

# Auditor's Annual Report on Swale Borough Council

2022/23

January 2024



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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.



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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 Swale Borough Council (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 2022/23 is the third 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
<b>Financial sustainability</b>	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	↑
<b>Governance</b>	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	↑
<b>Improving economy, efficiency and effectiveness</b>	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified but one improvement recommendation made.	G No significant weaknesses in arrangements identified.	↓

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

# Executive summary (continued)



## Financial sustainability

We have not identified evidence of significant weaknesses within the arrangements on how the Council plans and manages its resources to ensure it can continue to deliver its services. The Council delivered a balanced position at the end of 2022-23 and is planning to achieve a similar position at the end of the 2023-24 financial year as well. However, we have raised one improvement recommendation in relation to considering refining formal reporting on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. See page 14 for more detail.



## Governance

We have not identified evidence of significant weaknesses within the arrangements in place for how the Council makes informed decisions and properly manages its risks. However, we have made one improvement recommendation in relation to the Council should ensure appropriate skilled resource is in place to deliver the agreed internal audit plan to manage the risk of delivery of internal audit plan enabling ability to inform future overall opinion statements. See page 19 for more detail.



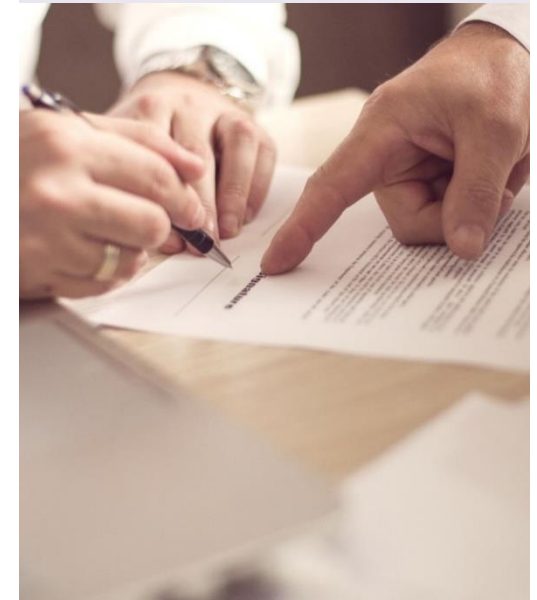
## Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. We have not identified evidence of any significant weaknesses. We have made one improvement recommendation highlighting the Council should ensure the recommendations arising from the LGA review and the resulting action plan are implemented detailed on page 23. The Council makes appropriate use of financial and performance information to assess performance to identify areas for improvement. The Council engages with stakeholders it has identified in order to assess whether it is meeting its objectives.



## Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 December 2023, following the Audit Committee meeting on 23 October 2023. Our findings are set out in further detail on pages 28 to 32.



# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## 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 make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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 make an application to the Court.

## 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 any advisory notices.

## 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 make an application for 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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council and Committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 25.

# The current LG landscape



## National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

# The current LG landscape (continued)



## Local context

The Council is a local government district with borough status in Kent, England. The Council is based in Sittingbourne, the borough's largest town. The borough also contains the towns of Faversham, Queenborough and Sheerness, along with numerous villages and surrounding rural areas. The Council provides district-level services. County-level services are provided by Kent County Council. Most of the borough is also covered by civil parishes, which form a third tier of local government.

The Council has been under no overall control since 2019. Following the 2023 election a coalition of Labour, local party the Swale Independents and the Green Party have formed the council's administration. The first election to the council was held in 1973, initially operating as a shadow authority alongside the outgoing authorities before coming into its powers on 1 April 1974. The Council is made up of 47 elected members representing 24 wards and employing around 280 full-time equivalent staff.

The Council's corporate plan for the period 2020 to 2023 sets out four overarching priorities and 20 more specific objectives. The corporate plan recognises the extent of the changes which are necessary to make real improvements in the lives of Swale's residents. Key elements of the plan include:

- Adapt to climate change with innovation, reduced use of resources, managed risk to communities and opportunities for biodiversity to thrive.
- Use our coastal assets to support a strong economy and a sustainably managed environment.
- Support economic success and improve community wellbeing with a network of maintained, protected and improved natural assets in town and country.
- Conserve and enhance our historic and natural assets as the means to drive regeneration, tourism, and environmental quality and to reverse declines in their condition.
- Strive for high quality design to bring a better quality of life, opportunities for healthy living and self-confidence to our communities.
- Bring economic growth, regeneration and community development, especially to our most deprived communities.

The Council provides a range of services across the borough, including waste and recycling, economic regeneration and a range of support services including finance, ICT, legal support and personnel.



