

Auditor's Annual Report on Tewkesbury Borough Council

FINAL

2021/22 and 2022/23

February 2024



Contents



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 [type of body]'s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive summary	3
Use of auditor's powers	5
Key recommendations	6
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	7
The current LG landscape	8
Financial sustainability	10
Improvement recommendations	14
Governance	17
Improvement recommendations	19
Improving economy, efficiency and effectiveness	21
Improvement recommendations	25
Follow-up of previous recommendations	27
Opinion on the financial statements	29
Appendices	
Appendix A – Responsibilities of the Council	32
Appendix B – Risks of significant weaknesses, our procedures and findings	33
Appendix C – An explanatory note on recommendations	34

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary






Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO has issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because this provides a more current reflection of the arrangements that were in place. 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.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	Risk identified – the Council's arrangements for securing financial sustainability into the medium term	 No significant weaknesses in arrangements identified, but three improvement recommendations made	 No significant weaknesses in arrangements identified, but three improvement recommendations made	
Governance	Risk identified relating to the limited internal audit service in place during 2021/22	 Significant weakness in arrangements identified and one key recommendation made	 No significant weaknesses in arrangements identified. But two improvement recommendation made	
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but two improvement recommendations made	 No significant weaknesses in arrangements identified, but two improvement recommendations made	

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

Executive summary



Financial sustainability

The Council continues to operate in an uncertain financial environment. Despite this, the Council continued to manage its resources effectively and held a prudent level of reserves. The Council delivered a revenue surplus in 2021/22 and 2022/23 and has increased its available reserves to over £18m in 2022. However, the financial challenge remains and based on its current financial plans in 2025/26, its funding gap is anticipated to increase to over £4.7m as funding sources do not keep pace with costs.

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability and we are satisfied that it had appropriate arrangements in place in 2021/22 and 2022/23 to manage financial risks, set budgets and effectively develop its financial plans.

We have raised three new improvement recommendations, and one improvement recommendation remains outstanding from 2020/21, see pages 14-16 and page 28.



Governance

A significant weakness was identified in 2020/21 within the Council's internal control arrangements and its ability to provide a sufficient level of internal audit service provision and coverage. This significant weakness has remained in 2021/22 and a limitation of scope opinion was given by the Council's Head of Internal Audit. Staff capacity has now been restored and this was addressed in 2022/23 as internal audit staff were no longer deployed in other areas due to COVID-19 and were able to complete their planned internal audit work and a Head of Internal Audit Opinion was provided.

Our work did not identify any other significant weaknesses in the Council's governance arrangements. We have raised two new improvement recommendations.



Improving economy, efficiency and effectiveness

The Council had arrangements in place to manage its performance, administer its contracts appropriately and work effectively with partners. Our work has not identified any significant weaknesses in arrangements to improve economy, efficiency and effectiveness.

We have raised two new improvement recommendations, and two improvement recommendation remains outstanding from 2020/21, see pages 25, 26 and 28.



2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 21 February 2023, following the Audit Committee meeting on 23 November 2022. Our findings are set out in further detail on page 29.

2022/23

We have completed our audit of your financial statements and issued an unqualified audit opinion on 10 October 2023, following the Audit Committee meeting on 27 September 2023. Our findings are set out in further detail on page 30.



Use of auditor's powers

We did not need to apply the following powers in either 2021/22 or 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

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.

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.

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.

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.

Key recommendations



Key Recommendation 1

We recommend that the Council's Internal Audit Service, build on the progress made in 2022/23 and take steps to build resilience within the service. This should ensure the continuity of the internal audit function during a crisis or emergency.

Audit year

2021/22

Why/impact

By doing so, the Council can minimise disruptions to the internal audit function, maintain the effectiveness of the internal control systems, and provide necessary assurance to stakeholders.

Auditor judgement

A significant weakness was raised in 2020/21 and this significant weakness has remained in the Council's internal control system during 2021/22 due to the lack of arrangements in relation to the internal audit function, as a result an annual audit opinion could not be issued.

Summary findings

In 2020/21 and 2021/22 internal audit employees were deployed to other areas within the Council and as a result a limited number of reviews were undertaken. Sufficient independent assurance on the Council's systems of internal control could therefore not be provided and a limitation in scope opinion was issued by the Head of Internal Audit.

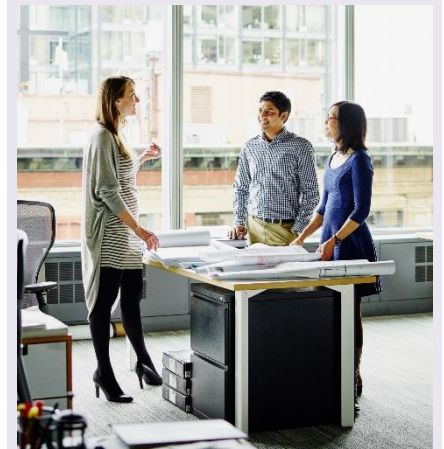
In 2022/23 the Council were able to deploy staff back into the internal audit service and the annual internal audit opinion was assessed as "generally effective."

Further details are set out on page 17.

Management Comments

The Council continues to develop its Internal Audit service following the service interruption derived from the pandemic response. In April 2023, the Council moved to a new management restructure which incorporated an Audit and Governance section under the leadership of a new Head of Service. A full audit plan was delivered in 2022/23 and a positive opinion was issued by the Chief Audit Executive. The service is also likely to benefit from additional capacity from April 2024 as a further audit post is included within the budget proposals. In addition, an external assessment of the audit service will occur in 2024.

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



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

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

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

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

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

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



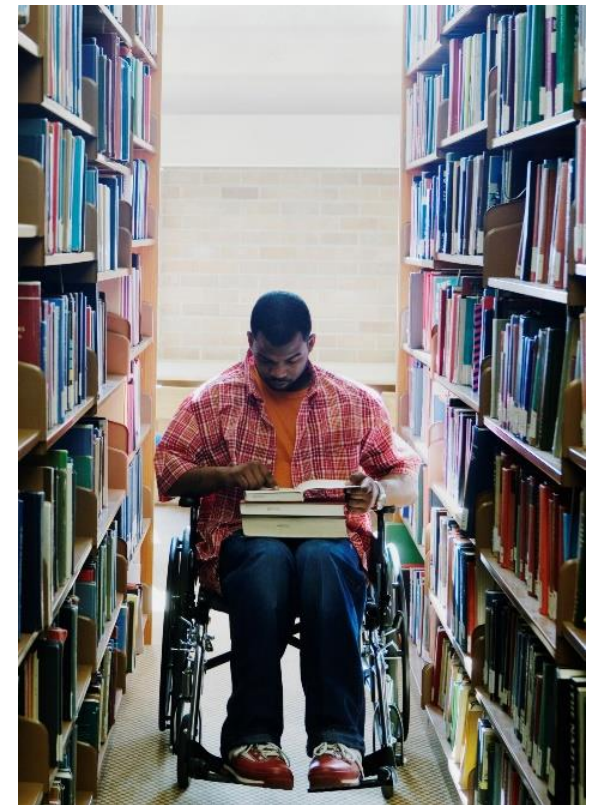
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 26. Further detail on how we approached our work is included in Appendix B.

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 construction, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as commercial rents, 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 auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derives 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

Tewkesbury Borough Council (the Council) is in one of the fastest growing population regions in the UK, according to the first published data from the 2021 census. The population of the borough has increased by 15.8%, from 81,943 residents in 2011 to 94,900 in 2021. The increase in population can be attributed to births and people moving into the borough to live and work.

