

# Auditor's Annual Report on Swale Borough Council

2021/22

April 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council 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) 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2021/22 Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements or improvement recommendation made	No significant weaknesses in arrangements identified, but improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified. Last year's improvement recommendation is outstanding.	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

The Council has appropriate arrangements in place for budget planning and a good track record of delivering against its annual budget. Revenue reserves have been used consistently in recent years to underpin the annual budget. Whilst not yet critical, the Director of Resources has sounded clearly, a warning alarm that the Council must heed – the medium term financial deficit must be mitigated sustainably. There is a short window of opportunity to act to avoid a potential scenario of fully depleted reserves within the next two to three years. Our findings are set out in further details on pages 7-12.



## Governance

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have made some improvement recommendations to strengthen the current arrangements. Our findings are set out in further details on pages 13-18.



## Improving economy, efficiency and effectiveness

The Council has in place an appropriate framework to ensure effective delivery of services and its priorities. We found no evidence of significant weaknesses in the Council's arrangements. Our findings are set out in further details on pages 19-20.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 15 November 2022. Our findings are set out in further detail on pages 22.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2022, following the Audit Committee meeting on 15 November 2022. Our findings are set out in further detail on page 22.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue statutory recommendations.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the Court, under Section 28 of the Act.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review.

# Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils 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. The Council's responsibilities are set out in Appendix A.

Councils 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) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 20. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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

The covid-19 pandemic continued to impact on the Council's finances and operational service delivery as the 2021/22 annual budget was prepared. In this period of continued uncertainty, another one-year settlement from Government made it difficult to undertake any long-term planning with any certainty.

### Annual plans

The 2021/22 Budget was approved by members in February 2021. The Council's strategy was not to cut services to bridge an underlying deficit. Its plans assumed that in the unusual operating environment, additional government funding would be received. This proved to be the case with an additional £1.47 million funding provided. This was a one year only funding allocation. A budget deficit reported to Cabinet of £3.24 million in December 2020 was mitigated by a combination of the additional funding; an assumption that the Council could successfully resist growth pressures of £1.14 million and a contribution from reserves of £662k. The approved budget also assumed service savings of £447k.

The 2021/22 outturn position had revenue overspend on services of £176k however there was a net expenditure (contribution to General fund) of £104k which is better than the initial budget position. The reason for the improved performance was increased income from Coronavirus Support Grants.

The Finance team work with budget holders to report the forecast outturn position and this is reported to members quarterly. This reporting does not track the actual savings achieved for that year against those identified. Officers state that this is not necessary as the budget has been amended to take account of any savings proposed and so any variance from the budgeted position is reported in the monitoring reports. This is a common approach for councils. However, we do see increasingly, councils reporting explicitly, achievement against planned savings, particularly in situations where planned savings are a mixture of recurrent and non recurrent savings. We recommend that the Council consider this (recommendation 1).

In the December 2022 draft 2022/23 budget report, members were informed that there was a gap of £2.3 million planned to be met by reserves.

At the time of presenting the draft proposals, the local government settlement was not known. Members approved the 2022/23 budget and Medium-Term Financial Plan in February 2022. A combination of additional government funding and further refinement of budget proposals reduced the £2.3 million gap by £665k leaving a planned use of reserves of £1.65 million to balance the budget.

The budget papers presented to members are detailed and set out an analysis of growth proposals, unavoidable pressures, loss of income and increased income streams, price increases and savings across all services. The papers indicate the Council's main contracts and the associated contractual price inflation, but do not set out the assumption build into the budget for general inflation. This may be appropriate in times of low inflation but in volatile periods, making explicit the inflationary pressures is prudent along with some sensitivity assessments (recommendation 2).

Financial monitoring of the 2022/23 budget in quarter 1, as reported to Policy and Resources Committee, showed emerging pressures on the budget which if left unchecked, could result in an estimated forecast overspend of £0.9 million.

### Medium term financial planning

A medium term financial plan is presented alongside the annual budget. This sets out the forecast financial picture for the following two years. Given the uncertainty of the financial regime, its Medium Term Financial 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.

The 2022/23 Medium Term Financial Plan showed an increasing cumulative savings requirement of £1.65 million 2022/23; £2.87 million 2023/24 and £3.32 million 2024/25. The 2023/24 MTFP recently agreed by Members in February 2023 updates the forecast up to 2024/25 of £2.64 million with an additional uncertainty of government grant funding of £1.65 million, giving a total forecast deficit as at 2024/25 of £4.28 million. The forecast deficit is estimated to increase to £4.7 million in 2026/27.

