

21 December 2021 - FINAL

2020-21



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

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



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### **Appendices**

- A The responsibilities of the Council
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- C An explanatory note on recommendations
- D Use of formal auditors' powers

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

# **Executive summary**



# Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. In March 2020 the Council was one of the first to introduce emergency decision making powers, issued a recovery strategy in May 2020, a revised budget in November 2020 and issued £47.3m in business and community grants in 2020/21.

We have not identified any significant weaknesses, but have identified 14 opportunities for improvement which are set out in detail within our report.

Criteria	Risk assessment	Finding
Improving economy, efficiency and effectiveness	Risk identified because of limited performance reporting to elected members.	No significant weaknesses in arrangements identified, but five improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made.
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but five improvement recommendations made.

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

## Financial sustainability



The Council has a good track record of sound financial management and delivered an underspend of £395,000 in year, after taking into account central government funding and the Council revising its 2020/21 budget. Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in respect of its financial resilience. We have not identified any risks of significant weakness but have identified opportunities for improvement that reflect the importance of the commercial strategy to balancing the Council's financial position. The recommendations seek to ensure that sufficient detail on the financial impact of the strategy and the financial performance of investment property is reported to Members as part of the budget setting and outturn process.



#### Governance

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. The Council operated under emergency decision making arrangements until virtual meetings could be introduced. We have identified opportunities for improvement, in particular that the Council improve its risk management arrangements by ensuring that the corporate risk register is reviewed by a formal committee meeting.



## Improving economy, efficiency and effectiveness

We have not identified any risks of significant weakness, but we have identified areas for improvement. The Council, prior to 2020/21, had recognised that it needed to improve its performance management system and began the process of identifying its key performance indicators that enable it to monitor progress against the corporate plan. The Council also began to develop its online performance management system 'Clearview'. However, due to the pandemic and the need to refocus priorities, the new performance management system could not be fully implemented. Whilst we recognise that the Council is in the process of developing its performance management arrangements and framework, we have issued an improvement recommendation to ensure arrangements continue to progress in 2021/22.



# Opinion on the financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July to October 2021. Full details of our findings from the audit are detailed in our Audit Findings Report dated 28 October 2021.

Our audit identified two adjustments to the financial statements that had no overall financial impact on the Council's Comprehensive Income and Expenditure Statement. We also identified a number of other adjustments which impacted the disclosure notes together with unadjusted errors which were not amended on the basis of materiality.

We raised recommendations for management as a result of our audit work.

We provided an unqualified audit opinion on 29 October 2021. There were a number of areas where we believe that the overall management of the financial statements audit could be improved and we have held discussions with officers on how we can make these improvements in future years.



# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its 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 (NAO) 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 each of these three areas, as well as the impact of Covid-19, is set out on pages six to 30. Further detail on how we approached our work is included in Appendix B

# Financial sustainability



#### We considered how the Council:

- responded to the financial challenges posed by the Covid-19 pandemic
- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

### Outturn 2020/21

The 2020/21 General Fund outturn position, after taking into account the costs of the pandemic, was a £0.395m underspend against the revised budget. The outturn position includes £2.915m in lost car parking income. The Housing Revenue Account (HRA) achieved an operating surplus of £1.437m, a reduction of £0.013m from the revised budget.

General Fund capital expenditure was £3.857m which represents a £3.532m underspend against the revised budget for 2020/21. HRA capital expenditure totalled £17.136m, an underspend of £1.758m against the revised budget.

## Covid-19 arrangements

Covid-19 posed a significant financial challenge to the Council's financial sustainability, resulting in additional costs of £1.16m, reductions in income of £4.33m and unachieved savings of £0.25m. These pressures were partly offset by government funding of £1.54m in general Covid-19 grant and £2.74m sales, fees and charges (SFC) compensation grant, to give a net cost of £1.47m. The Council responded to the financial challenges of the pandemic by setting a revised budget in November 2020. This recognised that in-year savings targets relating to environmental services and the modernisation programme would not be achieved and that there would be significant reductions to income, particularly in respect of demand led services such as car parking. These pressures were balanced through the financial support from the government, plus the Council's temporary revision to the Minimum Revenue Provision (MRP) policy, which we subsequently identified as part of the financial statements audit as not, in our view, being fully compliant with the regulations regarding the use of capital receipts.