The Council is committed to carefully shaping this growth to support and complement existing communities and is committed to ensuring that housing growth happens in a planned and sustainable way. The recent adoption of the [Local Plan](#) has provided clear standards for developers to follow. The Council is also placing importance on the provision of good quality community facilities such as play areas, open space, and sports facilities. The proposed Tewkesbury Garden Town and West Cheltenham Garden Community are examples of how the Council intends to ensure that future development aligns with the unique character and charm of the area.

The Council is also committed to environmental sustainability and dedicated to supporting the local community. In May 2023, the Council declared a borough-wide climate emergency and nature (ecological) emergency. The Council has set an ambitious target to be carbon neutral by 2030, considering both production-based and consumer-based emissions. The Council's is taking steps to reduce fossil fuel consumption such as the installation of an air source heating system at its Public Services Centre. Additionally, the Council has re-opened its Warm Spaces Community Fund, which provides funding to community venues across the borough to open as a warm space for residents.

In line with the national picture the Council faces significant financial challenges and funding uncertainty. The Council is a small borough council and as such has limited resources and capacity within its workforce, It does however have a prudent level of reserves to mitigate these challenges in the short to medium term.

The last local elections were in May 2023 and following these elections the Council has no political overall control. There are 38 councillors as follows:

- 16 Liberal Democrat
- 9 Conservative
- 4 Green
- 7 Independents
- 2 Isborne and Winchcome Independents.

The Council has an executive committee consisting of 12 members (five Liberal Democrat, three Conservative, three Independent and one Green party). One member is the leader of the Council, eight others have specific areas of interest (portfolio leads) and three are Executive Committee members but do not have portfolios. The leader of the Council is the chair of the Executive committee (Executive) and the deputy leader is the vice-chair.



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.

Financial Outturn

Revenue

In 2021/22, the Council achieved a £4.2m surplus on its general fund, after a £0.217m net contribution from reserves. This position was reported to the Executive in July 2022. This surplus was largely attributable to:

- employee cost underspends due to staff turnover and vacancies
- COVID-19 funding
- projects funded from external sources
- additional income.

The Council also delivered a surplus in 2022/23 of £1m, supported by a £0.81m net contribution from reserves during the year. This surplus was also largely attributable to employee cost underspends, projects funded from third parties and additional income, despite increasing costs due to inflation and the pay award.

Capital

The capital outturn performance is set out in Table 1 opposite. The slippage in 2021/22 is attributable to the Ashchurch bridge development, which was delayed due to a judicial review. The Council has used external borrowing in the past to fund the capital programme and as at 31 March 2023 had four Public Works Loan Board (PWLB) loans to the value of £19.8m.

During 2021/22 and 2022/23 the Council did not require any borrowing (PWLB or temporary) to fund its capital programme with the majority being funded from capital grants and direct revenue financing.

Table 1: Capital spend compared to budget

Year	Capital budget £m	Actual £m	Variance £m
2021/22	3.9	1.3 (33%)	2.6
2022/23	3.03	2.8 (92%)	0.23

Medium Term Financial Strategy (MTFS)

In 2020/21 we established that the MTFS was updated annually. However, in 2021/22 due to financial uncertainty and capacity within the finance team this was not the case. This has been addressed in 2022/23. An interim MTFS that covered the two-year period 2023/24 to 2024/25 was presented to the Executive in June 2022 and a four-year MTFS was subsequently reported to the Executive in January 2023.

Assumptions and estimates were included within the MTFS and in 2021/22 these were set out within the budget. These in our view were prudent and clearly set out within the budget and MTFS.

The Council has continued to rely upon commercial income from its investment portfolio in 2021/22 and 2022/23, with income of £3m per annum, approximately 20% of net expenditure. In 2022/23 the Council revisited its investment strategy following updated guidance on the Prudential Code and as a result the Council has not purchased any additional investment properties. The Council has also moved away from commercialisation and no longer maintains a commercialisation strategy and manages its investment properties through its property team as business as usual.

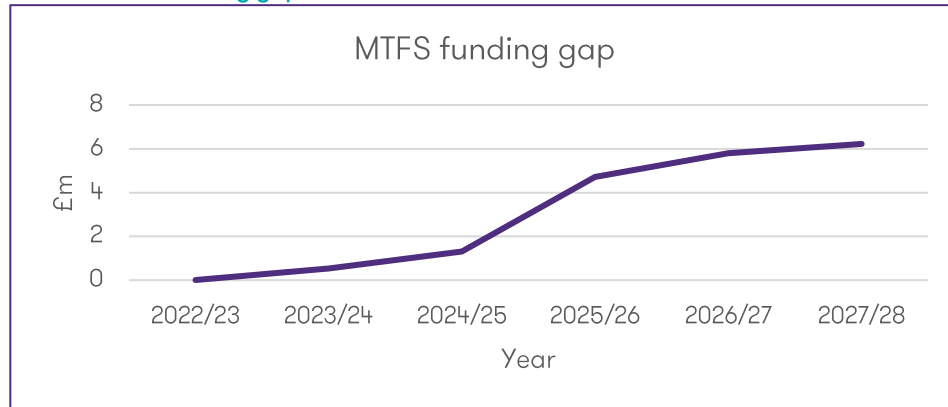
Financial sustainability (continued)

Medium Term Financial Strategy (MTFS) continued

In both 2021/22 and 2022/23 the Council received over £3m in commercial income. The Council recognised that being reliant on commercial income could be a risk and set aside funds within its reserves to mitigate this risk.

The MTFS agreed in January 2023 identified a potential funding gap of £6.2m, as illustrated below. The funding gaps increases from 2025/26 when it is assumed that funding reforms take effect and funding does not increase as costs continue to increase.

Table 2: MTFS funding gap



In order to address this funding gap, the Council has begun to develop a deficit reduction programme.

Table 3: Deficit reduction

Action	Estimated saving £m
Live	1.9
Pipeline	1.3
Future potential	3.0
Total	6.2

This savings programme included ‘live actions’ currently being progressed as at January 2023, actions to be delivered in the short term ‘pipeline actions’ and ‘future potential actions’.

However, the Council still anticipates that it is unlikely that sufficient savings and income will be found to address this funding gap completely and that other funding sources will be required or a change in direction by central government in relation to business rates retention and new homes bonus. Currently, the Council has sufficient reserves as set out on the following page and will continue to closely monitor this.