# 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.

## 2022/23 financial performance

The 2022/23 Finance out-turn reported to Policy and Resources committee in July 2023 highlighted a revenue expenditure underspend of £29k and capital slippage against target of £7.187 million (actual capital expenditure of £6.967 million). There is adequate detail of the out-turn report including:

- Housing and Community £1.097 million overspend – the variance was largely due to an increase in the cost of temporary accommodation. This was a mixture of an increase in demand, as well as an increase in the cost of placements. Given the pressure Social Care is under the level of overspend here perhaps isn't unexpected.
- Planning £217k overspend – the variance was due to increased costs of staffing due to difficulties (the Council and sector as a whole is experiencing) in recruiting permanent staff, this is a net position as additional income was also achieved during the year.
- Environment and Leisure (£468k) underspend – parking activity final position was better than budget anticipated. The introduction of charges for replacement wheeled bins also resulted in an underspend on the purchase of replacement bins.
- Shared Services (£309k) underspend – there were a number of staff vacancies across the shared services (including Legal, Information Technology, Environmental Health, Human Resources and Internal Audit) that created savings within the year. Legal Services underspend was a result of lower than budgeted use of the shared Legal Service by the Council.
- Corporate items (£497k) underspend – the main reason for the variance was higher than anticipated investment income due to the increased bank rate. This was slightly reduced by additional insurance costs that were above the budget level.

## Short- and medium-term financial planning

The Council identifies the strategic risks relating to the delivery of the 2022/23 – 2024/25 Medium-Term Financial Plan (MTFP) as part of a document titled Budget Challenges, this includes quantification and detailed explanation of the risks.

The 2022/23 Budget (agreed by Cabinet in February 2022) detailed the planned base budget position of £22.0 million. This included an increase to the average Band D Council Tax for parish areas by 2.69% resulting in an average increase for Band D Council Tax for residents of £4.95 for services provided by the Council in 2022/23. The Council determined that the increase in the basic amount of Council Tax for 2022/23 was not excessive in accordance with Schedule 5 of the Localism Act 2011 and therefore did not trigger the requirement for a referendum. Other key assumptions in the budget included a net increase in the level of New Homes Bonus funding of £0.379 million, introduction of a new one-off 2022/23 Services Grant of £0.3 million and continuation of the Lower Tier Services Grant (£0.2 million) which the Government had previously announced as being only for 2021/22.

The budget setting report to Cabinet in February 2022 detailed an overall balanced position based on utilising £1.651 million of Reserves, which was utilised from the Budget Contingency Reserve where the money had been previously set aside for this specific purpose.

The Council planned to maintain a minimum of £1.5 million as its General Fund balance and has assessed there is no reason to change this - the balance in April 2023 was £3.103 million (April 2022 £3.074 million).

The level of contingency built into the proposed budget for 2022/23, alongside the level of general and earmarked reserves, reflects the overall potential risk associated with delivering the budget proposals.

We consider the MTFP, and budget adequately sets out analysis for significant risks identified in relation to the council's budget included inflation, as measured by the Consumer Price Index.

# Financial sustainability (continued)

## Short- and medium-term financial planning (cont.)

The 2022/23 out-turn report highlights the reasons for significant capital variances and rollovers including:

- Housing and Community Services - Disabled Facilities Grant (DFG) – This accounts for £4 million of the rollover request which would allow the continuation of funding grants approved within 2022/23. The spend is dependent on applications received. Once a grant is approved the applicant has 12 months to complete the work, therefore the DFG spend is a constant rolling process that crosses financial periods.
- Regeneration and Economic Development High Streets – Queenborough and Rushenden Klondyke Land Improvement. This is fully funded from external grant.

The Council has adequately detailed in the 2022/23 out-turn report the actions in place to manage capital rollovers from 2022/23 to 2023/24.

Table 1 highlights the Council's performance for key financial performance metrics. The Council has delivered overall budget expenditure underspends in 2021/22 and 2022/23. The cash position movement is mainly due to the repayment of a short-term loan. The under delivery of planned savings in 2022/23 is discussed on page 12 of this report.

The 2022/23 out-turn report also highlighted the level of reserves on 31 March 2023 was £15.130 million (2021/22 £16.905 million) during 2022/23 there was a budgeted use of the Budget Contingency Reserve of £1.6 million and further transfers to this reserve were made in year as part of the rationalisation exercise. The reserves also funded the Swale Rainbow Homes project, Improvement and Resilience, and Special Projects, Master's House redevelopment, and town centre improvements.

The balances on Special Projects, Improvement & Resilience and Town Centre Reserves are all fully committed and due to be spent in 2023/24. There was significant expenditure incurred from reserves that accounted for the Collection Fund deficit that arose during the Covid pandemic, and that was funded by government grants. These were accounting adjustments that allowed the Council to smooth the impact of the government grant schemes. Contributions were made to the building and asset maintenance reserve, and the ICT equipment reserve to ensure that future peaks in required spend can still be met.

Table 1 – Key Financial performance	2022/23	2021/22
Planned revenue expenditure	£22.0 million	£20.068 million
Actual revenue expenditure	£21.983 million	£ 20.244 million
Planned capital spend	£14.229 million	£15.477 million
Actual capital spend	£6.967 million	£6.083 million
Year-end cash position	£5.166 million	£15.602 million

# Financial sustainability (continued)

## Identifying savings

Savings identified in consultation with service areas as part of budget development. Monitoring of savings delivery is one of the key areas of focus for the Policy and Resources Committee (formally Cabinet up to May 2022) with membership including all Executive Directors, s151 Officer, the Monitoring Officer as key service representatives. Review of finance updates and reports to the Council (Policy and Resources Committee) highlight the identification of savings to meet the budget gap is in the discussions for the preparation of the 2024/25 budget.

The savings form part of service budgets that are regularly reported to members. Where targets are not being met this information is included in the budget updates.

