

# Auditor's Annual Report on Swale Borough Council

Auditor's Annual Report for the  
year ended 31 March 2024

Consultation draft v1.1

January 2025



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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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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Swale Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the Value for Money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

## Responsibilities of the appointed auditor

### Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

### Value for Money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

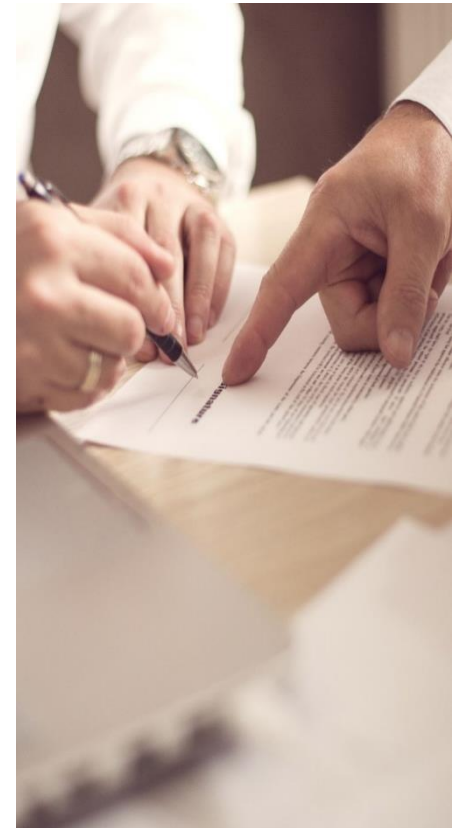
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

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. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 21.



## Financial sustainability

The Council continues to manage its finances effectively; however, it remains dependent on reserves to bridge the gap between service expenditures and the recurrent funding available in the medium term. The Council had initially budgeted to use £2 million of reserves in 2023/24 but successfully reduced this reliance by £800,000 due to improved financial performance during the year. Consequently, the Council required £1.23 million from reserves to achieve a balanced outturn. The latest Medium-Term Financial Plan (MFTP) from November 2024 projects a medium-term budget gap that will need to be addressed through a combination of savings and reserve usage. However, current forecasts indicate that the Council has not yet identified sufficient savings to fully close this gap. Based on these projections, alongside current spending levels and reserve usage, the Council's earmarked reserves are expected to be insufficient to address any budget shortfalls beyond 2027/28. We have raised an improvement recommendation concerning the Council's savings plan and reliance on reserves. The Council continues to set budgets that depend on reserve contributions to balance, a practice that is not financially sustainable in the long term. Developing a robust savings plan and identifying measures to address the projected budget gap are critical to ensuring the Council's financial resilience.

In conclusion, and based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. However, we have identified an area where the Council could improve arrangements and as such, have raised an improvement recommendation which has been accepted by Management.



## Governance

The Council has established appropriate arrangements for risk management, internal audit, and counter-fraud. The Council has also addressed a previous improvement recommendation in relation to sensitivity analysis and scenario planning. While we are satisfied with the Council's overall budget management arrangements from a governance perspective, addressing this recommendation would enhance the robustness of financial planning.

Additionally, we raise improvement recommendations regarding the Council's Audit Committee arrangements and Member-to-officer relationships. Strengthening these areas will support more effective governance, collaboration, and accountability across the organization. In conclusion, and based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its governance. However, we have identified two areas where the Council could improve arrangements and as such, have raised two improvement recommendations which have been accepted by Management.



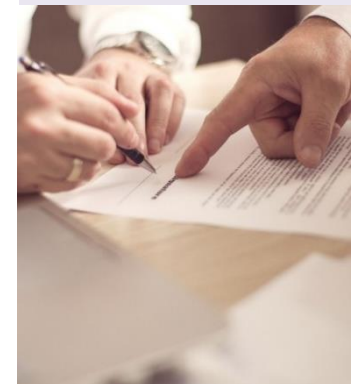
## Improving economy, efficiency and effectiveness

The Council has established appropriate performance reporting arrangements, demonstrating a clear understanding of how to utilize performance data to drive improvement. It regularly evaluates the services it provides to identify areas for enhancement. The organization engages effectively with partners and stakeholders, ensuring that it meets its objectives and delivers on its commitments, such as the Mid Kent Audit Partnership. Additionally, the Council has robust procurement and contract management arrangements in place, supporting the efficient and effective delivery of services.

In conclusion, and based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its arrangements for improving economy, efficiency and effectiveness. We have not raised any improvement recommendations.