Savings delivery

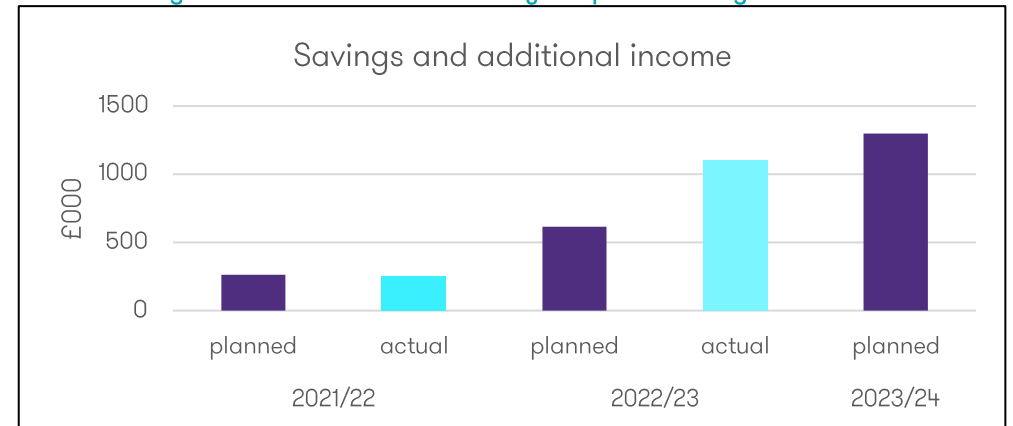
The individual budgets for 2021/22 and 2022/23 included a list of planned savings and additional income required to deliver a balanced budget. These savings were monitored through existing budget monitoring arrangements (savings being deducted from the base budget). Progress on the delivery of savings is not routinely monitored and is reported on an exception basis within the quarterly budget reports to Executive as required.

Savings included:

- reduction in the Council’s pension contribution following the tri-annual evaluation
- additional income (treasury income accounting for the delivery above planned in 2022/23)
- change in provider for the bulky waste service and material recovery facility.

In 2020/21 we raised an improvement recommendation that savings plans over the life of the MTFS should be formalised and approved by Full Council (see page 28). Any savings should then be monitored to ensure the required amounts are being met. This recommendation remains outstanding and whilst we recognise that the nature of the savings has not specifically required this in 2021/22 and 2022/23, if significant savings are to be delivered from 2025/26 then the benefits from formal reporting increases in importance.

Table 4: Savings and additional income delivery compared to budget



Financial sustainability (continued)

Reserves

The purpose of the unearmarked general fund reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities and to act as a financial buffer to help mitigate against the financial risks the Council faces. Whereas earmarked reserves are usually set aside for specific purposes.

In 2020/21 the general fund unearmarked reserves were £0.8m, the Council increased this to £1m in 2021/22 and have maintained this level in 2022/23. Within the 2023/24 budget the Council did not need to use reserves to balance the budget.

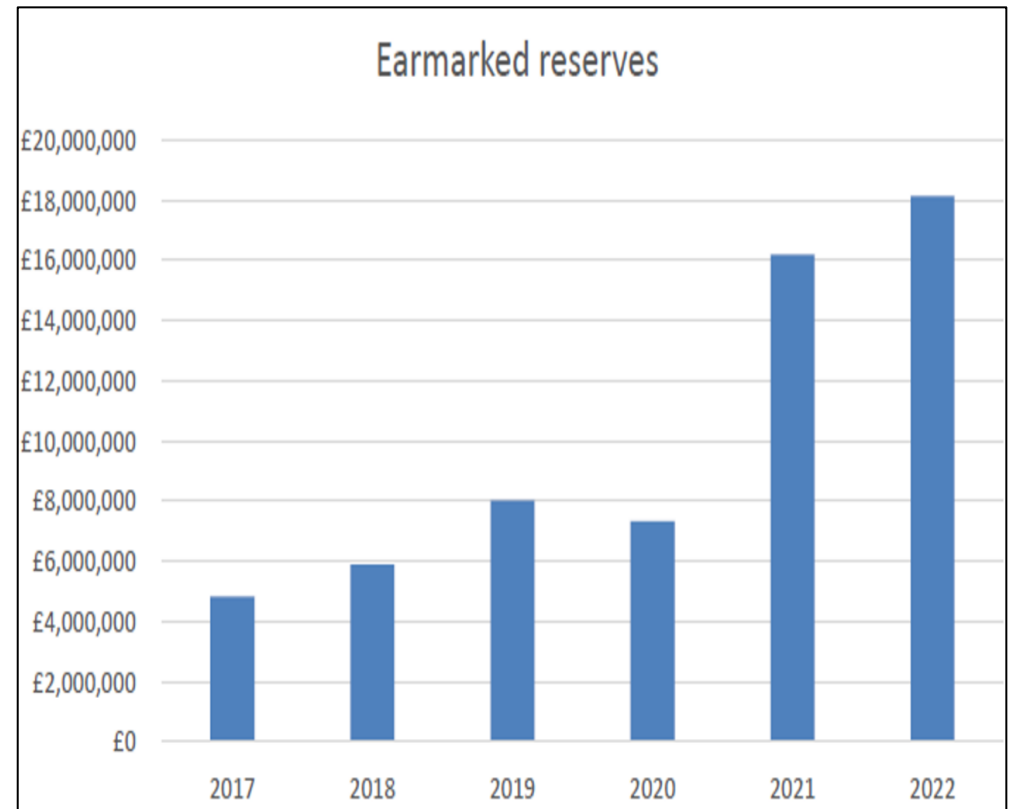
Within the budget reports, the S151 officer set out in both 2021/22 and 2022/23 the level of general fund reserves and how they had increased since 2016, but also the level and increase of earmarked reserves which could be utilised if required, as they contain a range of contingencies, as illustrated opposite.

It is the Council's approach to set aside earmarked reserves to mitigate specific risks, such as the £3m MTFS contingency to manage financial challenge and £0.225m was added to the commercial property contingency fund, increasing this reserve to £1.15m at 31 March 2023.

The budget reports for 2021/22 and 2022/23 set out the financial risks faced by the Council. These risks are clearly documented but have not been individually quantified. It is the Council's approach to mitigate these risks where possible, such as increasing costs based on best estimates and relies upon its reserves should these estimates be insufficient.

We are satisfied that the Council has sufficient reserves to mitigate the financial risks in the short to medium term, including the funding gap identified on the previous page. However, as financial pressures increase the Council should consider quantifying the level of reserves required to mitigate the risks. We have raised an improvement recommendation on page 14.

Table 5: Level of reserves as reported in the Council's 2023/24 budget.



Financial sustainability (continued)

Budget setting and monitoring

The budget setting process was the same for 2022/23 and 2023/24 the only difference being that the MTFs was not updated in 2021/22. This has had limited impact on the Council's financial planning and has addressed this in 2022/23.

The budget setting process began with the budget holders reviewing and working closely with their finance department contact. The budgets were based upon their understanding and performance of the previous financial year.

The budgets were then reviewed by the Management Team, the Transform Working Group (an informal member group) before being reviewed by the Executive in a public meeting, a member seminar (informal) before approval by Full Council in February 2022 (2022/23 budget) and February 2023 (2023/24 budget). Scrutiny committees were not involved in the budget setting process. In our experience scrutiny committees are usually involved in the budget setting process and are an opportunity to increase member involvement in a public forum and to improve performance we have raised an improvement recommendation.

In both 2021/22 and 2022/23 limited external consultation (residents and businesses) was undertaken as part of the budget setting process and has been restricted to three questions:

1. which services are most or least important from residents and businesses
2. whether residents would be willing to accept an increase in CT, and
3. those areas in which respondents would accept an increase in income charges.

As a result the responses received were minimal, with only 93 responses received in 2021/22 on the 2022/23 budget.

On page 11 we identified that the type of savings delivered had not required detailed monitoring by Full Council, but that this requirement may change as more significant savings are required from 2025/26. Similarly, an increase in savings is also likely to impact on the level and type of consultation required. We have raised an improvement recommendation to suggest that **the Council consider how consultation on the Council's budget could be improved including consultation on the proposed savings.**

We are aware that the deficit reduction programme (2023/24 planned savings) was presented to the Transform Working Group, however, this is not a public meetings, so does not enable open and transparent debate.