## Financial planning and strategic priorities

The Council's financial planning approach sets out the cost of delivering core statutory services as distinct from discretionary areas of spend. Financial planning reports which support the budget and MTFP highlight all spend is prioritised towards the delivery of core services and achievement of Council Plan priorities. Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes.

Financial planning reports which support the budget and MTFP highlight all spend is prioritised towards the delivery of core services and achievement of "Bearing Fruits 2031" (Swale Local Plan) priorities. The outcomes for the Council set out in the Bearing Fruits 2031, is a key planning document for the Council, setting out the vision and overall development strategy for the area and how it will be achieved for the period from 2014-2031.

Our review highlighted the MTFP does not clearly link budgets (including the Capital plan) to the Council's Plan. Responsible budget management underpins the Council's strategic objective of consistently making the best use of all available resources as well as providing focus for its change programmes. There is an opportunity to strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within particular Council Plan outcomes.

This would demonstrate clearly how the Council is delivering their Council Plan outcomes through the capital programme. We have made an improvement recommendation on page 15 highlighting the benefits for linking MTFP and Capital Plan to Bearing Fruits Plan.

2022/23 Treasury Management performance was reported to Audit Committee in July 2023 which highlighted an in-year movement of the Council's Capital Financing Requirement of £632k. However the closing external borrowing balance of £10.0 million at 31 March 2023 was consistent with the balance held at the end of the previous year.

During 2022/23, the Council held average daily cash balances of £30 million (£38 million for 2021/22). The Council's budgeted investment income for 2022/23 was £166,000 and the actual income received was £704,000. The Treasury Management 2022/23 out turn performance report also detailed the Council's investment portfolio on 31 March 2023 was £9.55 million. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met those criteria on 31 March 2023.

## Managing risks to financial resilience

Financial resilience risks (included in the Corporate Risk Register) are incorporated into the MTFP which details key risks to delivery of the MTFP and the actions to mitigate of each risk identified. The MTFP was presented and discussed by the Policy and Resources Committee in February 2023 allowing for scrutiny and questioning (before presentation to Council). The MTFP highlights the Council's reserves forms an important role in managing uncertainty. More generally, the Council expects to have expenditure commitments relating to population growth - particularly waste collection and disposal costs. Inflation poses a greater risk to the Council than has been the case in recent years. Spikes in energy prices and supply chain pressures have been a feature of the economic recovery from the pandemic. Additionally the Council assumes no increase in staff pay other than increments that are due and the increase in the real living wage. This is on the basis of moving to a reduced number of hours as standard contract, to 34 hours per week.

# Financial sustainability (continued)

## Managing risks to financial resilience (cont.)

The MTFP detail from February 2023 showed the budgeted use of reserves for the 2022/23 financial year at £8.4 million which leaves a forecast balance as at 1 April 2023 of £8.5 million. A £1.1 million transfer from the General Reserve is assumed in 2023/24 as part of providing some contingency to the overall budget planning.

Due to the budget pressures being experienced for not only the 2023/24 financial year but also the years following, the Council has had to fundamentally review what services it provides and how they are provided to try and identify savings to help achieve a balanced sustainable budget in future years. Examples of service review included details of an Efficiency Review which as part of the production of budget forecasts a detailed budget review has taken place over the summer and autumn to identify efficiencies and additional income to support frontline services and to balance the Council's financial position. For 2023/24 these total £2.8 million, however based on current forecasts this still leaves a deficit of £2.0 million which will need to be supported from reserves.

The potential impact of changes to various estimates and assumptions is discussed with the Policy and Resources Committee as part of the briefing process in the development of the budget. However, the impact of changes of various estimates and assumptions is not formally reported to members. We have raised a recommendation on page 16 that the Council should consider including formal reporting to the Policy and Resources Committee on sensitivity analysis and scenario planning undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. This will provide transparency on the sector wide uncertainties the council is subject to and the potential impact of these on its financial sustainability, albeit we do understand these discussions are held internally as part of the wider budget setting process.

The Council takes appropriate action to update financial plans to reflect changes in government policy. Where required, the Council has sufficient provisions in place to consider the impact of legal and regulatory proceedings.



# Financial governance

## Annual budget setting

The Council has an established process for developing its annual budget and MTFP. The development of the budget commences with the rolling forward of the Budget Model (the model) from the prior year. The model is updated to reflect any known permanent changes to funding, including new grants, latest Council Tax base data and Business Rates. Prior year assumptions are reviewed, including inflation rates and Council Tax base. Updates are then made to reflect new savings proposals, existing savings delivery, service pressures, changes to sources of funding announced within the spending review, changes to service fees and charges and the Council tax base. The model is frozen to prepare the February Council Report. This report contained the financial planning assumptions for the period of the new three-year MTFP (2022/23 - 2024/25) set within this Council Plan. It updates the 2021/22-2024/25 Budget Planning position and proposes the approach that will be taken to deliver the savings required to achieve a balanced budget over the MTFP period. The report is clear on the challenges facing the Council, which include the ongoing impact of the pandemic, pressure on services and uncertainty about central government funding.

There is a good level of engagement from budget holders, divisional leadership and executive leadership in the annual budget setting process. The Council has arrangements in place to recognise, assess, and re-evaluate the impact of changes in expenditure drivers, including pay inflation. The MTFP sets out the range of key assumptions that the Council has made in developing its financial plans. These include inflation, pay increases, savings delivery and changes to sources of income. The potential impact of changes of various estimates and assumptions is discussed with the Council as part of the briefing process in the development of the budget.