## Budget 2021/22

The 2021/22 budget was set based on the funding announced in the local government finance settlement. This froze the Council's funding assessment at current levels but introduced additional measures to support councils through their recovery from the pandemic, such as an additional tranche of general Covid-19 funding and SFC compensation grant. The Council's strategy with regard to these additional funding streams was prudent in allocating the general grant to reserves and by not including the SFC grant in the base budget, so that it was available to offset potential reductions in income.

The 2021/22 budget was focussed on recovery and growth in key priority areas and did not rely heavily on achieving service savings to balance the overall financial position, other than £0.15m forecast savings from the modernisation programme and £0.2m from pension payments. In these circumstances there was not a detailed consideration of alternative proposals. The revision to the MRP policy accounted for a saving of £1.647m, although we have recommended that this be reviewed in the current and future years as, in our view, the use of capital receipts to offset MRP is not in line with the regulations. The budget also included a £5 or 2.34% increase in council tax in accordance with referendum limits, which achieved £0.178m additional income after taking into account a 0.4% reduction in the tax base due to Covid-19.

The 2021/22 budget rolled forward the sales, fees and charges budgets at 2020/21 levels. However, carparking income has not recovered due to new working and shopping habits that developed during the pandemic and further lockdown periods in the new financial year. The August 2021 budget monitoring position forecasts a net overspend of £0.740m for car parking income. This risk was recognised in the S151 Officer's Section 25 statement that accompanied the budget, and mitigation measures were included, for example the car parking equalisation reserve and within the risk based calculation for general fund balances. There was also a strategy to leave budgets at the 2020/21 levels in the knowledge that the quarter one SFC compensation grant could be used to offset any adverse variances.

Therefore, while the assumption in the budget for car parking fees now appears overoptimistic, it is not considered an indicator of significant weakness in arrangements due to these mitigating actions.

Our work has confirmed that expected investment and borrowing activity is reflected in the annual budget, that the budget is informed by the MTFS, and that there is adequate internal and external engagement in the budget setting process. We have made an improvement recommendation that the Council should consider whether there would be benefit in producing and publishing budget books as a single accessible source of detailed budget information for Members, officers and the public. It would enable interested parties to drill down to more detailed service cost information and would contribute to a better understanding of the budget and potential for improved challenge during the year. The budget book could include relevant non financial information such as employee data and service performance information.

Overall we found no evidence of significant weaknesses in the Council's budget setting arrangements. Work is currently progressing on refreshing the budget and progress will be reported to Cabinet in December 2021.

# Medium term financial strategy (MTFS)

The Council has balanced its MTFS forecasts for the period 2022/23 to 2024/25 through a combination of savings and income generation targets in addition to temporary measures such as contributions from the Budget Strategy Support Reserve (BSSR) and reduced MRP payments. The Council's commercial strategy aims to improve services, enable economic

growth and make the Council financially sustainable. In total the MTFS requires significant savings and additional income that total of £3.082m, a temporary MRP saving of £1.647m and, a net £0.474m contribution from the BSSR reserve during the period 2022/23 to 2024/25 in order to achieve financial balance.

Balancii	ng the MTFS			
	2022/23	2023/24	2024/25	Total
	£k	£k	£k	£k
Savings Strategy				
Place and Growth	50	350	750	1,150
People and Change	250	150	150	550
Finance and Assets	607	255	520	1,382
Total Savings Strategy	907	755	1,420	3,082
Budget Strategy (Support) Reserve	-335	814	-5	474
Minimum Revenue Provision (MRP)	1,647	0	0	1,647
Total Savings Strategy and MRP	2,219	1,569	1,415	5,203

As a consequence of the commercial strategy, the Council's revenue budget does rely on significant levels of commercial income. Net income from investment properties was £3.428m for 2020/21 with the budget for 2021/22 set at £3.767m. The MTFS savings strategy over the period 2022/23 to 2024/25 includes increases to investment and commercial income, plus increases in tax base, as set out below.