We have almost completed our audit of your financial statements and propose issuing an unqualified audit opinion in February 2025, following the Audit Committee meeting in January 2025. Our findings are set out in further detail on page 8.



# Executive summary (continued)



## Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangements have been in place.

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weakness in arrangements identified but one improvement recommendation made.	Potential risk of significant weakness identified over the medium term financial sustainability.	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made to support the Council in improving arrangements for the medium term financial plan. These relate to development of a savings plan that can reduce the reliance on reserves and promote sustainability.	↔
Governance	A No significant weakness in arrangements identified but one improvement recommendation made.	No potential risks of significant weakness identified in this area.	A No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Council in improving its audit committee arrangements and member to officer relationships.	↓
Improving economy, efficiency and effectiveness	A No significant weakness in arrangements identified but one improvement recommendation made.	No potential risks of significant weakness identified in this area.	G Our work did not identify any areas where we considered that key or improvement recommendations were required.	↑

<b>G</b>	No significant weaknesses in arrangements identified or improvement recommendation made.
<b>A</b>	No significant weaknesses in arrangements identified, but improvement recommendations made.
<b>R</b>	Significant weaknesses in arrangements identified and key recommendations made.

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



# Opinion on the financial statements



## Audit opinion on the financial statements

We are planning to issue an unqualified opinion on the Council's financial statements in February 2025.

The full opinion is included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website.

## Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 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 2023/24
- 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.

## Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit Committee in January 2025. Requests for this Audit Findings Report should be directed to the Council.



# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## Statutory recommendations

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

We did not make any 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.

# **Value for Money Commentary on arrangements**



# The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

## National context



Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

## Local context



Swale Borough Council (the Council) is a district council serving a population of approximately 155,000 residents. The district was established on 1 April 1974 under the Local Government Act 1972, merging the areas of four former districts, which were abolished simultaneously. It was named Swale after the waterway that separates the mainland portion of the district from the Isle of Sheppey. On 20 January 1978, Swale was granted borough status, enabling the council chair to adopt the title of mayor.

Swale is predominantly rural, featuring a significant portion of the UK's apple, pear, cherry, and plum orchards (known as the North Kent Fruit Belt), alongside many of the country's remaining hop gardens. Geographically, the borough lies on Kent's northern coast, between Medway, Maidstone, and Canterbury, approximately 45 miles from London. Despite its proximity to urban centres, Swale is characterized by the Kentish countryside and is less than 30 miles from the Channel Tunnel. The borough encompasses the towns of Sittingbourne and Faversham, the Isle of Sheppey, and a vast rural hinterland.

The Council is comprised of 47 councillors (referred to as 'Members'), representing 24 wards. Councillors are elected for four-year terms, with the most recent election held on 4 May 2023. Their role includes representing constituents and making decisions on Council services and policies. Since May 2022, Swale has operated under a Committee System and is governed by a coalition administration. At the start of the 2023/24 financial year, the Leader of the Council was Councillor Baldock; following the May elections, Councillor Gibson assumed the role of Leader. The Council's services are structured into Directorates and Departments, supporting efficient delivery and management of its responsibilities.

# Financial sustainability



We considered how the audited body:

## Commentary on arrangements

## Assessment

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 Council had budgeted to use **£2 million** of reserves in 2023/24 but managed to reduce the call on reserves by **£800k** due to performance during the year. The Council therefore ended up using **£1.23 million** of reserves to deliver a balanced outturn. The Housing and Communities and Planning directorates overspent due to cost pressures in temporary accommodation due to demand increases and increased costs of temporary staffing due to difficulties in recruiting permanent staff. The Environment and Leisure directorates and Corporate directorates underspent due to lower cost of indexation for refuse collection and street cleansing and higher than anticipated investment income due to increased interest rates and slippage on capital projects reducing revenue charges.

The outturn position does not indicate any weaknesses in financial planning, budget monitoring and budgetary control processes. The increase in temporary accommodation is being felt across the country as Councils are grappling with the impact of inflation on the cost of placements. The unexpected windfall in investment income was largely attributable to higher than anticipated interest rates which is reasonably foreseeable that the Council did not accommodate in its forecasting.

While the Council reduced its call on reserves, it is important to note that the Council is still relying on reserves to deliver a balanced budget and this is not a sustainable position. We have designated this risk area 'Amber' for this reason and have raised an improvement recommendation (IRI) which addresses the Council's future position with regard to savings generation and financial sustainability.