Table 2 on this page highlights key 2023/24 budget targets agreed in February 2023. The Council adopts a prudent approach which is based on previous years' experience.

Development of the 2023/24 budget (agreed February 2023) highlighted it included the following key assumptions maintain a minimum of £1.5 million as its General Fund balance, a Council Tax increase of £5.67 in the Band D Council Tax to £194.94, or £199.26 should legislation allow districts to increase by £10.00, and it also included planned Capital Expenditure totalling £26.661 million. Overall, a balanced position was set with £2.045 million being used from reserves within 2023/24 to achieve that position.

## Budgetary control

The Council has appropriate systems in place for oversight of the budget by the Policy and Resources Committee. The Finance Department engages at least monthly with budget holders. There is monitoring at a service, directorate and corporate level. The Council has detailed in year oversight of the budget at a high level with quarterly budget monitoring reports taken to Policy and Resources Committee which provide timely information to members with appropriate commentary highlighting key areas. These reports include outturn against budget and explanations for underspend/ overspends against budget at a directorate level. Any proposed revisions to the budget are also communicated through this report. There is clear reporting on the forecast outturn and the impact on useable reserves.

A quarterly update is also provided against the Capital Programme, with revisions also communicated. Satisfied that timely and accurate financial monitoring information is provided to budget holders.

## Conclusion

The Council has a track record of appropriate financial management arrangements. The Council understands the financial risks which it faces and manages these risks by maintaining an appropriate level of reserves in accordance with its stated reserves objectives in the MTFP. Overall, we are satisfied that the Council has appropriate arrangements in place to manage the risks it faces to financial resilience. We have not identified any risks of significant weakness but have identified one improvement recommendation, detailed on page 14.

Table 2 - 2023/24 key financial performance measures	2023/24
Planned savings	£2.812 million
Planned savings as a % of income	12.2%
Planned revenue expenditure	£23.941 million



# Improvement recommendation

## Improvement Recommendation 1

The Council should consider refining formal reporting to the Policy and Resources Committee to provide detail on the sensitivity analysis and scenario planning undertaken on key assumptions and estimates, as part of the development of the annual budget and MTFP. Also, the Council should refine the existing arrangements for identifying and monitoring MTFP saving plans to ensure planned savings are fully delivered or where circumstances change to affect delivery these are clearly reported, especially for those in relation to early intervention and demand management

## Improvement opportunity identified

Regular review of MTFP assumptions will help to ensure ongoing accurate financial forecasting and allow for appropriate timely action. Reporting a mid-year review of MTFP assumptions, sensitivity analysis and scenario planning to members will provide the opportunity for challenge, scrutiny, oversight and improved the accuracy of forecasting. Sufficient and appropriate arrangements to monitor, manage and address slippages will improve savings delivery and reduce pressure on the Council's useable reserves.

## Summary findings

Sensitivity analysis and scenario planning is undertaken as part of the development of the budget; however, this analysis is not formally presented to members. There is a risk that MTFP savings become harder to identify and deliver over the medium-term.

## Criteria impacted



**Financial sustainability**

## Auditor judgement

Greater agility on financial management is required given current financial uncertainties, regular review and challenge of MTFP assumptions to help ensure financial forecasts remain accurate. Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

As documented sensitivity analysis and scenario planning form part of the budget discussions throughout the budget planning process, with the latest assumptions then included in the draft budget which are subsequently further updated for the final budget for the coming year, with future year assumptions updated with each annual budget round. Some assumptions are commercially sensitive and so will not be included in the published reports so to avoid increased tender bids and further costs to council contracts. In year budget reporting provides a regular review and challenge of the current year assumptions which then also inform the future year estimates within the MTFP. Management feel that this is sufficient and proportionate oversight of the financial position that is more effective in understanding our controllable costs than is provided with a single year financial settlement with gives significant uncertainty on large government grant funding.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Risk management and internal controls

The Council has a Risk Management Policy, Process Guide and Toolkit to ensure consistent scoring of risks across all Directorates. The Council provides appropriate training on risk management. The Council's Risk Appetite was unchanged throughout 2021/22 and 2022/23.

The Corporate Strategic Risk Register (CSRR) is clearly set out, with a risk owner, concise description and key controls to manage the risk. The Council's shift to new ways of working (resulting from COVID-19) has identified a number of opportunities to refine and improve the way the Council delivers its services, for example with more staff working from home there will also be potential opportunities to rationalize office space and potentially share space with other partner organisations and indeed the private sector. There may also maybe opportunities to work with other partners under the government's One Public Estate agenda. The Council's risk management arrangements are detailed within its Risk Management Framework. This was reviewed and updated during the latter part of 2021/22 with the final version being approved by Audit Committee in July 2023. Council wide and Directorate scorecards capture in one document the key performance and risk information. Heads of Services present their scorecards to Senior Management Team (SMT) quarterly which ensures that there is appropriate peer scrutiny on discussions around performance and risk. The April 2023 Annual Risk management report (reviewed by the Audit Committee) provided assurance that the Council's current Risk Management arrangements are robust, responsive and effective. It is important that, these opportunities are captured, so change can be embedded and monitored going forward. There are 15 risks on the Quarter 4 (2022/23) corporate risk register, 5 high risks and 10 medium risks which are aligned to Council Plan priorities. All risks are owned by a Director which reinforces accountability for risk. As a result of new risk areas, the causes of risk have been reviewed and refreshed. The Council has continued its work on improving risk management at a directorate level, the pattern of reducing assessed risk has broadly continued. This also reflects the increasing grasp on the key risks that need to be managed at a strategic level.