Savings Strategy: Investment and Commercial Income Targets				
	2022/23	2023/24	2024/25	Total
	£k	£k	£k	£k
West Cheltenham - taxbase and regeneration		200	600	800
North West Cheltenham - taxbase		100	100	200
Existing investment portfolio income generation	150	50	50	250
Commercial income generation opportunities	50	50	50	150
Minster Innovation Exchange	57	55	20	132
North Place - taxbase			150	150
Total Investment and Commercial Income Target	257	455	970	1,682

Due to the importance of the commercial strategy to the Council's MTFS, the timing and deliverability of schemes such as Cyber Central and the Minster Innovation Exchange will need to be closely monitored to ensure that the targets in the MTFS remain achievable. Reporting to Cabinet and Council should be sufficiently detailed to understand the associated financial risks within the revenue budget.

At present the budget summaries presented to Members during the annual budget setting process net off interest payable, interest income, and income and expenditure from investment properties. MRP costs are reported net with the reversal of depreciation charges. We are making an improvement recommendation that these key income and expenditure streams should be reported separately to aid transparency and understanding of their contribution to the budget, making cross referencing to the Treasury Management, Capital Investment and Investment Strategies easier.

The outturn reported to Cabinet for investment property income and expenditure is on a summarised net basis as a single line for outturn compared to budget. There is no detailed reporting to Members on the performance of the commercial investment portfolio. An improvement recommendation has been made that a more detailed analysis of outcomes against financial and performance objectives should be reported to Cabinet for this key element of the budget and commercial strategy.

The council models a 0.8% increase in the tax base from 2022/23. This is based on government assumptions when modelling reductions to revenue support grant. An improvement recommendation has been made that the Council should ensure that estimates of council tax growth reflect local factors and are achievable in the context of the significant additional tax base growth already factored into the MTFS for West and NW Cheltenham and North Place. The Council should also consider potential corresponding additional service costs, for example refuse collection, where significant increases in income from additional housing is forecast.

Our work has found that financial planning does adequately address the implications of the annual funding settlement and is based on realistic assumptions. Financial plans appropriately reflect the impact of significant partners and group entities such as Ubico Ltd and Gloucestershire City Airport. Plans are kept under review and a flexible approach is

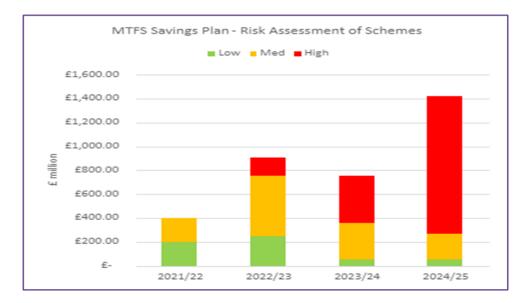
taken where adverse variances are identified, as demonstrated in the 2020/21 recovery budget. We note that the MTFS is set for a period of current year plus four, while best practice is for a current year plus five model.

We have found no evidence of significant weakness in the Council's financial planning arrangements, but we have made recommendations to improve the transparency of reporting on key income and expenditure streams relating to commercial activity and to ensure tax base increases reflect local context.

## Delivery of savings plans

The 2021/22 budget includes relatively few service savings. The MTFS does include significant income and savings targets that total £3.082m during the period 2022/23 to 2024/25. Future year savings represent targets rather than worked up specific plans, with a significant proportion relating to corporate priorities such as Cyber Central and commercial activity. During the term of the MTFS, increases in tax base and regeneration are forecast to contribute £1.0m from West and NW Cheltenham. Increases in the investment portfolio and commercial income are forecast to raise an additional £0.4m.

