 26th October.

Other opinion/key findings

We did not identify any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26th October 2021.

Issues arising from the accounts

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed in the 2020/21 Audit Findings Report, Appendix B.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and the supporting working papers, continue to be of a good standard.

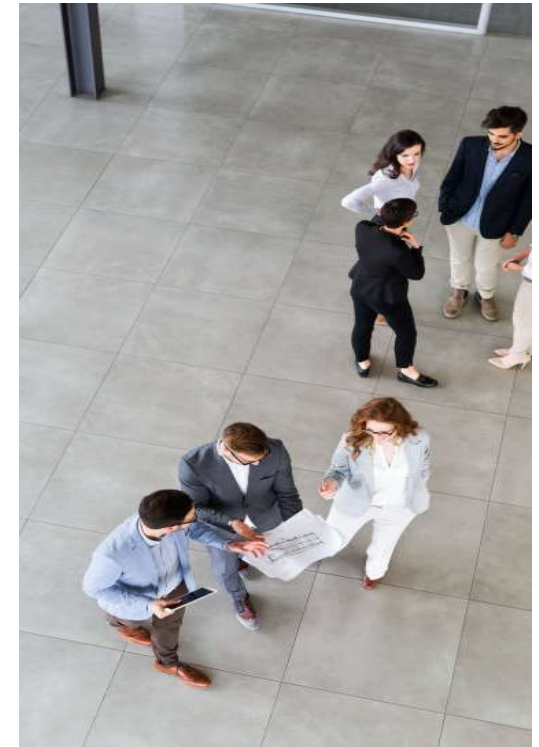
Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

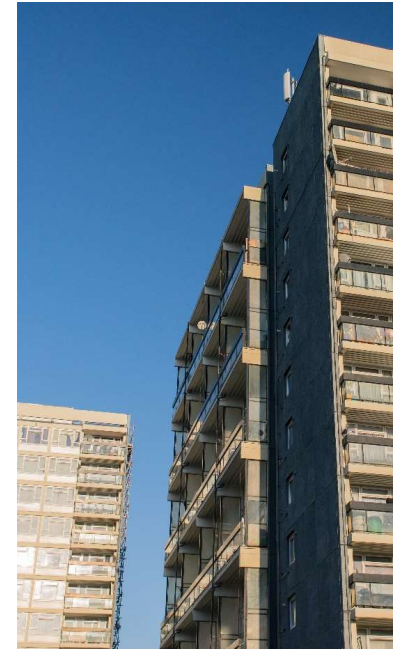
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report		Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No		N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No		N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	FS 3 Es	p. 11 p. 18



[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.