The CSRR quarterly performance monitoring report is formally reviewed at the Policy and Resources Committee, with the meeting providing appropriate challenge on the CSRR report. There is adequate detail for each performance measure with clear commentary highlighting actions to manage delivery of performance targets.

The Council has appropriate Internal Audit arrangements in place. Internal Audit services are provided by Mid Kent Audit Partnership (MKAP) which works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each Council supervises the service under a collaboration agreement. The Head of Internal Audit's Annual report is presented annually to Audit Committee (2022/23 report at the July 2023 meeting).

MKAP has experienced significant turnover of staff throughout the financial year, including the appointment of an interim Head of Audit and an interim Deputy Head of Audit for part of the year. The overall opinion regarding the Council's governance, risk management and internal control arrangements was that they were satisfactory (reasonable assurance) resulting in an overall moderate risk assessment. Corporate Directors and Heads of Service completed assurance statements to confirm that key elements of the control framework were in place during the year in their areas of responsibility. They were also asked to identify areas where control weaknesses had resulted in a significant issue arising for the department. The audit coverage during 2022/23 highlighted there were no internal audits completed during 2022/23 which indicated a 'significant' risk to the Council and Internal Audit did not issue any "No Assurance" audit opinions during the year. Performance against the annual audit plan is regularly reported to Audit Committee. The percentage of audits that were completed, during the course of the year, against the number of audits in the original plan was 50% with 8 out of 16 planned audits being completed. We have made an improvement recommendation relating to the risk of delivery of internal audit plan enabling ability to inform future Opinions on Page 19.

# Governance (continued)

## Risk management and internal controls (cont.)

The 2022/23 Annual Internal Audit report also makes reference to Internal Audit's Quality Assurance and Improvement Programme, which ensures work is compliant with Public Sector Internal Audit Standards (PSIAS). The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards. The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The QAIP must include both internal and external assessments. External assessments must be completed at least every five years. Internal assessments must include ongoing monitoring of the performance of the Internal Audit activity; and periodic self-assessments.

The Annual Internal Audit report highlighted due to under delivery of planned internal audit reviews undertaken by MKAP in 2022/23 the Council placed some reliance upon a number of 'other assurance providers' and these are summarised below:

- Cyber Health Check: - Zurich Resilience Solutions conducted a Cybersecurity Health Check of the Mid Kent Shared IT Service: 'Public Services Network Code of Connections Internal Security Report and an External Security Report'. The Council was graded as 'Good' and the organisations cyber maturity is better than 80% of other council's in the UK which have been assessed. There were several recommendations made that have been incorporated into an action plan which is being reviewed by the Council IT team and Internal Audit.
- COVID-19 Business Grant assurance schemes: post payment assurance work following the completion of the Covid-19 business grant schemes has been signed off by the Department for Business, Energy and Industrial Strategy (BEIS) and checked and verified by the National Audit Office (NAO), who concluded that "the evidence submitted by the Council has followed an appropriate and robust process in completing the minimum assurance checks when awarding and paying a grant".

## 2022/23 Annual Governance Statement (AGS)

When preparing its 2022/23 AGS, the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. Our review highlighted the appropriateness of the Council's governance framework including its system of internal control, this included review of minutes of the Audit Committee, the Policy and Resources Committee and Council to ensure that periodic monitoring and reviews are being reported appropriately and governance issues are addressed; assessment of the Audit Committee arrangements against the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police; review of the Council's arrangements against the CIPFA Statements on the Role of the Chief Financial Officer and the Role of the Head of Internal Audit. This provided assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2022/23 year. This was corroborated by our 2022/23 financial statements audit and our formal review of the 2022-23 AGS.

The Council seeks to engender an organisational culture that embraces the highest standards of conduct and accountability. Anti-fraud and corruption policies are kept under close review. The Council has a Whistleblowing policy and a Speak Up statement, which complements the Whistleblowing policy and encourages individuals to raise issues of concern in a safe environment. The Council has not been subject to any material frauds in year. The Council also subscribes to Protect (formerly Public Concern at Work), who provide an independent confidential service where employees can report issues where they do not wish to use the internal processes.

Internal Audit investigate any alleged fraud. The Council's counter fraud and anti-corruption arrangements are in accordance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption 2014. CIPFA carried out a comprehensive External Quality Assessment (EQA) in May 2020 which confirmed that MKAP was in full conformance with the Standards and the CIPFA Local Government Application Note (LGAN). The Standards requires an EQA to be carried out at least once every five years but does not stipulate specific time intervals for Internal Quality Self-Assessments (ISA) in the intervening period.