The savings schedule presented with the annual budget setting report details the savings that are included in the MTFS along with an associated RAG rating. We note that while the risk based general fund reserve calculation provides for mitigation if savings forecast for 2021/22 are not achieved, there are significant savings targets RAG rated as red in 2023/24 and 2024/25, which total £1.55m. The table overleaf demonstrates the reliance on red RAG rated savings targets in the MTFS.



Due to the importance of the red RAG rated commercial strategy schemes to balancing the MTFS they will need to be closely monitored going forward to ensure that the income targets remain achievable.

Our work has not identified evidence of significant weakness in the delivery of the Council's saving plans.

# Managing financial risk

The Council has appropriate arrangements for incorporating risks into its financial plans, with all budget reports including a financial risk assessment appendix. As part of the budget setting process for 2021/22, the Section 25 Statement provided a detailed commentary on the risks

within the budget and how these should be addressed as part of the risk based calculation of minimum general fund balances. The MTFS recognises the financial risks associated with the fair funding review and business rate reset by modelling reductions to business rate income in 2022/23.

Cash flow forecasting has been undertaken during 2020/21 and no projected gaps were identified. The cash position was eased by the various sources of government funding and support to businesses that were paid through the Council.

We have found no evidence of significant weakness in the Council's arrangements for managing financial risk.

## Capital strategy and treasury management

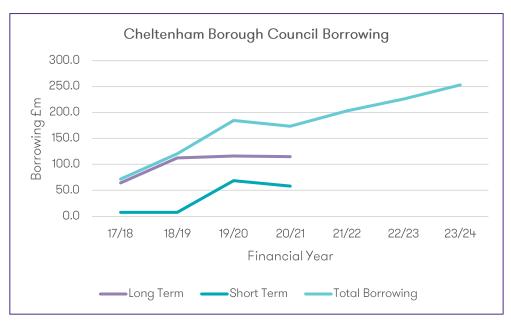
The Council approves the Capital Strategy, Investment Strategy and Treasury Management Strategy annually. These reports set out the risks associated with the different types of investment held by the Council, how the capital programme will be funded over the period of the MTFS, including the amount of borrowing required. These reports provide evidence that the Council is considering the balance between managing risk and optimising return in its borrowing and investment activities.

The Council approved a total capital programme of £48.432m for 2021/22, comprising £24.026 general fund and £24.406m HRA expenditure. The Council has reviewed its capital programme and strategy in light of the new Public Works Loan Board rules that seek to prevent councils borrowing when they have investments purely for yield in their capital plans. The revised Capital Strategy 2021/22 provides a clear link between the major projects within the capital programme and how they help achieve corporate priorities.

The 2020/21 outturn position was £3.532m of slippage to the general fund capital programme against a revised budget of £7.389m. While Members were asked to approve the carry forward amounts into 2021/22, there were no explanations for the variances. We found that actual general fund spend to date was only reported in detail as part of the year end outturn. We have made an improvement recommendation that providing standardised capital monitoring that includes original and revised budget, spend to date and anticipated

slippage supported by reasons for variances, would increase transparency and allow challenge over the delivery of the programme.

The council had £173.7m of outstanding debt as at 31 March 2021 which represents a reduction of £11.2m from the previous year. The Council has increased its levels of borrowing significantly over the last four years to fund investments relating to the commercial strategy, Cyber Central and the HRA. The projections in the 2021/22 Capital Strategy are that debt will continue to rise. The table below shows the Council had £72.1m of borrowing outstanding as at 31 March 2018 and this is projected to rise to £253.0m by 31 march 2024, an increase of some 250%.



Going forward, the Council will need to adequately reflect the repayment costs of this borrowing in the revenue budget. The MRP Statement approved by Council in March 2021 forecasts MRP payments of £0.430m for 2021/22. This compares to the 2020/21 MRP Statement that forecast MRP of £2.062m. The reduction reflects the Council's revised policy that utilises capital receipts in year to reduce MRP charged to revenue.