Revenue reserves are used to underpin the annual budget. The reserves available for use are the General Fund Reserve, which can be used for any purpose, and earmarked General Fund Reserves which are set aside for specific purposes or projects but can be used without restriction. Reserves are finite and therefore once used require replenishment to provide a buffer against future financial uncertainties.

The 2022/23 Medium Term Financial Plan reported total usable revenue reserves as at 1 April 2021 as £21.45 million with an expectation that £7.7 million would be consumed in the year leaving a balance of £13.73 million as at 31 March 2022. The actual total revenue reserves as per the financial statements as at 31 March 2022 were £26.8 million. This reconciles to the starting position of the 2023/24 MTFP.

The 2022/23 MTFP estimated reserve usage of £5.2 million in 2022/23, £1.2 million in 2023/24 and £0.27 million in 2024/25 leaving a total of £7.04 million as at 31 March 2025. The 2023/24 MTFP updated forecast shows forecast reserves as at 31 March 2025 as £2.45 million (including ringfenced and collection fund reserves).

S25 of the Local Government Act 2003 requires that when a local authority is agreeing its annual budget and precept, the chief finance officer must report on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Director of Resources made such an assertion for the 2022/23 and 2023/24 financial plans. In 2022/23, the Director recorded “The medium term savings requirement will need to be addressed in future budget rounds as it is not sustainable to continue to rely on significant transfers from reserves to support the base budget position.”



In 2023/24, the Director recorded “...the medium term savings requirement will need to be addressed in future budget rounds as based on the information included in the MTFP, the reserves will not be sufficient to support the council’s financial position.”

Whilst not yet critical, the Director of Resources has sounded clearly, a warning alarm that the Council must heed. There is a short window of opportunity to act to avoid a potential scenario of fully depleted reserves within the next two to three years.

Last year we recommended that a savings plan based on the Medium Term Financial Plan budget projections to 2023/24 needed to be developed. Currently no medium term savings plan has been developed. The Council needs to prioritise urgently the identification and risk assessed deliverability of a medium term savings plan to protect the delivery of future services, maintain adequate reserves and ensure its financial sustainability (recommendation 3).

### How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. Ensures its financial plans are consistent with other plans.

Last year we reported that we found a robust financial planning process which ties in with corporate objectives. We noted:

- both internal and external consultation on the annual budget;
- 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;
- Corporate Management and member challenge of performance, holding budget holders to account;
- The Council has in place a Capital Strategy and Annual Treasury Strategy which align with corporate aims. Capital Strategy is supported by a Capital Programme.

These arrangements continued to operate appropriately in 2021/22. We also note as part of the 2023/24 budget setting papers, officers enhanced the medium term financial strategy demonstrating a consideration of amongst others the following: the Corporate global, national and local pressures; links to other strategies and risk assessment.

# Improvement recommendations



## Financial sustainability

### Recommendation 1

The Council should report the achievement or not of savings built into the annual budget.

### Why/impact

This will increase the transparency of deliver against plans for members.

### Auditor judgement

The Finance team work with budget holders to report the forecast outturn position and this is reported to members quarterly. This reporting does not track the actual savings achieved for that year against those identified.

### Summary findings

We noted the Council does not track the actual savings achieved against those identified during our review of the budget.

### Management Comments

Management do not believe that creating an additional reporting schedule will increase the transparency around the delivery of savings. The budget has been amended to reflect the savings that have been made and so the regular budget monitoring reports will identify any variance to this position and will be reported accordingly. The creation of additional reporting is a waste of scarce resources and will not improve the reporting of actual savings against those identified as that is what our budget monitoring reports are already doing.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 2

Set out clearly in the budget papers, the key assumptions such as general inflationary increases and incorporate as appropriate sensitivity analysis for key assumptions demonstrating to members the impact should outcomes differ from key assumptions.

### Why/impact

The budget papers presented to members are detailed and set out an analysis of growth proposals, unavoidable pressures, loss of income and increased income streams, price increases and savings across all services. The papers indicate the Council's main contracts and the associated contractual price inflation, but do not set out the assumption build into the budget for general inflation.

This may be appropriate in times of low inflation but in volatile periods, making explicit the inflationary pressures is prudent along with some sensitivity assessments

### Auditor judgement

Failure to provide a longer term strategy for financial sustainability could lead to an unsustainable financial position developing.