The Council approved a Medium Term Financial Plan (MTFP) in February 2024. This has been updated and a revised MTFP was taken to the November 2024 Policy and Resources Committee. The revised plan shows that the authority has considered the financial pressures experienced in 2023/24 and built in mitigations. For example, Members agreed a project for the Council to purchase properties to be used to house those in need of temporary accommodation in response to growing pressures in this budget area.

A

plans to bridge its funding gaps and identifies achievable savings

The Council's latest iteration of its MTFP from November 2024 anticipates future year deficits in the region of **£1.5 million** in 2026/27 (excluding uncertainty around government grant funding of **£1.9 million**). The Council are forecasting this gap to be potentially peak at **£5.4 million** in 28/29 due to inflationary pressures, delays to funding reviews and some key service pressures. The drivers for this are understood and the Council have plans to mitigate this so far as is possible. The Council have been undertaking a detailed budget review over previous months to identify efficiencies and additional income to help support front line services and to balance the financial position. For 25/26, this totals **£2.5 million** and is supported by various increases to fees and charges, service reviews and savings agreed in previous MTFPs. There are also plans to continue to use Business Rate income within the Kent Pool Growth Fund, to recharge costs that meet the criteria of the pooled fund. Based on current forecasts this still leaves a deficit of **£1.533 million** which will need to be supported from reserves if further savings cannot be identified. Based on the projections above and the spending estimates and use of reserves in the current year the earmarked reserves are forecast to be insufficient to address any budget gap after 2027/28.

We raise an improvement recommendation encouraging the Council to develop a substantive savings programme which involves significant consideration of the operating models of the Council's key services and considers how they can be financially sustainable in the long term. While the Council is forecasting to balance its budget in the next year, it is still forecasting to use reserves and is forecast to deplete its reserves balance by 2028/29. The Council must make difficult decisions now, while it is relatively financially stable, to ensure that it does not enter a crunch point in the years immediately preceding 2028/29 where it may be forced to make extremely difficult decisions.

A

# Financial sustainability



We considered how the audited body:

## Commentary on arrangements

## Assessment

<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council’s MTFP is shaped to support the Council’s priorities articulated in the Council Plan. By this token, the finances are planned to support the sustainable delivery of services in accordance with strategic and statutory priorities. However, as stated previously, based on current forecasts, the Council estimate a medium term deficit of <b>£1.533 million</b> which will need to be supported from reserves if further savings cannot be identified. The updated budget gap now peaks at <b>£5.4 million</b> (excluding government grants) in 2028/29 due to economic inflationary pressures, delays to funding reviews and some key pressures which are all impacting on the medium term forecast. This gap is a fairly substantial gap for a small Council. Based on the projections and the spending estimates and use of reserves in the current year, the earmarked reserves are forecast to be insufficient to address any budget gap after 2027/28.</p> <p>The Council’s finances are therefore insufficient to support the sustainable delivery of services beyond 2027/28. Members must make difficult decisions now while the Council is financially sustainable in the immediate future, in order to be financially able to deliver strategic and statutory priorities. This is directly addressed in our improvement recommendation (IR1).</p>	<p style="text-align: center; background-color: #FFD700;">A</p>
<p>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</p>	<p>The Council ensures that its financial plans, specifically its MTFP, is fundamentally linked to and underpins several key strategies and policy documents. As stated in the MTFP, the most significant linkage with the MTFP is with the Council’s Corporate Plan. The MTFP supports the delivery of the Corporate Plan outcomes and establishes how the Council’s priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of future funding gaps.</p> <p>The MTFP is also linked to The Capital Strategy. The Capital Strategy sets out the Council’s approach and process to the deployment of capital resources in meeting the Council’s overall aims and objectives. It also provides a strategic framework for the effective management and monitoring of the capital programme, within which the Council will work in formulating the strategies for individual services.</p> <p>The Council’s Treasury Management Strategy Statement is intrinsically linked with the Capital Strategy and the capital programme and supports the funding of the Council’s capital plans. The Property Asset Strategy is set within the wider context on the Council’s strategic priorities and seeks to align and review the asset base with the Council’s corporate goals and objectives.</p> <p>We did not identify any particular risks surrounding the Council’s alignment between its financial plans and other plans.</p>	<p style="text-align: center; background-color: #90EE90;">G</p>
<p>identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>The Council’s MTFP includes an appendix which is a risk assessment of next year’s budget. The MTFP assesses the risks on which the plan is based, for example, the budget acknowledges that it assumes a rollover position for the total grant funding received for Swale remaining the same for 2025/26 as received in 2024/25. This presents a risk as if there are any changes and these reduce the amount, the Council’s budget gap will increase and it would have a corresponding impact on the assumed call on reserves. The Council mitigates this risk by assessing and setting the optimum level of General Reserve that the Council should hold and maintaining this level.</p> <p>The Council manages and identifies risks to financial resilience, however, we emphasise that the Council has not developed a substantive savings or operating model redesign that would generate savings sufficient to support financial resilience post 2028/29. We reiterate that without this plan, the Council’s financial resilience is at risk.</p>	<p style="text-align: center; background-color: #FFD700;">A</p>