From our value for money and financial statements audit work we have found no risk of significant weakness in the Council's arrangements for managing capital and treasury activity. However, the Audit Findings Report recommends that the Council reviews the MRP policy to ensure that it charges a prudent level of MRP in future years.

#### Reserves

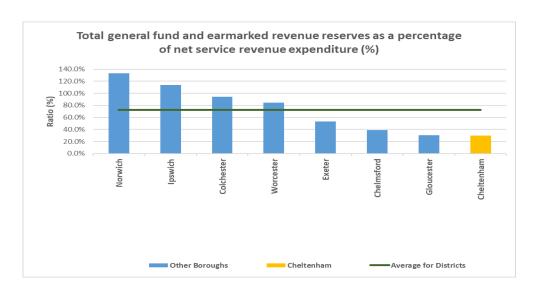
As part of the 2021/22 budget a risk based approach was taken to the calculation of a £1.708m minimum prudent level of GF reserves. This exceeds the CIPFA benchmark for minimum GF balances which range from 5-10% (£0.708m - £1.416m), and recognises the specific risks within the budget such as reductions in income. The forecast level of GF reserves reported at outturn was a balance of £1.756m as at 31 March 2022, but this is dependent on the £0.544m Covid-19 grant being allocated to the balance in 2021/22.

The Council does have other earmarked reserves that are available to manage unforeseen budget variances such as the new initiatives transformation reserve, pension and restructuring reserve and the car parking equalisation reserve.

A £0.814m contribution from the Budget Strategy Support Reserve (BSSR) is required to deliver financial balance in 2023/24. The projections within the MTFS indicate that there will be sufficient resources in the reserve to make this contribution, provided there are no calls on these funds to balance 2021/22, and a further contribution to the reserve of £0.335m is made in 2022/23. The funding of the BSSR is recognised as a corporate risk and going forward the Council should ensure that there are sufficient funds available in the reserve to support the budget.

The table overleaf shows that when comparing total general fund and earmarked reserves as a percentage of net service spend, the Council ranks lowest in comparison to its seven preferred comparator authorities, with a ratio of 29.7% compared to an average of 72.3% for these councils.

The data used is for 2019/20 as reserve levels in 2020/21 are skewed by the S31 business rate grant to fund the collection fund deficit. In mitigation, the Council's general fund balance is forecast to exceed the CIPFA benchmark of 5-10% of the net budget as at 31 March 2022 with a forecast balance of £1.756m, or 12.4%, reported to Council in July 2021. The S151 Officer's Section 25 Statement that accompanies the budget contains a detailed and comprehensive analysis of risk and assumptions and sets out the risk based calculation for the minimum prudent level of general fund reserves. However, when refreshing the MTFS the Council should ensure that levels of reserves provide sufficient financial resilience, particularly in the context of the pressure on the Budget Strategy (Support) Reserve and dependence on the Covid-19 grant to achieve the minimum prudent balance for un-earmarked reserves.



## Sustainable delivery of services

Financial planning demonstrates an understanding of the costs of delivering core statutory services as distinct from discretionary areas of spend. This is clearly evidenced in the Covid-19 recovery budget where alternative proposals to balancing the budget are put forward, including ending or severely curtailing non-statutory services.

Discretionary spend is prioritised to support the corporate strategy, for example the agreed budget growth for 2021/22 relates to climate change, environmental services, economic development and apprenticeships.

The commercial strategy is a key element of the MTFS in generating additional income and clearly links to corporate priorities around place making, economic growth and digital transformation.

Therefore we see a coherent link between corporate priorities and the design of the budget, particularly in regard to investment in services and the approach to financial sustainability. We found no evidence that the council has been unable to deliver its financial plans, other than the impact of Covid-19.