### Summary findings

We noted that budget papers presented to members do not set out the assumptions built into the budget for general inflation.

### Management Comments

Inflation assumptions are included in the budget build spreadsheet reports and this will continue for future budget rounds. We will also include an explanation of the inflation assumptions in the covering reports for the next budget round.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 3

The Council needs to prioritise urgently the identification and risk assessed deliverability of a medium term savings plan to protect the delivery of future services, maintain adequate reserves and ensure its financial sustainability.

### Why/impact

To identify how the Council can reduce its forecast funding gap without excessive reliance on reserves.

### Auditor judgement

Failure to provide a longer term strategy for financial sustainability could lead to an unsustainable financial position.

### Summary findings

Last year we recommended that a savings plan based on the MTFP budget projections to 2023/24 needed to be developed. Currently no medium term savings plan has been developed.

### Management Comments

The council is aware of the need to produce a savings plan to accompany the budget for 2024/25 and this will form part of the reporting for the next budget round.



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

# 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Managing Risk

The Council has a Risk Management Framework in place. Since the Framework's introduction in 2015 it has been routinely reviewed and updated, with the last update taking place in 2019. During October and November 2021, Strategic Management team (SMT) was consulted on changes that could be made to the Council's risk management processes to enhance and update them and to reflect the new management team structure. This feedback and the operation of the process over the past few years was used to develop the revised Risk Management Framework, which SMT agreed in January 2022. Feedback on the key changes was sought from Audit Committee in March 2022, including changes to the impact and likelihood scales and changes to the Council's risk appetite statement.

All identified risks and associated information are captured in the Council's comprehensive risk register. This is used to monitor and report on risks to ensure action is being taken as necessary and changes are captured in updates to the risks. To address these issues risk management software called JCAD was purchased. The software is being built to reflect the Council's risk management processes so that it is tailored to the Council's approach. During January and February 2022, the Council's insurers Zurich have been performing a desk top review of the Framework and how risk information is reported.

The report is currently being finalised but the overall conclusion is of "a strong framework and an organisation actively managing risk."

Risk Management was reviewed by Internal Audit in 2021/22 and they 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 2022) 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.

## Internal Control

Internal audit of the Council is the responsibility of the Mid Kent Audit a shared service between Ashford, Maidstone, Swale and Tunbridge Wells borough councils. Internal Audit provided sufficient fieldwork and completed reports within the year and the Head of Internal Audit Opinion provided to the Council by May 2022 concluded 'reasonable assurance' on the system of internal control.

Internal audit's work is risk based and considers the Council's key risks. The annual work plans for internal audit are approved and overseen by the Audit Committee.

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

For 2021/22 the Council maintained the Cabinet system. In October 2021 the Council agreed to replace this system with a committee system which came into effect in May 2022. A cross-party constitution review working group has developed proposals with respect to the detailed working of the new system. The Council has managed the transition to the committee system well. From review of committee papers, we are satisfied that roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear.

The Council appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are fully set out in the Council's Constitution.

The Audit Committee is a key regulatory committee and it is tasked with oversight of the Council's systems of internal control through considering risk management and the work and findings of internal and external audit. CIPFA has recently updated its guidance on Audit Committees (published 2022). Supporting a recommendation by the Redmond Review, CIPFA recommends the Audit Committee includes two co-opted independent members for the following reasons:

- to supplement the knowledge and experience of elected members in specific areas such as financial reporting;
- to provide continuity outside the political cycle;
- to help achieve a non political focus on governance, risk and control matters.

The merits or not of this for Swale has not been debated ( recommendation 4).

In October 2020 the Council agreed to establish a housing company, Swale Rainbow Homes Ltd. The company was incorporated in April 2021. Its purpose is to increase the supply of affordable housing. Activity in 2021/22 has not been material. As part of its developing governance arrangements, in June 2021, the Council established a Shareholder Panel comprising named councillors with the remit to monitor the company's compliance with its obligations and maintain oversight of the company including financial, performance and risk updates. This is an important function of the governance arrangements. In our review of lessons learnt from recent Public Interest Reports we commented on some of the failings of local authorities' oversight and control of their companies. This includes, the lack of clarity of roles, responsibilities and purpose; the prevalence of an optimism bias that does not reflect the true performance of the company; and a lack of skills around commercial decision making. A key recommendation arising from our reflections was for councils to regularly re-assess their governance arrangements to challenge whether they remain appropriate for the size and activities of the company. Swale BC should determine a review of its arrangements at an appropriate interval depending on the pace of increased activity of its company (recommendation 5).