Throughout 2021/22 and 2022/23 quarterly detailed budget monitoring reports were presented to the Executive Committee. These reports provided a forecast of the yearend position for both the revenue and capital budgets and included explanations of any variances as they occurred. The Overview and Scrutiny Committee also received summary financial update reports on a quarterly basis.

Detailed reporting was not provided of the planned savings, as the Council's approach is to only report variances on an exception basis. As mentioned earlier, this had been raised as an improvement recommendation in 2020/21 and is considered on page 28.

The Council's Treasury Management Strategy was approved annually, and performance monitoring reports were provided mid-year and at the year-end for both 2021/22 and 2022/23.

Auditor judgement

We have not identified any significant weakness in arrangements and are satisfied that proper arrangements were in place in 2021/22 and 2022/23. We have raised improvement recommendations on pages 14, 15 and 16 and the improvement recommendation raised in 2020/21 remains outstanding on page 28.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council should consider quantifying the risks identified within the budget to enable it to assess if the reserves set aside to manage the risks are sufficient.

Audit year

2021/22 and 2022/23

Why/impact

Quantifying each risk will enable the Council to assess the likely financial impact and whether it holds sufficient funds in its reserves.

Auditor judgement

This omission is an improvement in existing arrangements and is not a significant weakness in arrangements.

Summary findings

The budget reports for 2021/22 and 2022/23 set out the financial risks faced by the Council. These risks are clearly documented but have not been individually quantified. Further detail see page 12.

Management Comments

Future budget reports will include an estimate of the financial cost of risks identified.



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

Improvement recommendations



Financial sustainability

Recommendation 2

The Council should consider involving the Overview and Scrutiny Committee in the budget setting process.

Audit year

2021/22 and 2022/23

Why/impact

Involving scrutiny in the process will increase member involvement and also improve transparency.

Auditor judgement

This omission is an improvement in existing arrangements and is not a significant weakness in arrangements.

Summary findings

The budget setting process includes the:

- Management Team
- Transform Working Group (an informal member group)
- Executive in a public meeting
- member seminar (informal)
- Full Council, final approval.

Scrutiny are not included in the process.

Management Comments

The role of the Overview and Scrutiny Committee, with regards to financial matters overall, has been identified as an issue by both members and officers. Discussions are currently taking place as to how the committee can support and add value to all of our financial requirements including the MTFS, budget setting and performance monitoring. The committee will have a role to play in the 2025/26 budget setting process.



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

Improvement recommendations



Financial sustainability

Recommendation 3

The Council should consider how it could improve public consultation (residents and businesses) on the budget proposals.

Audit year

2021/22 and 2022/23

Why/impact

Extending consultation will ensure the Council operates an open and transparent process.

Auditor judgement

This omission is an improvement in existing arrangements and is not a significant weakness in arrangements.

Summary findings

In both 2021/22 and 2022/23 limited external consultation (residents and businesses) was undertaken as part of the budget setting process. No external consultation was undertaken on the planned savings.

Management Comments

The budget proposal for 2024/25 includes funding to purchase consultation software to support better engagement with our communities across the Council. Whilst this will provide an enhanced platform for consultation, it is important that the content of the consultation is reviewed and best practice sought from other authorities. It is envisaged that this review will take place following the conclusion of the 2023/24 audit and will be in place for the 2025/26 budget consultation.



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

Governance



We considered how the Council:

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

Risk Management

The Council has a Risk Management Strategy that includes a Corporate Risk Register (CRR) to identify, analyse, prioritise, and manage risks. In 2021/22 and 2022/23 the CRR was reported quarterly. Each CRR included 15 to 18 RAG rated risks, provided detailed narrative on risk status and mitigating actions. It included the risk description, risk scores, high-level management controls, risk owner, risk management action points, and target risk score. The CRR was regularly reviewed by the Audit and Governance Committee with a reasonable number of risks reviewed. The CRR does not show the direction of risk travel, but each risk has sufficient information to set out controls, RAG rate the risks, and is allocated an owner.

The CRR was reviewed not only by the Audit and Governance Committee on a quarterly basis, but also by the Corporate Management Teams and Corporate Governance Group. Internal audit plays a role in supporting the committee by reviewing the CRR for completeness, control effectiveness, and future action implementation. The Council also produced management assurance statements for each service area and reviewed internal audit monitoring reports.

Internal Control

The effectiveness of the Council's internal controls was partially compromised for the years 2020/21 and 2021/22 due to the suspension of the internal audit work plan and the internal audit team's deployment for COVID-19 response. As a result, there was no annual audit opinion issued for two consecutive years (2020/21 and 2021/22), and a limitation of scope opinion was given for both years.

This risk of significant weakness in the Council's systems of governance, risk management, and control was identified in our audit plan. This is based on the identified weakness in the Council's internal control system during 2021/22.

We have raised a key recommendation that the Council should establish appropriate arrangements to prevent such weaknesses from occurring in the future. This will help to ensure that the Council's systems of governance, risk management, and control are resilient to allow them to continue to provide important assurances to the Council and stakeholders in the event of a crisis or emergency in the future. See further details on page 6.

In 2022/23, internal audit work resumed, and 59 audit opinions were issued against 16 audit review areas. Whilst this suggests that the internal audit function is taking steps to restore appropriate levels of activity, the Council's Internal Audit Quality Assurance and Improvement Programme (QAIP) was presented to the Audit and Governance Committee in March 2022 and highlighted that the external assessment required by the Public Sector Internal Audit Standards (PSIAS) has been delayed. The previous external assessment was undertaken in November 2017, and the Council informed us that the delay was due to challenges in assembling the team. The Council has two full time employed internal auditors, which is deemed sufficient by the Council. The external assessment is now planned to be undertaken in early 2024. Nonetheless, the delay in conducting an external assessment of the internal audit function as required by PSIAS Standards remains a risk to the Council's systems of governance, risk management, and control. Consequently, we have issued an improvement recommendation that the Council should prioritise the overdue external assessment of the function.

Governance (continued)

Fraud Detection and Governance Policies

The Council's key governance policies and their latest review dates are as follows :

- Counter Fraud and Anti-Corruption Policy (August 2022)
- Whistleblowing Policy (February 2020)
- Gifts and Hospitality Policy and Procedure (July 2022)
- Members Code of Conduct (January 2023)
- Proceeds of Crime and Anti-Money Laundering Policy (September 2021).

These policies were reported to the Audit and Governance Committee and approved by the Executive Committee. Work plans by the Counter Fraud and Enforcement Unit (CFEU), detailing progress and results, were presented to the Audit and Governance Committee every six months, which is responsible for oversight of counter fraud activities.

Throughout 2021/22 and 2022/23 the Council used a range of measures to identify and mitigate fraud risks, including policies and procedures, training and awareness sessions, and the National Fraud Initiative, which helped identify potential fraud through data matching. The Counter Fraud and Enforcement Unit received referrals from across the Council and managed investigations, disciplinary actions, and prosecutions with the Police. The Council's website also includes a dedicated counter fraud page with details on how to report fraud.

Decision making

The Council has a strong governance structure in place, with regular reviews of its effectiveness by the Corporate Governance Group (CGG) and oversight provided by the Audit and Governance Committee. The Corporate Governance Group is a team of senior officers who provide advice on governance frameworks, individual projects, and emerging issues related to the Council's governance arrangements. In both years they are consulted on progress on proposed actions and are provided with checklists to identify areas of weakness for inclusion on the CFEU work plan. The group is also involved in key corporate groups, including Keep Healthy, Stay Safe Group, Project Programme Board, and Information Governance and Security Board.