## Consistency between financial and other corporate plans

Budget reports clearly set out any HR implications and the approved revenue growth items included in the 2021/22 budget include additional staff resource for climate change, economic development and apprenticeships. The Modernisation Case for Change approved in March 2019 sets out the benefits of modernisation, including the benefits to employees through investing in and developing staff, with the supporting organisational development workstream ensuring employees have the appropriate knowledge, skills and behaviour to support the target operating model. The modernisation programme includes a People Strategy and Action Plan. The MTFS includes savings targets of £0.45m relating to the modernisation programme.



1	Recommendation	The Council should consider whether there would be benefit in producing and publishing budget books as a single accessible source of detailed budget information for Members, officers and the public.
	Why/impact	Budget books would enable interested parties to drill down to more detailed service cost information and would contribute to a better understanding of the budget and potential for improved challenge during the year. The budget book could include relevant non financial information such as employee data ad service performance information.
	Summary findings	The Council does not produce budget books and information provided in public reports is on a high level summary basis.
	Management comment	The ERP system we use provides real time information on our budgets and Members regularly interrogate this information, particularly the Lead Cabinet Members who review the financial information for their portfolio. We will review whether we issue the final budget in February each year by cost centre to provide a comparison to the same format presented as part of each annual outturn report.



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



2	Recommendation	MRP, interest payable, interest income, and income and expenditure from investment properties
		should be reported separately to Members on revenue budget summaries.

# Why/impact Only providing the net position makes comparisons and cross referencing to the detailed Treasury Management, Capital Investment and Investment Strategies difficult. The impact that these key elements of the commercial strategy have on the budget will be more transparent and better understood if reported separately.

# **Summary findings** The budget summaries presented to Members during the annual budget setting process net off interest payable, interest income, and income and expenditure from investment properties. MRP is reported net with the reversal of depreciation charges

# Management comment

MRP is subject to a separate policy and is reported annually to Full Council through the budget setting process. With the launch of the revised Asset Management Strategy we will also be reporting the performance of the investment property portfolio to each Asset Management Working Group. This will include dividing income and expenditure and return on investment (ROI).

The Treasury Management Panel also exists to review the interest income and expenditure. This is reviewed and recommendations are made bi-annually to Full Council.

We will also review the Treasury Management, Capital and Investment Strategies to ensure that figures disclosed here can be more easily cross referenced.



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



Management

comment

**Recommendation** A more detailed analysis of outcomes against financial and performance objectives for investment properties should be provided during the year and as part of outturn reporting to Cabinet.

Investment property income and expenditure is a key element of the budget and commercial strategy. A more detailed analysis of outcomes against budget and other socio-economic objectives would give more accountability and opportunity for challenge by stakeholders. The Council can improve the transparency of disclosure and information on the performance of investment properties during the year. The right balance between disclosure of information and commercial confidentiality should be maintained.

**Summary findings**Outturn reports to Cabinet contain a high level summary of income and expenditure for investment property, comprising a single line for actual net income compared to the budget. There is no detailed reporting to Members on the performance of the commercial investment portfolio.

With the launch of the revised Asset Management Strategy we will also be reporting the performance of the investment property portfolio to each Asset Management Working Group. This will include dividing income and expenditure and ROI. The development of Clearview will allow this information to be pulled together more easily by reflecting these measures in our performance indicators.

The budget monitoring report will also be adapted to include this information rather than creating additional work with a separate report to Cabinet and Full Council.



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



#### Recommendation

The Council should ensure that estimates of council tax growth reflect local factors and are achievable in the context of the significant additional tax base growth already factored into the MTFS for West and NW Cheltenham and North Place. The Council should also consider potential corresponding additional service costs where significant increases in income from housing is forecast.

#### Why/impact

Forecast increases to the tax base will be more accurate if based on local factors and applying a blanket rate increases the risk that forecasts will not be achieved where there are significant additional increases built into the savings strategy for specific areas. Significant increases to the tax base are likely to generate additional service costs that should be reflected in the MTFS.