- 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.

# Financial sustainability (continued)



## Areas for improvement

The Council had budgeted to use **£2 million** of reserves in 2023/24 but managed to reduce the call on reserves by **£800k** due to performance during the year. The Council therefore ended up using **£1.23 million** of reserves to deliver a balanced outcome.

The Council approved a Medium Term Financial Plan (MTFP) in March 2024. This has been updated and a revised MTFP was taken to the November 2024 Policy and Resources Committee. The Council's latest iteration of its MTFP from November 2024 anticipates future year deficits in the region of **£1.5 million** in 2026/27 (excluding uncertainty around government grant funding of £1.9 million). The Council are forecasting this gap to be potentially peak at **£5.4 million** in 28/29 due to inflationary pressures, delays to funding reviews and some key service pressures. The Council have been undertaking a detailed budget review over previous months to identify efficiencies and additional income to help support front line services and to balance the financial position. For 25/26, this totals **£2.5 million** and is supported by various increases to fees and charges, service reviews and savings agreed in previous MTFPs. Based on current forecasts this still leaves a deficit of **£1.533 million** which will need to be supported from reserves if further savings cannot be identified. Based on the projections above and the spending estimates and use of reserves in the current year the earmarked reserves are forecast to be insufficient to address any budget gap after 2027/28.

We raise an improvement recommendation urging the Council to develop a comprehensive savings programme that is sufficient to support the Council's financial resilience post 2027/28. The Council is not currently pursuing any large transformational projects and has not managed to identify enough savings in advance to reduce the reliance on reserves. The Council balanced the 2023/24 budget using reserves and is planning on using reserves to balance the medium term position. This is not sustainable. The Council's reserves are forecast to be insufficient to address the 2028/29 budget. While we acknowledge that uncertainty around government funding has complicated the decision-making process for the Council, Members must demonstrate a willingness and appetite to make difficult financial decisions now while the Council is relatively stable for the medium term – to avoid the necessity to make harsh cuts to services as we approach 2028/29.

We encourage the Council to substantively review the delivery of its services and consider changes to operating models that would generate sufficient and sustainable savings in order to support future financial sustainability. Once developed, this savings plan should be monitored independently of basic budget monitoring, with an appropriate governance architecture to ensure the benefits are realised.

### Improvement recommendation 1:

The Council should develop a comprehensive savings programme that is sufficient to support the Council's financial resilience post 2027/28. This will require Members to make difficult financial decisions in order to ensure that the Council is able to sustainably deliver services for residents. We encourage the Council to substantively review the delivery of its services and consider changes to operating models that would generate sufficient and sustainable savings in order to support future financial sustainability. Once developed, this savings plan should be monitored independently of basic budget monitoring, with an appropriate governance architecture to ensure the benefits are realised.

# Governance

## We considered how the Audited Body:

### Commentary on arrangements

### Assessment



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

The Council’s risk management arrangements have been in place since 2015, with Mid Kent Audit Partnership facilitating the operation of the overall process.

The Risk Management Framework was comprehensively reviewed and updated, with the final version approved by Audit Committee in July 2022. Over the years risk management processes have become well established with officers engaged in the process and aware of their risks and how to manage them.

The Corporate Risk Register sets out the key strategic risks. Risks in the CRR table contain the risk, risk owner, key existing controls, their current RAG rating, actions planned or in progress and the mitigated rating. The current CRR table does not, however, map risks to the strategic objective they relate to.

We raise an improvement recommendation encouraging the Council to map risks to the strategic objective that they impact from the Council’s Corporate Plan. This can ensure Members are fully sighted on which corporate priority is affected by the risk materialising.