# Governance (continued)

## Informed decision making including the Audit Committee

Since May 2022, the Council has operated a 'Committee System' form of governance. This means that decisions are made by Full Council or delegated to Committees, Subcommittees and Officers. Full Council is the meeting of all 47 Councillors and Full Council is ultimately responsible for the exercise of all functions and certain matters are expressly reserved to be taken by a meeting of the Full Council. The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated, most recently in May 2022. The constitution is shared with all staff and elected members on joining and is openly available on the Council's website. The Council's constitution appropriately sets out how the Council operates and how decisions are made. Review of Audit Committee and other committee minutes indicates that key strategic decisions are subject to appropriate challenge and are supported by detailed papers. Senior officers are open to conversations during committee meetings. Senior officers attend to present their own area items and to field any questions.

We have not seen evidence of discussions not being open. The members of the Audit Committee have a good mix of experience and expertise. The Committee is well attended with minimal absences.

Council business is conducted in public unless legislation

deems it appropriate for it to be considered in private. Key decisions of officers and members are published on the Council's website.

The Council carries out a wide range of public consultation. The Council consulted stakeholders on their draft budget for 2022/23. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; communication with key stakeholders; posts on the internet; intranet and use of social media. The Council has a Consultation Policy that sets out the Council's commitment to effective and efficient public consultation and sets the expectation that this commitment will be consistently applied, particularly in relation to the Council's key decisions. The Council consult with residents, businesses, partner bodies and other stakeholders and use the results of the consultation to inform its decision-making processes, to develop and refine its policies, and to drive improvement in the services for which it is responsible. The Council should continue to adopt these engagement activities which have worked effectively during the pandemic.

The Council's performance against a selection of key governance metrics is set out in the table below, which highlights the Council has appropriate governance arrangements in place in relation to risk management.



Table 3	2022/23	2021/22
Annual Governance Statement (control deficiencies)	Moderate	Moderate
Head of Internal Audit opinion	Reasonable	Reasonable

# Governance (continued)

## Standards and behaviours

The Council has a constitution which details how it will communicate to its staff what behaviours are expected of them.

The AGS sets out that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016.

The AGS is approved by the Audit Committee, and in developing its 2022/23 AGS, the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance. There are appropriate arrangements relating to the Council governance framework including its system of internal control. Minutes of Audit Committee and Council committees' detail periodic monitoring and reviews are being reported appropriately and governance issues are addressed. The overall opinion for 2022/23 of the Head of Internal Audit includes confirmation the Council Audit Committee arrangements comply with the 2018 CIPFA Guidance for Audit Committees in Local Authorities and the Police This provided good assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2022/23 year. This was corroborated by our 2022/23 financial statements audit and review of the 2022/23 AGS.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks, and we have identified one improvement recommendation which is summarised on page 19.



# Improvement recommendation

## Improvement Recommendation 2

The Council should ensure appropriate skilled resource is in place to deliver the agreed internal audit plan to manage the risk of delivery of internal audit plan enabling ability to inform future overall opinion statements.

## Improvement opportunity identified

Under delivery of internal audit plan, which is developed to provide risk assurance across key areas of the Council, may compromise the ability to provide adequate assurance opinion for Council's overall control environment.

## Summary findings

Mid Kent Audit Partnership has experienced significant turnover of staff throughout the financial year, including the appointment of an interim Head of Audit and an interim Deputy Head of Audit for part of the year. Performance against the annual audit plan is regularly reported to Audit Committee. The percentage of audits that were completed, during the course of the year, against the number of audits in the original plan was 50% with 8 out of 16 planned audits being completed.

## Criteria impacted



Governance

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

Mid Kent Audit Partnership appointed a new Head of Internal Audit in December 2022, and a review of processes, procedures and audit plans has been her primary focus since being in post. Despite the reduction in completed internal audits the council received reasonable assurance on our internal systems and controls and so we are working with the Head of Internal Audit to rationalise the internal audit plan for future years to ensure that the appropriate level of audit is undertaken. Whilst carrying vacancies, the partnership has engaged an external internal audit firm to support the work of the in-house team and this position will continue whilst the recruitment market remains a challenge.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.



# Improving economy, efficiency and effectiveness



## We considered how the Council:

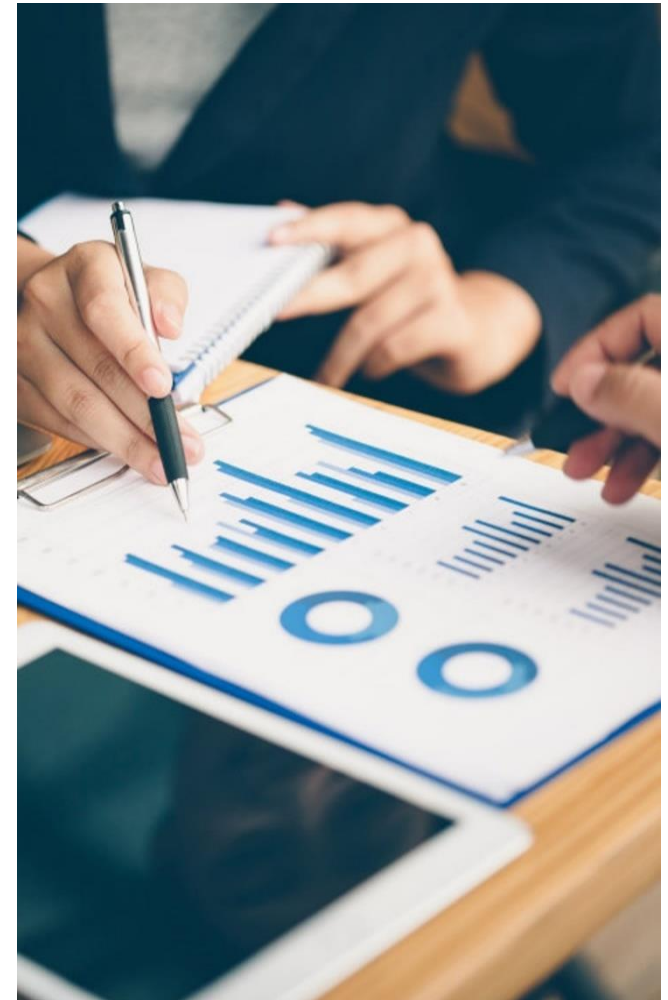
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Assessing performance and identifying improvement