The Corporate Governance Group review the Council's governance arrangements and touch upon the system of internal control. Additionally, the group is contacted regularly to provide ad hoc advice on compliance with the Council's contract procedure and financial procedure rules, general policy issues, and proposed changes to systems and processes.

Service plans were developed annually to inform the Executive Committee's work plan, and the Overview and Scrutiny Committee played a key role in reviewing customer complaints to identify trends and opportunities for learning. The Council also had a customer feedback system through the "Have Your Say" approach, which included a formal complaints policy and a designated officer to monitor complaints.

The Audit and Governance Committee throughout 2021/22 and 2022/23 comprised nine members who attended meetings regularly and received appropriate training, including counter-fraud and data protection. In March 2021, April 2022 and March 2023 they received a report 'Monitoring of significant governance issues'. Review of these significant issues identified that some of the issues can take over two years to resolve such as:

- governance arrangements to be formalised between partners for Community Infrastructure Levy
- development of a local code of corporate governance.

We have raised an improvement recommendation that the Council should address the governance issues and proposed actions in a timely and prompt way.

Auditor Judgement

A significant weakness in arrangements was identified in 2021/22 within the Council's internal control arrangements and its ability to provide a sufficient level of internal audit service provision and coverage. This was resolved in 2022/23.

We have not identified any areas of significant weakness in 2021/22 and 2022/23 within the others areas of our review. We have raised two improvement recommendations.

Improvement recommendations



Governance

Recommendation 4

The Council should undertake promptly its assessment of the internal audit function, as required by the Public Sector Internal Audit Standards (PSIAS), to address the risk to the Council's systems of governance, risk management, and control.

Audit year

2021/22 and 2022/23

Why/impact

There remains a risk to the Council's systems of governance, risk management, and control due to the delay in conducting an external assessment of the internal audit function as required by PSIAS. It is important for the Council to address this outstanding issue to ensure that the internal audit function is operating efficiently and effectively.

Auditor judgement

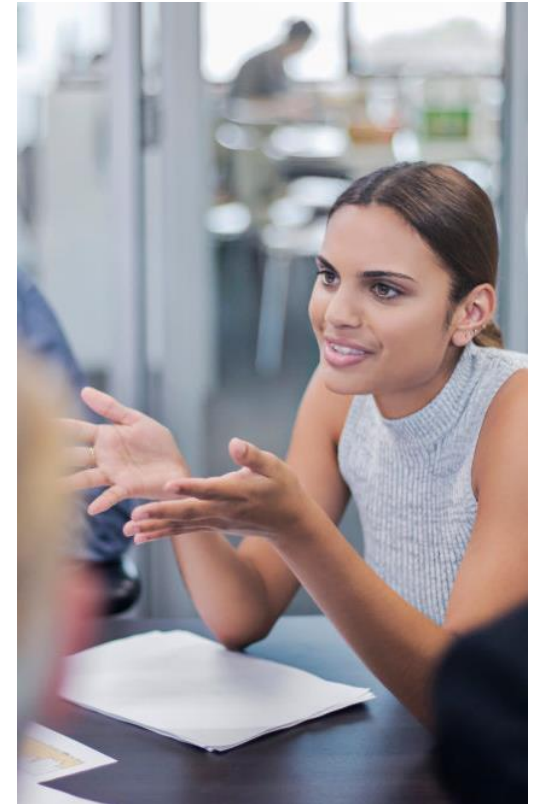
This omission is an improvement in existing arrangements and is not a significant weakness in arrangements.

Summary findings

The external assessment required by PSIAS Standards 1311 and 1312 has been delayed. The previous external assessment was undertaken in November 2017, and the Council informed us that the next assessment was delayed due to challenges in assembling the team. The Council has two full time employed internal auditors, which is deemed sufficient by the Council. The external assessment is now planned to be undertaken in early 2024. See page 17.

Management Comments

A report was presented to Audit and Governance Committee in January 2024 requiring them to consider the requirement for an external review and delegate authority to scope and undertake the assessment. The report was approved at committee and procurement work is already underway to support this need. It is anticipated that the review will take place in Spring 2024.



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

Improvement recommendations



Governance

Recommendation 5

The Council should address the governance issues and proposed actions identified within the Annual Governance Statement and ensure they are actioned in a prompt and timely way.

Audit year

2021/22 and 2022/23

Why/impact

Significant governance issues have been identified and as such failure to address these issues could result in significant weaknesses in the governance arrangements.

Auditor judgement

This omission is an improvement in existing arrangements and is not a significant weakness in arrangements.

Summary findings

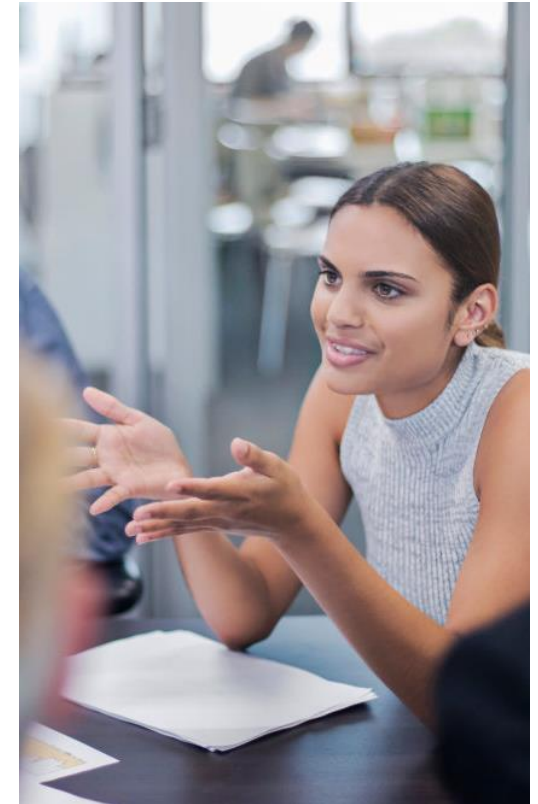
In March 2021, April 2022 and March 2023 they received a report 'Monitoring of significant governance issues'. Review of these significant issues identified that some of the issues can take over two years to resolve such as:

- governance arrangements to be formalised between partners for Community Infrastructure Levy
- development of a local code of corporate governance.

See page 18.

Management Comments

The governance arrangements for the Community Infrastructure Levy have now been agreed by all three partner Councils. The local code of Corporate Governance is scheduled to be delivered in the first quarter of the new financial year.



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

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Service Performance Metrics

A council's corporate plan is a crucial document that outlines its mission, vision, and objectives. The Council's (corporate) Plan is a four-year plan (2020-24) and was approved by the Council in January 2020. It includes four existing priorities and two new ones, with a set of objectives and actions to support them. The Council Plan Performance Tracker is used to report progress and is updated annually. The Plan was last updated in July 2022. In 2021/22 the Council's response to COVID-19 affected progress on some actions, but a corporate COVID-19 recovery plan was established with its own tracker.

Performance information using key performance indicators (KPIs) was reported quarterly to the Overview and Scrutiny Committee and then to the Executive Committee. The quarterly performance reports were compiled using KPIs set in the Council Plan, with updates provided by KPI owners and consolidated into a full report.