The Council have adequate internal audit service in place, this is also provided by the shared service partnership Mid Kent Audit. The Council received a positive internal audit opinion for 2023/24. In the prior year, we raised an improvement recommendation surrounding internal audit resources. We are pleased to report that internal audit has had some success in recruitment although some vacancies persist. The progress against the plan has been achieved through use of an external partner which is providing successful and the Council continue to work with internal audit to ensure delivery.

Internal audit was last assessed for compliance with PSIAS in 2020. IA are due to be assessed in 2025. With the Introduction of the Global Internal Audit Standards (GIAS) from 09/01/2025 and the accompanying Local Government Application Note to be followed from April 2025, IA will be aiming to complete the EQA towards the end of 2025 to ensure appropriate compliance against the new standards can be measured. The PSIAS will no longer be the applicable standards after April 2025, but the GIAS has kept the requirement for assessment every five years.

We did not identify any significant gaps in controls and consider that the Audit Committee obtains sufficient assurance over the work of internal audit.

**A**

approaches and carries out its annual budget setting process

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 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. We are satisfied with the Council’s approach to the annual budget setting process.

We raised an improvement recommendation in the prior year asking the Council to introduce formal reporting to Members on sensitivity analysis and scenario planning, undertaken on key assumptions and estimates as part of the development of the annual budget and MTFP. The MTFP for 2025/26 includes details on sensitivity analysis and scenario planning on key assumptions and estimates included in the budget plan. We therefore consider this recommendation to be resolved.

**G**

- 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.

# Governance



## We considered how the Audited Body:

## Commentary on arrangements

## Assessment

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

The Council has robust processes and systems in place for effective budget management. The finance team collaborates with budget holders at least monthly, ensuring comprehensive budget monitoring at the service, directorate, and corporate levels. High-level oversight of the budget is maintained through quarterly budget monitoring reports presented to the Policy & Resources Committee. These reports detail the outturn against the budget and provide explanations for any variations. Proposed budget revisions are clearly communicated through these reports, which also assess the impact of the forecast outturn on available reserves. For example, the 2023/24 report highlighted that the outturn led to a reduction in the anticipated use of reserves. The same detailed reporting is also applied to the capital programme, with any revisions clearly communicated.

We are satisfied with the Council’s budget management arrangements.

G

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

As noted by the LGA, the Council demonstrates a strong commitment to governance and a proactive approach to ensuring effective scrutiny and challenge within the committee system. The Council is dedicated to conducting its operations in an efficient and accountable manner. The committee system is now well-established and has contributed to more effective, inclusive decision-making.

The Council also has a well-functioning audit committee. According to the CIPFA 2022 guidance, *Audit Committees: Practical Guidance for Local Authorities and Police*, audit committees should meet at least four times per year. In 2023/24, the Committee met six times, thus meeting this recommendation. With nine members, the Committee aligns with CIPFA’s guideline that the committee should typically consist of around eight members.

In our 2021/22 report, we recommended that the Council consider appointing two co-opted independent members to its audit committee. The Council has reviewed this recommendation and expressed the view that their current audit committee arrangements are sufficient without independent members. While it is the Council's prerogative to determine the composition of its audit committee, we, as external auditors, continue to believe there are significant benefits to including independent members.

Although the current committee does not appear inclined to pursue this option, we encourage the Council to periodically revisit this consideration to ensure its audit committee aligns with best practice standards.

G

- 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.



# Governance



## We considered how the Audited Body:

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

## Commentary on arrangements

The Council has a Standards Committee in place, which is responsible for overseeing matters related to the Code of Conduct. The Regulatory Framework assesses the Council’s governance arrangements, ensuring that adequate safeguards are in place to secure compliance with its own standards, as well as other published standards, controls, and best practices.

As confirmed by the Monitoring Officer, there is no evidence of significant non-compliance with the Council’s constitution, nor any breaches of legislation or regulatory standards that have led to investigations by legal or regulatory bodies. Additionally, there is no evidence of substantial or repeated departures from key regulatory, statutory requirements, or professional standards.

However, we have identified an area of concern regarding the relationships between Members and officers, as well as between Members themselves. The LGA Peer Review from March 2023 highlighted concerns over the way some Members and staff communicate. The LGA recommended that the Council continue working on improving the Member/Officer protocol and fostering better relationships between Members and officers. There is potential for enhancing collaboration, mutual understanding, and the tone of communication between certain elected members and staff. The Council is actively addressing this issue, with an external consultant working on improving these dynamics. It is important to note that this challenge is not experienced uniformly across the organization. A small number of Members have been identified as exhibiting poor behaviour, which has a disproportionately negative impact on the organization as a whole.