**Summary findings** The Council models a 0.8% increase in the tax base from 2022/23, based on government assumptions when modelling reductions to revenue support grant. The Council also models significant increases in tax base specifically for West and NW Cheltenham and North Place. Although significant additional income is forecast, there is no consideration of potential additional service costs, for example refuse collection.

## Management comment

Extensive modelling is currently being undertaken for West and North West Cheltenham and will be factored into the next MTFS.

The new rounds of waste and recycling collections launched in 2017 included capacity for approx. 5000 new homes during the next seven years. The models run since then in 2020 have included property growth of up to 5300 up until 2029 assuming no boundary changes which would result in CBC taking in more properties. The Ubico fleet currently has capacity to deal with the housing growth planning between now and our service change in 2024/25.



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

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5	Recommendation	The Council should introduce standard budget monitoring templates for both general fund and HRA capital programmes which include original and revised budget, spend to date and slippage, supported by reasons for variances.
	Why/impact	There was significant slippage in year for the general fund capital programme. Providing more information during the year and at outturn regarding spend to date and reasons for slippage would increase accountability for the delivery of the capital programme and give the opportunity for timely Member challenge.
	Summary findings	General fund capital programme monitoring does not disclose spend to date until the year end, and explanations for slippage are not included when Members are asked to approve carry forwards. HRA capital programme reporting does include explanations for variances to the approved plan.
	Management comment	The resource available to support the Council's capital programme monitoring is currently being reviewed with the purpose of increasing the scrutiny and reporting of spend against our plans.  This will result in better information being included in our budget monitoring reports.



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

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# Governance



#### We considered how the Council:

- considered the impact of Covid-19 on the governance arrangements
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## **COVID-19 arrangements**

The Council began the year operating under emergency powers which it introduced in March 2020. These arrangements continued until virtual meetings were introduced from May 2020. The decisions which were made during this period were made by the Chief Executive and reported to Council in June 2020. These decisions are publicly available on the Council's website.

In May 2020 the Council agreed a draft recovery strategy recognising the impact of COVID-19 and the need to have recovery plan that would enable the area to both recover from the impact of COVID-19 but also build on the joint working and collaboration that had developed during the pandemic. Following public consultation and comment from key partners and stakeholders the final recovery strategy was agreed in July 2020.

From March until June 2020 the Council operated under full emergency planning arrangements with each director attending relevant County wide planning meetings. The Council needed to be dynamic and agile and held daily Executive Leadership Team (ELT) meetings to update ELT members. The frequency of these meetings reduced from June 2020.

The Council had to issue a significant number of business and community grants and in 2020/21 issued £47.3m in business grants and £1.1m in 2019/20. These grants were managed by the Revenues and Benefits section and new arrangements, procedures and controls were introduced to ensure only those entitled to this funding received it.

A review was conducted by Internal Audit on post payment assurance checks. This review identified no issues and provided a substantial assurance opinion.

The Council acted upon its emergency response plan and its business continuity plans at the start of the pandemic. The Council has recognised the need to update and rewrite its emergency response plan and is in the process of reviewing its business continuity plans. We are aware that some services confirmed that they had not referred to their business continuity plans at all during the pandemic. Although this is not an indication that services did not continue to operate effectively, it is unexpected that officers have not considered referring to their business continuity plans, which should have been designed to provide guidance in exactly the circumstances presented by the pandemic to ensure officers were acting in line with agreed policy and plans. Understanding why they were not used would enable the Council to establish if and how they require updating or if training is required to provide guidance on when business continuity plans should be used. The Council should take the opportunity of refreshing the Plans to ensure that they incorporate the lessons learnt from the real-life experience of operating throughout the pandemic.

Internal Audit also undertook a review of the Council's response to COVID-19. A range of areas were considered, such as key service delivery, community response and emergency decision making. The review provided substantial assurance opinion and confirmed that the Council was robust and responsive to the needs of staff and customers in line with the government guidelines.