The Council's performance against the Council Plan is reported on a bi-annual basis to the Policy and Resources Committee. The performance report highlights performance for 18 monthly and 13 quarterly key performance indicators (KPIs). The report brings together wider information, key facts and intelligence to explain how the Council is working and performing, including timelines and case studies to demonstrate the impact on residents and communities. We are satisfied the report provides an adequate summarised and integrated performance, finance and risk reporting position in a clear and transparent manner. The Quarter 4 (2022/23) performance report highlighted 2 (7%) indicators were categorised as red risk, as follows - Audit recommendations implemented (year end value 77% target 95%) and Number of long-term empty homes brought back into use which has been deleted as a KPI going forward. The quarter 4 report evidenced adequate management actions to address were agreed. In relation to financial monitoring, we are satisfied sufficient detail is included to understand budget variances.

A Local Government Association (LGA) Peer Review report in March 2023 highlighted the Council “benefits from recognised and visible leadership from both the leader and the chief executive. The professionalism and commitment of the workforce, in particular the directors and heads of service, are an asset to the organisation, with officers showing high levels of dedication and motivation to serve the organisation and be effective leaders in their organisation and place.”

The Council has partnerships in place, with the Council described by the LGA as “an enthusiastic partner”, and “with members that genuinely want to make a difference for local people”. The Council work on the cost-of-living crisis was highlighted (via the LGA peer review) by partners in the voluntary and community sector (VCS) as an example of where the Council was appropriately responding to new and emerging needs in their community. VCS partners are keen to be part of more formal arrangements with the Council and expressed an appetite to build on the existing positive relationships and work more collaboratively with the council. A number of key recommendations were raised as part of the LGA Review, and the Council has put in place an improvement programme to ensure these are tackled appropriately over the coming weeks and months.





# Improving economy, efficiency and effectiveness (continued)

## Assessing performance and identifying improvement (continued)

Whilst we are satisfied the Council use recommendations resulting from external inspections and has a track record of implementing them, we have made an improvement recommendation on page 23 relating to the Council ensuring it implements the action plan to address the LGA Review recommendations.

## Partnership working

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations.

The Council is one of a number of organisations - including major public bodies (such as: the Police, Health Agencies, education and the Fire and Rescue service), local businesses and the voluntary and community sector working in partnerships for the local health agenda, community safety and the voluntary groups.

The Council has a wholly owned Housing company which has been included in the 2023/24 budget - in October 2020 Cabinet agreed to establish Swale Rainbow Homes Ltd. The outline business case envisaged the Council providing up to £23m of funding through loans to support the delivery of new homes. The exact arrangements for the drawdown of this funding will follow the detailed planning and procurement phases. The cost of the borrowing will be wholly met by the company. Because the company is wholly owned its accounts are incorporated into those of the Council.

The work of partnerships is fed back to and overseen by Full Council in order to maintain overall decision-making responsibility for matters affecting the Council.

The Council has appropriate oversight (using the 4 area committees (Eastern, Sheppey, Sittingbourne and Western areas) reporting to Full Council) arrangements in place to monitor whether significant partnerships are meeting their stated objectives. There is regular reporting to Full Council and also several sub committees to oversee work of significant partnerships.



# Improving economy, efficiency and effectiveness (continued)

## Procurement

The Council has appropriate contract management and procurement procedures in place, the Council has dedicated in house procurement and contract management teams. Discussions with senior officers highlighted in 2022/23 there were no significant contract management or significant performance issues reported in year for service providers or sub-contractors.

During 2022/23 appropriate capital programme oversight was undertaken by the Policy and Resources Committee, with reports considered on a quarterly basis.

The 2022/23 capital outturn presented to policy and resources committee in July 2023 shows slippage and the general fund has projected net underspend of £7.262 million. Actual expenditure in 2022/23 was £6.967 million which was 49% of the budget. The explanations for the significant capital variances and rollovers have been discussed earlier in the Report, and in most cases underspends have been rolled over to future years.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Council's improving economy, efficiency and effectiveness arrangements. We have identified one improvement recommendation relating to the implementation of recommended actions resulting from the March 2023 LGA Peer review.



# Improvement recommendations

## Improvement Recommendation 3

The Council should ensure the recommendations arising from the LGA Peer Review and the resulting action plan are implemented.

## Improvement opportunity identified

The LGA peer review highlighted some areas for improvement which assist the Council to manage how the organisation engages with the wider community partners and business sector taking account of the staff resources available.