We recommend that the Council continue its efforts to improve Member-to-officer relationships, fostering a more collaborative and respectful environment.

## Assessment

**A**

- 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.

# Governance (continued)



## Areas for improvement

### *Risk management*

The Corporate Risk Register sets out the key strategic risks. Risks in the CRR table contain the risk, risk owner, key existing controls, their current RAG rating, actions planned or in progress and the mitigated rating.

We raise an improvement recommendation encouraging the Council to map risks to the strategic objective that they impact from the Council's Corporate Plan. This can ensure Members are fully sighted on which corporate priority is affected by the risk materialising.

### *Member to officer relationships*

We have identified an area of concern regarding the relationships between Members and officers, as well as between Members themselves. The LGA Peer Review from March 2023 highlighted concerns over the way some Members and staff communicate. The LGA recommended that the Council continue working on improving the Member/Officer protocol and fostering better relationships between Members and officers. There is potential for enhancing collaboration, mutual understanding, and the tone of communication between certain elected members and staff. The Council is actively addressing this issue, with an external consultant working on improving these dynamics. It is important to note that this challenge is not experienced uniformly across the organization. A small number of Members have been identified as exhibiting poor behaviour, which has a disproportionately negative impact on the organization as a whole.

We recommend that the Council continue its efforts to improve Member-to-officer relationships, fostering a more collaborative and respectful environment.

#### **Improvement recommendation 2:**

The Council should map the risks identified in the Corporate Risk Register (CRR) to the strategic objectives outlined in the Corporate Plan. This will ensure that Members have full visibility of which corporate priorities would be impacted if a risk materialises, enhancing the alignment of risk management with strategic goals.

#### **Improvement recommendation 3:**

The Council should continue to prioritize and direct efforts towards improving Member-to-officer relationships, ensuring that the tone of communication, collaboration, and mutual understanding between elected members and staff is consistently professional and constructive. This includes maintaining focus on the ongoing work with the external consultant to address the concerns raised, particularly regarding the behaviour of a small number of Members, and fostering a more respectful and cooperative organizational culture.

# Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

## Commentary on arrangements

## Assessment

<p>uses financial and performance information to assess performance to identify areas for improvement</p>	<p>The Council has committed to presenting mid-year and year-end performance reports to the Policy &amp; Resources Committee. These reports provide an overview of corporate performance for the first six months of the financial year. In the latest report for the second quarter of 2024/25, the Council included monthly trend data for two indicators affected by changes to the waste contract. The report highlighted that 75% of key performance indicators under the Corporate Plan were rated as ‘Green,’ 7% as ‘Amber,’ and 18% as ‘Red.’ The ‘Red’ indicators primarily relate to waste collection. The Council has identified the underlying causes of these issues and is actively implementing remedial actions.</p> <p>We are satisfied that the Council has a clear understanding of the reasons for underperformance in these areas and is taking appropriate steps to improve.</p>	<p><b>G</b></p>
<p>evaluates the services it provides to assess performance and identify areas for improvement</p>	<p>The Council evaluates its service delivery through key performance indicators (KPIs) aligned with the Corporate Plan. Additionally, some services are subject to national indicators, which require all local authorities to submit data. The Council is also assessed by regulators in several service areas, such as the Regulator of Social Housing (RoSH). These requirements compel the Council to continuously evaluate its performance and identify opportunities for improvement.</p> <p>The Council also engages in numerous contracts with private providers to deliver services. These contracts often include KPIs within their terms, requiring providers to meet specified performance criteria—this is particularly evident in the waste management contract, for example.</p> <p>The implementation of the new Suez waste contract in 2024 raised challenges, including the unavailability of performance data for three indicators in March 2024. For instance, the number of missed bins increased due to issues related to the conclusion of the old contract and start-up challenges with the new one. The Council has identified the causes of these issues and is using this information to drive improvements in service delivery.</p> <p>Another example of the Council’s commitment to service improvement is its participation in the Local Government Association (LGA) Peer Review. Following the March 2023 report, the Council is actively implementing the LGA’s recommendations. One notable step is the engagement of an external consultant to enhance relationships between members and officers, demonstrating a proactive approach to addressing identified areas for development.</p>	<p><b>G</b></p>

- 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.

# Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the audited body:

## Commentary on arrangements

- 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.