Our review of the quarter four 2021/22 performance tracker showed that 12 actions were below target. Underperforming KPIs in 2021/22 included new homelessness applications, homeless relief cases held at the end of the quarter, and processing time for housing benefit claims. However, by quarter four 2022/23, 17 out of 24 indicators with targets were on track, with some of the 12 actions that were not delivered in 2021/22 were being delivered in 2022/23 or had been updated with new due dates in 2024. The underperforming KPIs in 2022/23 included voluntary staff turnover and waste management.

Performance information should be based upon accurate and reliable data to enable appropriate decisions to be made.

A data quality policy can provide the basis and guidance for ensuring reliable, timely and accurate data. The Council did not have a data quality policy in place during 2021/22 and 2022/23.

We have raised an improvement recommendation that the Council should considers developing a data quality strategy to ensure that its data is reliable, accurate, and fit for purpose.

Improving Service Delivery

Peer reviews or inspections are essential for ensuring that the Council's services meet the required standards. Peer reviews provide an opportunity for the Council to receive feedback from other councils and improve its services.

In 2021, the Council presented a progress report on the action plan formulated in response to the peer challenge from the Local Government Association (LGA) that took place in March 2020. While some actions were completed, others were ongoing or delayed by the COVID-19 pandemic. An updated action plan template was approved by the Council to track progress. Another update was presented in November 2021, which showed that the Council was still considering webcasting for Council meetings and was undertaking a residents' survey. By June 2022, the focus was on ongoing issues of financial sustainability, and the action plan was expected to be closed off in the next reporting period.

Overall, the Council has been receptive to external feedback and has taken steps to improve its services based on recommendations from the LGA.

Improving economy, efficiency and effectiveness (continued)

Table 6: Comparison of Council unit costs



Source: CFO Insights

Methodology: comparing different measures of service costs per population head across ten nearest local authorities. Values are converted to percentiles to enable comparison of measures with different units and scales. A high percentile means that the Council's service costs are higher relative to other local authorities in the comparison group, while a low percentile means that the service costs are lower relative to other local authorities.

Comparing Council Service Costs

Benchmarking is a useful tool for comparing the Council's performance with other councils, although challenges such as access to quality and relevant data can arise. It helps identify best practice and areas requiring improvement. In 2020/21, we recommended that the Council should benchmark service costs to identify efficiencies- this recommendation remains outstanding and can be found on page 28.

We used our benchmarking tool, CFO Insights, to compare Council service unit costs, as illustrated in the chart opposite. The chart shows two areas that are high cost compared to its nearest neighbours; Central Services with a percentile of 90 and Environmental and Regulatory services which had a percentile of 60. Our benchmarking identified high-cost areas within Environmental and Regulatory Services and included climate change, health and safety, land drainage, water safety, pest control, and trade waste. We have not considered Central Services as these areas are often treated differently by Local Authorities and do not often provide reliable comparisons.

In 2022/23, the Council considered alternative options for service delivery and identified trade waste as a high spend area. In March 2023, the Executive Committee approved the proposal to cease the Council's trade waste service. In September 2023, the Executive committee further approved to fund additional climate change resources and establish a new permanent Climate Change Officer role using the savings from the cessation of the trade waste service- estimated to save up to £131,000 per annum.

Overall, actions taken by the Council to improve environmental and regulatory services include:

- partnering with Gloucestershire County Council (GCC) to map natural assets
- promoting a plastic reduction campaign, replacing heating systems, increasing awareness of contaminated recycling.
- setting up a Depot Services working group to address strategic and operational challenges by reviewing financial and performance information, evaluating service delivery options, and reporting bi-annually to the Overview and Scrutiny Committee. They are supported by Officers and focus on waste and recycling, street cleansing, and grounds maintenance services.

The Council informed us that they did not undertake external benchmarking in 2021/22 and 2022/23 due to a lack of credible and comprehensive data, however despite this they have focused on this high-cost area to both reduce costs and improve the quality of the service provided.

Improving economy, efficiency and effectiveness (continued)

Partnerships

Local authorities that have effective partnership governance structures, clear roles and responsibilities, and efficient communication channels are in a better position to leverage resources, expertise, and networks to achieve shared goals and deliver better outcomes for their communities.

The Council recently (May 2023) established a partnership register maintained by the audit and governance team, which defines partnerships as relationships between two or more independent bodies working together to achieve shared objectives. The register includes 27 partnership bodies, with each partnership having a lead officer and lead member assigned. The Council's partnership definition encompasses joint committees, strategic partnerships, service delivery partnerships, and statutory partnerships such as those required by the Crime and Disorder Act 1998.

The Council works with various partners, including Integrated Locality Partnerships (ILPs), the Financial Inclusion Partnership, OneLegal, Ubico Ltd, and the Gloucestershire Resources and Waste Partnership (GRWP). The GRWP aims to reduce waste in the county, and the Council's waste partner, Ubico Ltd, attends meetings and provides input. The interim Resources and Waste Strategy focuses on collaborative efforts to reduce waste and encourage recycling while meeting net-zero commitments.

The Council works with ILPs and other partners to reduce health inequalities and support communities through financial hardship. They also provide support and advice in partnership with the Department for Works and Pensions and assist Gloucestershire County Council's community resilience cell.

Ubico Ltd.

We have considered the partnership arrangements in place for Ubico, a significant partner for the Council in 2021/22 and 2022/23.

Ubico Ltd. was established in April 2015, a joint venture providing waste and environmental services to the community. The company is jointly owned by eight local government authorities including:

- Tewkesbury Borough Council
- Cotswold District Council
- Cheltenham Borough Council
- Forest of Dean District Council
- Gloucester City Council
- Gloucestershire County Council
- Stroud District Council
- West Oxfordshire Council.

Services offered by Ubico include:

- Fleet Management
- Grounds Maintenance
- Steet Cleaning
- Waste and Recycling.

The Chief Executive of the Council acts as the shareholder representative of Ubico Ltd, signs off the Ubico Business Plan and attends regular shareholder meetings to ensure effective governance oversight. Any decisions relating to the renewal or extension of the contract have to be taken by Full Council. This was last done in January 2021 when the contract was extended for five years. Throughout 2021/22 and 2022/23 the Council had a contract with Ubico which was reviewed and updated by agreement as changes were required.

The Depot Services working group was created in 2019 to improve the Council's relationship with Ubico Ltd. It includes members from the Overview and Scrutiny Committee, the Audit and Governance Committee, and the lead members for Clean and Green Environment and Finance and Asset Management. They met twice in 2021 and presented reports, which addressed challenges such as fly-tipping, the national driver shortage, financial performance and trade waste.

Contract management

The Council have a range of contracts in place for specified services. The Council's central procurement team ensure compliance with rules and legislation, whereas contract performance is managed by individual service managers or budget holders.

We considered the contract management arrangements at the Council for Ubico Ltd and found that monthly contract meetings were held in 2021/22 and 2022/23 to discuss service-related issues. The Environmental Services Partnership Board (ESPB) held quarterly meetings to consider broader service issues. The quarterly ESPB meeting received reports on service-related performance information.

Improving economy, efficiency and effectiveness (continued)

Contract Management (continued)

Scrutiny also had a role and the annual update on the Ubico Contract was presented to the Overview and Scrutiny Committee in July 2022 and July 2023, respectively, for the 2021/22 and 2022/23 periods. The report included information on financial performance, frontline services performance, health and safety, fleet management, and the status of projects.