The Council's website is an important forum in promoting accessibility and transparency. A lot of useful information is available on it. Accessibility means more than putting things online. It means making content and design clear and simple enough so that most people can use it. There is scope to improve the topology of the website, so that residents can access up to date information about the Council. In some instances this may mean removing content that is no longer relevant.

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We have made an improvement recommendation in this respect (recommendation 6).

### Managing Standards

The Council Constitution includes both a Member and an Officer Code of Conduct, which describes and regulates the way in which members and officers should interact to work effectively together.

We reviewed committee papers and we found that arrangements exist to ensure that members and employees are not influenced in their decision-making by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:

- Registers of disclosable pecuniary and non-pecuniary interests;
- Declarations of disclosable pecuniary and non-pecuniary interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
- Register of interests for officers;
- Registers of gifts and hospitality for members and officer, An Equalities Scheme and Equal Opportunities Policies; and
- Member induction and ongoing member training.

Quarterly Financial Management Reports are presented to Cabinet and these consider current activity and projected future outcome. It is clear that financial delivery is a key objective from the top down.

The Council operates a budget monitoring process at Head of Service level, with regular reports to the Leader and Cabinet Member for Finance and the Strategic Management Team. Financial monitoring reports are presented to Cabinet on a quarterly basis, as well as to Scrutiny Committee.

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

# Improvement recommendations



## Governance

### Recommendation 4

The Council should consider CIPFA's recommendation that the Audit Committee includes two co-opted independent members.

### Why/impact

To comply with current best practice.

### Auditor judgement

Two co-opted independent members is required as recommended by CIPFA as best practice.

### Summary findings

The Audit Committee is a key regulatory committee and it is tasked with oversight of the Council's systems of internal control through considering risk management and the work and findings of internal and external audit. CIPFA has recently updated its guidance on Audit Committees (published 2022). Supporting a recommendation by the Redmond Review, CIPFA recommends the Audit Committee includes two co-opted independent members.

### Management Comments

Management will include the proposal of independent members for the audit committee to the new council following the elections in May.



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



# Improvement recommendations



## Governance

### Recommendation 5

Swale BC should determine a review of its governance arrangements in respect of its oversight of the subsidiary company at an appropriate interval depending on the pace of increased activity of its company.

### Why/impact

A key recommendation arising from our reflections was for councils to regularly re-assess their governance arrangements to challenge whether they remain appropriate for the size and activities of the company.

### Auditor judgement

As part of its developing governance arrangements the Council established a Shareholder Panel comprising named councillors with the remit to monitor the company's compliance with its obligations and maintain oversight of the company including financial, performance and risk updates. This is an important function of the governance arrangements.

### Summary findings

In our review of lessons learnt from recent Public Interest Reports we commented on some of the failings of local authorities' oversight and control of their companies. This includes, the lack of clarity of roles, responsibilities and purpose; the prevalence of an optimism bias that does not reflect the true performance of the company; and a lack of skills around commercial decision making

### Management Comments

The council has a shareholder panel that is in place to provide oversight of the council's subsidiary company. The regularity of meetings of this group will be reviewed in line with the pace of activity of the company as planned.



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

# Improvement recommendations



## Governance

### Recommendation 6

Review the topology of the website and consider removing content that is no longer relevant.

### Why/impact

This will enable the council's most up to date information easier to access by users.

### Auditor judgement

Out of date contents will be confusing to users.

### Summary findings

The Council's website is an important forum in promoting accessibility and transparency. A lot of useful information is available on its website. There are however, examples where the topology may be confusing and the content out of date.

### Management Comments

The topology of our website content will be reviewed to enable our most up to date and useful information to be more readily available.



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

# 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance Management

Performance Monitoring was done through quarterly monitoring reports to Scrutiny. The report contains a monthly and quarterly Key Performance Indicators (KPI) review.

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.

Review of committee documents shows informal consultation had taken place with key partners and internal officers for instance in the development of the draft Health and Wellbeing Plan. A formal consultation period with partners and the public ran from mid-December until Mid-February.

Last year, we recommended that a more formal or structured approach to benchmarking the cost of services. The Director of Resources confirmed that no arrangements have been put in place yet.

## Partnerships

The council is able to review and challenge its strategic priorities. For instance, when the council came up with the Commissioning and Procurement Policy in December 2021. A decision was made to combine commissioning and procurement in one single strategy after internal audit identified areas of improvement.