## Assessment

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

The Council’s Constitution establishes the foundation for its engagement with stakeholders and partners through joint working arrangements, partnership boards, and annual appointments to external organizations. This framework ensures accountability and provides a formal structure for collaboration.

The Council’s Corporate Plan is guided by the core value of trust, emphasizing its commitment to delivering for residents, customers, and partners. One of its most significant partnerships is the Mid-Kent Improvement Partnership (MKIP), established in 2008 between Swale, Maidstone, and Tunbridge Wells councils. This partnership aims to align and share services to reduce costs, pool talent, and enhance the resilience of smaller teams. MKIP focuses on shared corporate and back-office functions such as HR, ICT, legal, audit, and planning support. Governance within MKIP is managed by the MKIP Board, which consists of two senior members from each council along with the chief executives. The Board reviews service delivery and ensures that the partnership meets its objectives, demonstrating a robust mechanism for monitoring performance and maintaining alignment with shared goals.

In response to the 2024/25 Local Government Finance Settlement requiring councils to produce productivity plans, the Council highlighted the expansion of its shared services operating model in collaboration with neighbouring authorities. Currently, the Council operates 10 shared services through partnerships, which have delivered significant efficiency savings and enhanced service resilience.

The Council also proactively engages with external stakeholders to address gaps in service provision, particularly in areas facing recruitment challenges, such as legal services and internal audit. By leveraging these partnerships, the Council ensures that it continues to meet service delivery requirements and remains productive. These examples underscore the Council’s ability to work effectively within significant partnerships and engage with stakeholders to evaluate and enhance its performance. Governance frameworks, continuous assessment, and strategic collaboration allow the Council to deliver on its objectives while addressing emerging challenges.

**G**

commissions or procures services, assessing whether it is realising the expected benefits

The Council has a robust commissioning and procurement framework designed to ensure that services meet residents’ needs while delivering value for money. The Council applies standard terms and conditions to most contracts and is guided by its Financial Standing Orders (FSOs) and Contract Standing Orders (CSOs). These ensure compliance with legal requirements and provide clear guidance to Council members and staff. All staff are obligated to adhere to the FSOs, fostering transparency and accountability in purchasing decisions. The Council’s purchasing decisions and processes, as outlined in its Constitution, ensure resources are used efficiently, openly, and honestly. The Contracts Register, published publicly, records existing contracts and their end dates, ensuring transparency. Additionally, the Forward Plan highlights potential future opportunities for suppliers, supporting proactive engagement with the market. The Council’s Commissioning and Procurement Policy provides a clear framework that aligns with the Corporate Plan and its priorities. This policy ensures that commissioned services deliver the intended benefits by incorporating rigorous performance monitoring mechanisms into contracts. For example, contracts include Key Performance Indicators (KPIs) that set measurable standards for service delivery. Continuous improvement is a key component of the Council’s approach to procurement. Lessons learned from previous commissioning exercises are used to refine future strategies. For instance, the Council has successfully expanded its shared services model with neighbouring authorities, which has demonstrated efficiency gains and improved service resilience.

**G**

**Value for Money  
Recommendations raised in  
2023/24**



# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR1 The Council should develop a comprehensive savings programme that is sufficient to support the Council's financial resilience post 2027/28. This will require Members to make difficult financial decisions in order to ensure that the Council is able to sustainably deliver services for residents. We encourage the Council to substantively review the delivery of its services and consider changes to operating models that would generate sufficient and sustainable savings in order to support future financial sustainability. Once developed, this savings plan should be monitored independently of basic budget monitoring, with an appropriate governance architecture to ensure the benefits are realised.</p>	Improvement	Financial sustainability	Review of the Council's MTFP identified a lack of clear and approved arrangements to manage the funding gap up to 2028/29	The lack of adequate saving plans and associated transformation programme to deliver recurring savings will impact the Council's ability to maintain financial sustainability.	Work is ongoing to address the budget gap arising over the term of the MTFP. Once again the uncertainty of government funding has not helped the budget setting process, but the provisional settlement figures will now be fed into the financial model. We do not agree that an independent monitoring system is developed where specific savings are identified as this can be sufficiently reported within our robust budget monitoring process.
<p>IR2 The Council should map the risks identified in the Corporate Risk Register (CRR) to the strategic objectives outlined in the Corporate Plan. This will ensure that Members have full visibility of which corporate priorities would be impacted if a risk materialises, enhancing the alignment of risk management with strategic goals.</p>	Improvement	Governance	The Council's current Corporate Risk Register (CRR) does not map each risk to the relevant strategic objective in the Corporate Plan.	The presentation of the Corporate Risk Register (CRR) would be enhanced by the incorporation of this recommendation. This will ensure that Members have full visibility of which corporate priorities would be impacted if a risk materialises, enhancing the alignment of risk management with strategic goals.	Noted. We will review the risk management reporting process and where appropriate, specific strategic objectives will be outlined. However the strategic nature of the risks and the overarching alignment of council business with the strategic goals indicate that most of our corporate priorities are impacted by the risks reported.