## Summary findings

The Local Government Association (LGA) Peer Review report in March 2023 highlighted 10 key recommendations which were agreed by the Council and an action plan has been developed to implement the recommendations.

## Criteria impacted



Economy, efficiency and effectiveness

## Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.

## Management comments

The Policy and Resources Committee in October 2023 agreed the action plan to deliver the recommendations made by the peer review. The action plan is published on the Council's Website [Council - Peer Review \(swale.gov.uk\)](https://www.swale.gov.uk/council-peer-review). Delivery of the plan will be reported to Policy and Resources Committee.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should report the achievement or not of savings built into the annual budget.	Improvement	April 2023	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. Report on savings – as responded to the original recommendation the savings form part of service budgets that are regularly reported to members. Where targets are not being met by more than our variance reporting threshold then the report would include this information. The recommendation is being considered as part of our ongoing service improvement and if there is value to including further details on the savings then we will of course do so.	In Progress	Improvement recommendation included in 2022/23 AAR.
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.	Improvement	April 2023	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. Inflation assumptions – this will be included in the MTFP that is being drafted for 2024/25.	Yes	N/A
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.	Improvement	April 2023	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. Savings – the identification of savings to meet the budget gap is foremost in the discussions for the preparation of the 2024/25 budget round. Strategic plans to meet the savings will be included in the MTFP.	Yes	N/A

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4 The Council should consider CIPFA's recommendation that the Audit Committee includes two co-opted independent members.	Improvement	April 2023	Management will include the proposal of independent members for the audit committee to the new council following the elections in May. Independent members on audit committee – this was discussed by audit committee and this recommendation was refused.	Not yet	To be considered further by the new Audit Committee
5 The Council 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.	Improvement	April 2023	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. Review level of governance for subsidiary company – remains the same on this as progress on the planned development is slow as we await planning decisions. The new shareholder panel (change of members due to the election) has had a training session and meetings will be arranged in line with decisions required and oversight of the project as it progresses.	Yes	N/A
6 Review the topology of the website and consider removing content that is no longer relevant.	Improvement	April 2023	The topology of the Council website content will be reviewed to enable most up to date and useful information to be more readily available. Website review – this is an ongoing project. Services have been tasked with reviewing documents that are on the website. The specific examples raised by the audit team were removed.	Yes	N/A

# Opinion on the financial statements



## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 1 December 2023.

The full opinion is included in the Council's Annual Report for 2022/23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.





# Opinion on the financial statements



## Timescale for the audit of the financial statements

- The Audit Plan was issued to the Audit and Committee on 17 April 2023.
- Our audit work was completed remotely during August - November 2023.
- The Council provided draft financial statements in July 2023 in line with the national timetable
- The Council team worked constructively with the audit team to ensure that audit evidence requested were provided on time and of sufficient quality. There was clear and open communication between the audit team and the Council officers which ensured that the audit process went smoothly.
- The opinion on the financial statements was issued on 1 December 2023.

## Findings from the audit of the financial statements

- We identified three unadjusted misstatements from our audit work, which included netting off an overdrawn bank balance in the Balance Sheet and a reconciling balance between the accounts and the Council's fixed asset register.
- We also identified a small number of disclosure improvements to help improve the transparency of the overall accounts.
- We also identified a couple of recommendations to help improve the Council's financial processes, around the completeness of year end accruals, and treatment of assets included on the asset register with a nil carrying value.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit Committee on 23 October 2023. Requests for this Audit Findings Report should be directed to the Council.



# Other reporting requirements



## Other opinion/key findings

We are required to report on a number of matters by exception in a number of areas:

- if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,
- if we have applied any of our statutory powers or duties.
- where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.

We have nothing to report on these matters.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 23 October 2023

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Swale Borough Council does not exceed the threshold.



# 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.

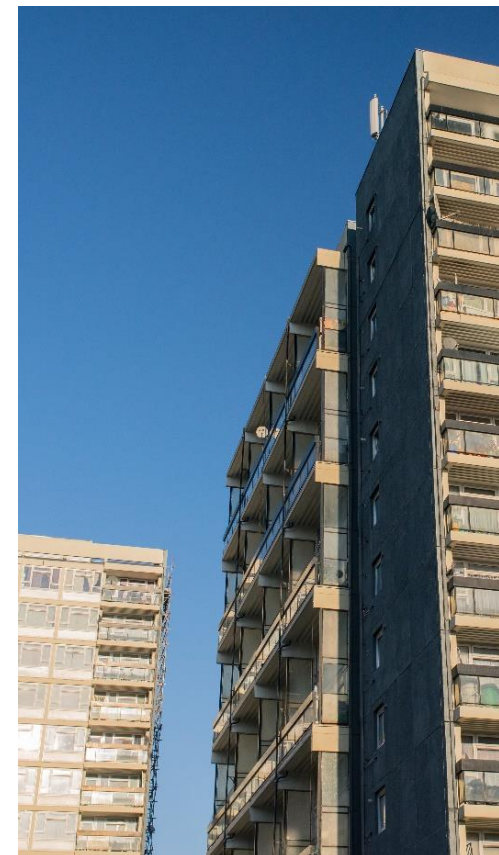
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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(s)
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 the Council's 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	14, 19 & 23