Our review of arrangements in 2021/22 and 2022/23, have not identified any significant weakness in contract management. As in prior years, we note that costs for Ubico have increased whereas savings proportionally have decreased, as savings become more difficult to identify. See table 7 opposite.

Procurement and contract waivers

The Council's Corporate Procurement Strategy (2021 – 2025) was last updated and approved by the Executive in January 2022. The revised Procurement Strategy focuses on electronic processing and proactive procurement.

The Council had policies in place for anti-money laundering as well as waivers for exceptional circumstances. In 2022/23, internal audit reviews included reviews on the new bulky waste service and the donation of old laptops, with recommendations for formalising changes in contracts and following contract rules for waivers. The Council raised 11 contract waivers in 2021/22 and 11 in 2022/23. The Council has not reviewed this waivers or presented the findings to members.

Therefore, **we recommend that** the Council should review the waivers that have occurred during the year on a regular basis and report the findings to the Audit and Governance Committee for member oversight.

Waste Fleet Replacement

We considered the Council's arrangements with regards to a major procurement that took place during the time of our review. Replacing the Council's waste fleet in April 2024 is crucial due to changes in the waste industry and the need to meet carbon reduction targets. The 2017 waste fleet procurement raised concerns for the Council, including the suitability of some vehicle types and gaps in expertise at the procurement stage. Consequently, the Council agreed on a fleet procurement strategy with Ubico Ltd, which aimed to ensure that the procurement approach aligns with the Council's contract rules. The fleet procurement strategy considered legislative changes, carbon reduction goals, and budgetary constraints, and proposed a hybrid of five options for the fleet replacement.

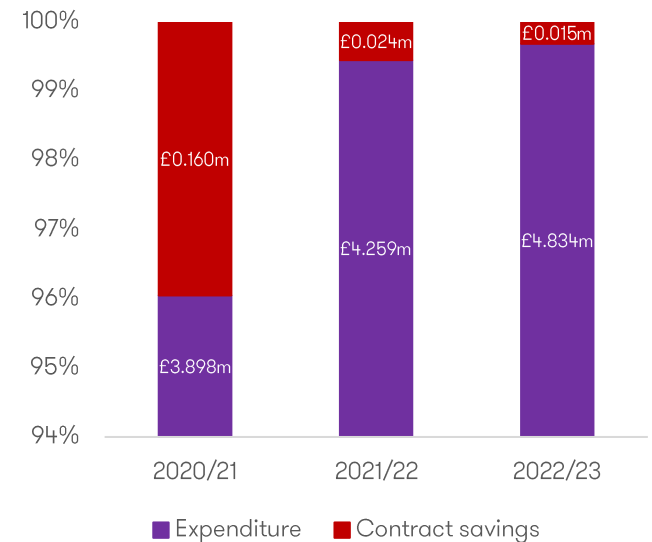
The Council also sought independent technical advice from the Association for Public Service Excellence (APSE) to provide objective confirmation of technical details and costings.

In conclusion, the Council had procurement arrangements in place for its waste fleet and obtained expert advice to ensure that it recognised expected benefits while mitigating issues encountered in previous procurement processes.

Auditor judgement

Overall, we found no evidence of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness, although we have raised two improvement recommendations.

Table 7: Ubico contract expenditure and savings
Comparison of Ubico Contract Expenditure and Savings Over Three Years



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The Council should consider developing a data quality strategy to ensure that its data is reliable, accurate, and fit for purpose.

Audit year

2021/22 and 2022/23

Why/impact

This ensures reliable and accurate performance information is reported to Overview and Scrutiny and Executive Committees. Guidelines for collecting, validating, and reporting data and procedures for correcting errors would improve decision-making and enable the Council to achieve its objectives effectively.

Summary findings

The Council's performance report is compiled from various sources, including KPIs, and is reviewed by directorates before being consolidated into a final report. However, there is no formal data quality strategy or policy in place, which increases the risk of errors and inconsistencies in the data. Further detail can be found on page 21.

Management Comments

Data and intelligence has been identified as a work stream within the internal High Performing Council programme which commenced in January 2024. This workstream will begin with a Data Maturity Assessment following the LGA model methodology. This will support the identification of areas for improvement with regards to the full life cycle of data with an action plan developed to improve the Council's maturity level. This will include, where necessary, the adoption of new policies and strategies such as a data quality strategy.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

The Council should review the waivers that have occurred during the year on a regular basis and report the findings to the Audit and Governance Committee for member oversight.

Audit year

2021/22 and 2022/23

Why/impact

An annual review of waivers is recommended to ensure that the Council's waiver policy is being implemented effectively, and that waivers are only granted when appropriate and necessary. This will help to maintain transparency, accountability and good governance practices.

Summary findings

Our review found that although the number of waivers raised in the past two years is not significant, there was no evidence of an annual review of waivers. This means that there may be risks associated with granting waivers without regular review and oversight by a committee. Further detail can be found on page 24.

Management Comments

A central record of waivers will be maintained by the Procurement Officer with an annual report to Audit and Governance Committee to provide transparency.



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

Follow-up of previous recommendations (1)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1 We recommend that the Council supports its Head of Internal Audit to plan to obtain sufficient assurance to support the annual Head of Internal Audit opinion for 2021/22, taking into account both internal audit work and other sources of assurance and being clearly risk based.</p> <ul style="list-style-type: none"> Particular attention should be given to implementing and embedding outstanding Internal Audit recommendations which have arisen from previous risks identified. The Head of Internal Audit, the leadership team and the audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk. Where the Head of Internal Audit considers that a limitation of scope is likely for 2021/22, the leadership team and audit committee should be advised promptly, along with likely consequences and any remedial action required to avoid a limitation of scope. 	Key	Mar. 2022	A status report on previous recommendations was presented in December 2021 to the Audit and Governance Committee. The report showed that 16 recommendations had been implemented, 11 were in progress, and 18 were yet to be implemented, with many still outstanding due to the pandemic. In 2022/23, operational activities resumed, including a 6-monthly audit plan with regular monitoring reports. Also, the Audit and Governance team was established in May 2023, consisting of two full time employed internal auditors and officers on information governance and corporate service. The team is led by Head of Audit and Governance and oversees information governance, business continuity, and Council plan performance monitoring. Minutes of meetings in 2022/23 to the Audit and Governance Committee showed discussions on reasons for the limitations of scope for 2021/22, internal audit plans for 2022/23, internal audit capacity, and allocated days. However, the external assessment required by PSIAS, which was due to be retaken in 2022, had not been completed as of December 2023.	Yes	No
<p>2 We recommend that the Council looks to include the void periods for rental properties and lease termination estimates within the investment property income section of the Medium Term Financial Plan. This will help the Council to better plan for periods they do not expect to receive income.</p>	Improvement	Mar. 2022	The Council do not intend to implement this recommendation as a contingency fund of £1.15m has been set aside to mitigate this risk. As this is an improvement recommendation, we consider that this action is reasonable.	No	No
<p>3 We recommend that the Council starts to forecast its <u>cashflows for a longer period than just one year.</u></p>	Improvement	Mar. 2022	Cash flow is now based on a rolling 12-month period.	Yes	No
<p>4 Consideration should be given to making a clear distinction between statutory and discretionary spending in budgetary information provided to members and published on the Council's website.</p>	Improvement	Mar. 2022	The Council do not propose to implement this recommendation. This was reported in the 2020/21 AAR in the management comment.	No	No