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 The Council should continue to prioritize and direct efforts towards improving Member-to-officer relationships, ensuring that the tone of communication, collaboration, and mutual understanding between elected members and staff is consistently professional and constructive. This includes maintaining focus on the ongoing work with the external consultant to address the concerns raised, particularly regarding the behaviour of a small number of Members, and fostering a more respectful and cooperative organizational culture.	Improvement	Governance	The LGA Peer Review, review of committee minutes and interviews with key stakeholders	A hostile relationship between officers and members can undermine an organization's ability to effectively achieve its objectives, creating a toxic work environment that is unsustainable for both staff and members	<b>Work is ongoing to address the member/officer relationship issue. A further session with the external consultant is scheduled for the end of January.</b>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# 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.

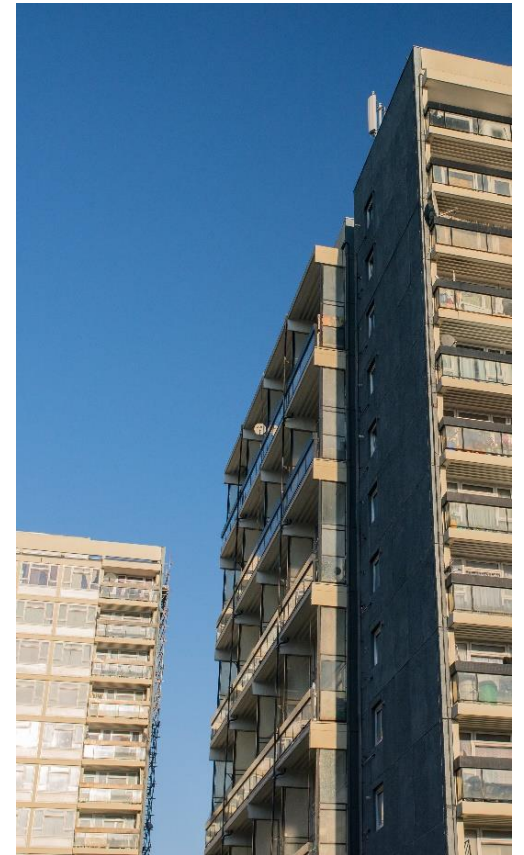
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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: Value for Money Auditor responsibilities



## Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

## Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

## Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress update	Addressed?	Further action?
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	January 2024	As reported previously, identified budget savings are included within the base budget for the reporting year and so any variance to the amended budget position will be reported as part of our regular in year financial management reporting. The MTFP for 2025/26 (the latest one drafted since this recommendation was made) includes details on sensitivity analysis and scenario planning on key assumptions and estimates included in the budget plan.	Yes	No
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	January 2024	After some success in recruitment, the internal audit team continue to carry some vacancies, albeit at a lower level than the previous year. They continue to use an external partner to support the delivery of the audit plan which is proving a successful operating model. Progress on the planned audits showed improvement for 23/24 with a greater number of audits completed than in previous years and the Head of Audit opinion was once again positive. We continue to work with the Internal Audit team to assess the appropriateness of the audits planned for a given year. Recruitment plans are being adapted as the market position allows, but the partial success achieved in recruitment and the use of external audit firms when required does not give us any concern over the delivery of the audit plan and the ability to achieve a positive opinion from the Head of Internal Audit.	Yes	No

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress update	Addressed?	Further action?
3 The Council should ensure the recommendations arising from the LGA Peer Review and the resulting action plan are implemented.	Improvement	January 2024	Work on delivering the final outstanding recommendations from the peer review is ongoing. In the latest report to the administration on the progress of the implementation of the recommendations, it was reported that most of the recommendations are of an ongoing nature and work continues on those. The recommendations that have been completed also have an element of ongoing monitoring or review and this work is also continuing. A further update to Policy and Resources committee is scheduled for the end of the civic year to accompany the update on the corporate plan.	Ongoing	Recommendation remains outstanding until finalised

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



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