The work and decisions on partnership arrangements is fed back to Cabinet. Review of Cabinet committee papers has evidence that decisions and monitoring of partnership work goes through Cabinet.

We reviewed the Council's arrangements in working with Partnerships. We have also considered how the council manages contracts. In March 2021, Cabinet took the decision to extend the existing three-year contract for planned and reactive term maintenance by six months rather than the full two years permitted under the contract. This was on the basis that officers would present a more detailed options appraisal of the alternative options to a term maintenance contract.

In July 2021, Cabinet is requested to approve the proposal to enter into a contract with Lanes Group PLC for a 11-month Contract with the option to extend the contract for a further 3 months if required. It was expected that the works should be fully delivered within the 11-month timeframe, however the additional 3-month extension option is a contingency to allow for any currently unknown issues.

## Procurement

The body has a Commissioning and Procurement Strategy updated in December 2021 and the strategy was revised to capture both the commissioning and procurement processes. Recent internal audits have been undertaken on procurement processes and contract management.

Both audits identified areas for improvement that have been included in the new Commissioning and Procurement Policy. Training on commissioning, procurement and contract management has been delivered to spending officers in March 2021 and will be delivered every two years .

It was established that the council adheres to the Public Contracts Regulations 2015 (and subsequent revisions) and the National Procurement Strategy 2018.

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 2021/22.

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.



# Follow-up of previous recommendations

1	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	A savings plan based on the medium term financial plan budget projections to 2023/24 will need to be developed.	Improvement	December 2021	No medium term savings plan has been developed Members are due to consider the 2023/24 budget where savings options are being considered. A further improvement recommendation has been raised.	No	Yes
2	Consideration should be given to the undertaken of benchmarking across services to produce a structured process to chart the results of benchmarking.	Improvement	December 2021	No structured process to chart results of benchmarking. A further improvement recommendation has been raised.	No	Yes

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 30 November 2022.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 15 November 2022.

## 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 have not yet completed the WGA return for 2021/22 as guidance has yet to be received from the NAO.

## Preparation of the accounts

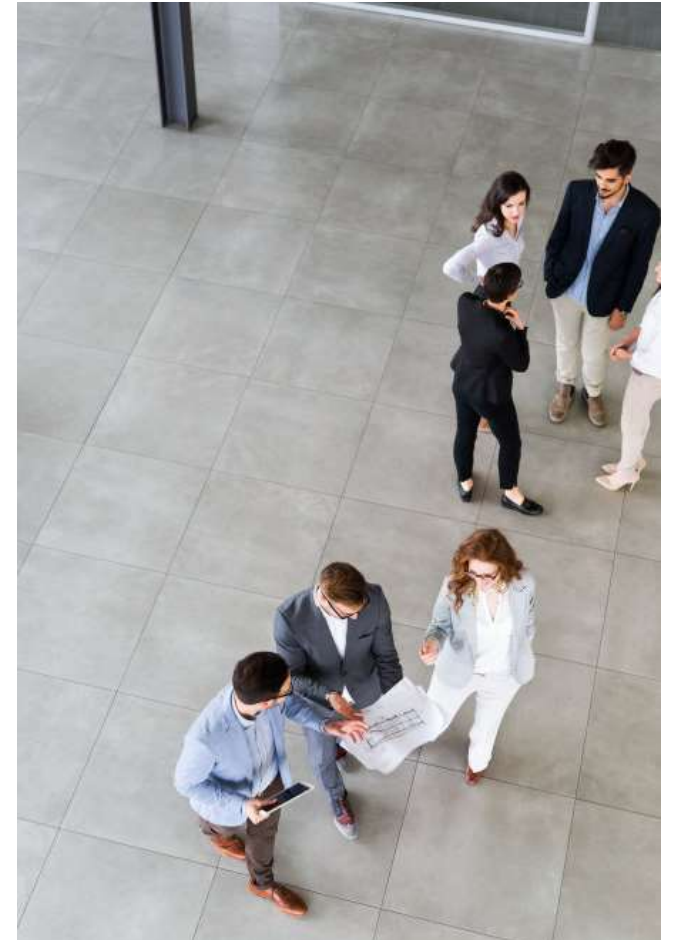
The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts:

No key issues were identified in the annual report and accounts.

## 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

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) 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.





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# Appendix B – Risks of significant weaknesses, our procedures and findings

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As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We identified no such risks.

# Appendix C – 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.	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	Financial sustainability pages 10- 12. Governance pages 16-18.