Follow-up of previous recommendations (2)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	Savings plans over the life of the Medium Term Financial Strategy should be formalised and approved by Full Council. Any savings should then be monitored to ensure the required amounts are being met.	Improvement	Mar. 2022	The Deficit Reduction Programme which includes the planned savings was reported to Transform Working Group (an informal member group). It was not formally approved as part of the budget process. The planned savings are reported by exception to the Executive. This remained an issue in 2021/22 and 2022/23 and is covered on page 11.	No	Implement the original recommendation
6	The Council should consider an annual review and approval of the corporate risk register by a decision making committee such as full Council or the Executive.	Improvement	Mar. 2022	Council informed us that the Chair of the Audit and Governance Committee provides feedback on the risk register to the Executive Committee, which regularly discusses it.	No	Implement the original recommendation
7	The Council should work together with its partners over the coming year to ensure that all governance arrangements for partnerships are formalised in advanced of the commencement of projects. As part of this, the Council should ensure that the Community infrastructure Levy (CIL) arrangements are formalised, as noted in their 2020/21 Annual Governance Statement.	Improvement	Mar. 2022	Council informed us that the process of establishing a Joint Committee for CIL governance, and the necessary documentation was being prepared and reviewed.	In progress	Implement the original recommendation
8	The Council should look to introduce analysis that benchmarks its performance against other local authorities both in financial management and performance indicators.	Improvement	Mar. 2022	Plans are underway to improve performance management by creating a new position within the People, Culture, and Performance section, which will focus on Council performance, analysis, and reporting. Consideration will be given to usable external data as part of this role. This remained an issue in 2021/22 and 2022/23 and is covered on page 22.	No	Implement the original recommendation
9	It is important that the Council ensures all policies are regularly reviewed and kept up to date.	Improvement	Mar. 2022	Corporate policies and strategies document last reported to Overview and Scrutiny in June 2022. While there was a delay, there are plans in place to keep policies up to date	Yes	No

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 21 February 2023.

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 November 2022.

Whole of Government Accounts

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

Our work found did not identify any issues.

Preparation of the accounts

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

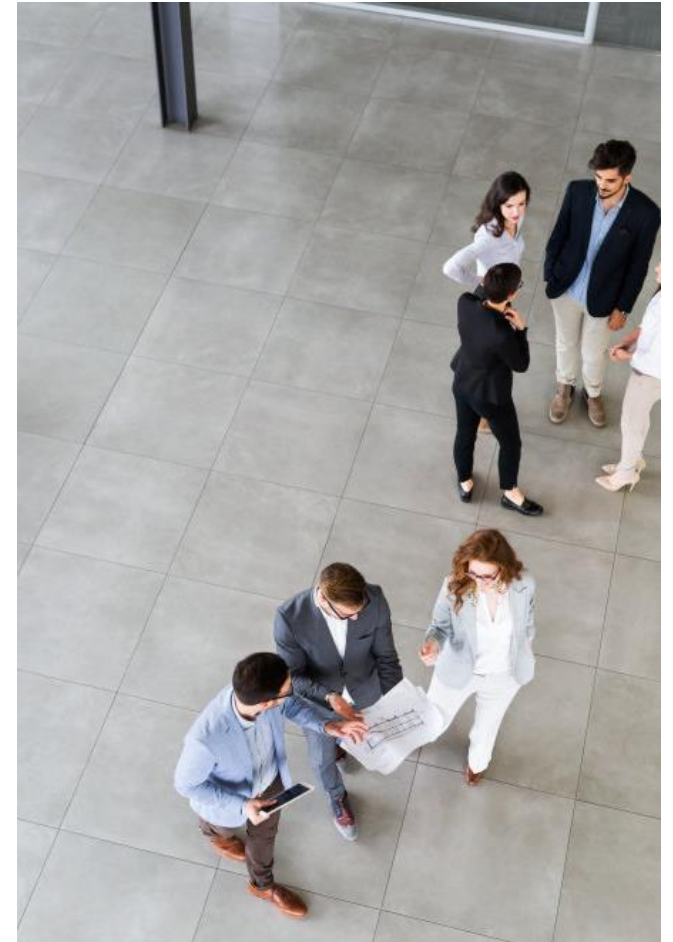
Issues arising from the accounts:

The key issues were:

- Overall, the quality of the financial statements were adequate with no significant adjustments necessary to the reported financial position of the Council.
- A small number of errors were identified during the audit process requiring significant adjustments to accounts disclosures, due to double counting of balances and unclear audit trails within the Council's working papers.
- Some improvement opportunities were identified in the quality of audit sample evidence received and required further work by officers and the audit team to address.

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

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



Opinion on the financial statements for 2022/23



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 10 October 2023.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 27 September 2023.

Whole of Government Accounts

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

Our work found did not identify any issues.

Preparation of the accounts

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

Issues arising from the accounts:

The key issues were:

- Overall, the quality of the financial statements were adequate with no significant adjustments necessary to the reported financial position of the Council.
- We identified some transactions where the amounts had been accrued as both receipts in advance and debtors. These arose where the Council had raised a sales invoice for income due in the 2023/24 financial year for which cash had not yet been received. This did not have any overall impact on the outturn of the Council but did overstate both the short term debtors and short term creditors balances.

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

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



Appendices

Appendix A – Responsibilities of the Council

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

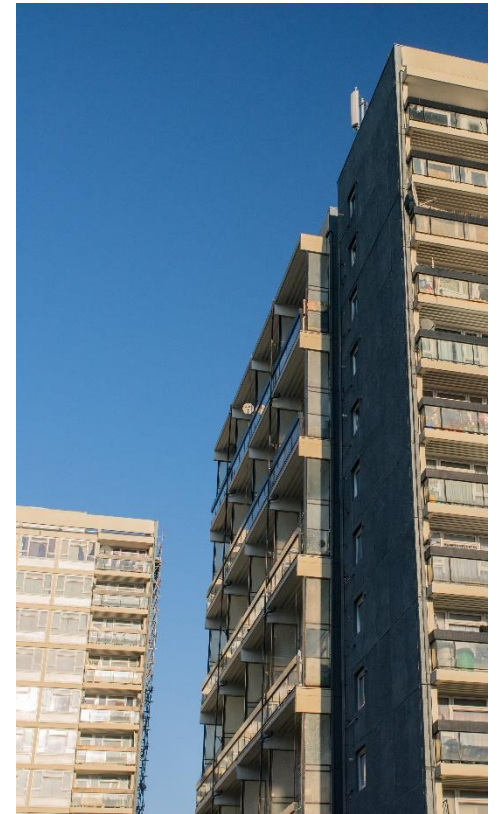
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer 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 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 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 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Outcome
2021/22 and 2022/23	Financial sustainability was identified as a potential significant weakness.	Review of the financial plans, MTFS and savings plans.	Appropriate arrangements in place in 2021/22 and 2022/23.
2021/22	Pervasive and significant weaknesses in internal control.	Review of the Internal Audit work undertaken in 2021/22 and 2022/23.	Significant weakness in arrangements identified in 2021/22, appropriate arrangements in place in 2022/23.

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the [type of body]’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the [type of body] under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the [type of body]. We have defined these recommendations as ‘key recommendations’.	Yes	Page 6
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	Pages 14 – 16 Pages 19 - 20 Pages 25 - 26