We also commend the Council for enabling the Local Government Association to reflect on what the Council has learnt from the pandemic and consider the opportunities and steps it would like to take towards recovery. Overall this peer review was complimentary and recognised the positive response the Council had made.

## Managing risk

The Council is in the process of introducing a new Information Technology (IT) system 'Clearview'. This system provides a technological solution for monitoring risks at corporate, directorate and service level. The risk registers are held within this system and can be reviewed live within the system. The Council has been using the Clearview system throughout 2020/21. Clearview is also a performance management tool and this aspect is discussed on page 23.

The Council has a Risk Management Policy which is reviewed annually and was agreed by the Audit, Compliance and Governance Committee in November 2020. Corporate risks are considered by the Executive Leadership Team (ELT) on a monthly basis and informal Cabinet on a quarterly basis. Informal Cabinet meetings are not public meetings or minuted so we are unable to assess the level of debate and discussion undertaken. Elected members have a key role in the Council's risk management approach, such as identifying corporate risks as well as monitoring and agreeing the level of risk the Council is willing to accept. We consider this will be more difficult to achieve through informal Cabinet meetings where officers do not attend. We also note that during 2020/21 neither Cabinet or the Audit, Compliance and Governance Committee received an annual report in line with the Council's Risk Management Policy.

The Council aims to publish it corporate risk register on its website, but this has not been updated since February 2021 and prior to this had not been published since September 2018.

There is a good internal audit function operating at the Council provided by SWAP and although the service experienced challenges as a result of COVID-19 during the year and priorities changed, a balance between providing direct assistance to the Council and maintaining audit work was achieved.

A "Substantial Assurance" opinion was given on the adequacy and effectiveness of the Council's internal control framework. A counter fraud service has also been delivered during the year with regular updates on both services being reported to the Audit, Compliance and Governance Committee during the year.

The Council has established a Corporate Governance Group (CGG) which is an officer group, chaired by the Executive Director for People and Change. The aim of the CGG is to maintain and monitor the Council's governance framework, review and update relevant policies and report any risk, issues or weaknesses in the governance framework. During 2020/21 the CGG met less frequently as any issues were addressed directly by ELT who were meeting more frequently.

Overall we found no evidence of significant weaknesses in the Council's arrangements to manage risk and operate effective internal controls. We have raised an improvement recommendation that the corporate risk register should be reviewed by a formal committee, such as Cabinet or the Audit, Compliance and Governance Committee.

## **Monitoring Standards**

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. During our review we are not aware of any instances where officers or elected members have not complied with the necessary standards. The Council have made us aware that there have been data security breaches during the year, but none of a significant nature.

A range of policies and standards are in place to ensure compliance, such as codes of conduct, gifts and hospitality and whistle-blowing policies. Officer and members are required to annually declare any interests that they might have and any gifts and hospitality received during the year. The Council also has a video to remind officers of their obligations and to assist them in competing their annual declarations.

However, we note that the whistle-blowing policy was last reviewed and updated in November 2017. Whilst it is not always necessary for policies to be reviewed and updated annually, we would expect a more frequent review and update, where required.

## Budgetary control 2020/21

We have reviewed the Council's processes and procedures for monitoring the 2020/21 budget.

The Council monitored and reported on trends during the 2020/21 financial year, particularly with regard to the impact of Covid-19 on the Council's budgets. The net costs of the pandemic to the Council were revised and reported to Cabinet as trends in income loss, additional expenditure and government support became better understood. The net position improved as the year went on, with the quarter one impact estimated as £4.20m, an impact of £1.83m as part of the November recovery budget, and a final outturn cost of £1.47m.

The Council introduced new arrangements to identify and monitor the additional costs arising from the pandemic. These included:

- a specific cost centre was established to record costs and income losses relating to the pandemic
- detailed workings from the monthly Covid-19 returns to MHCLG were reviewed to ensure spend was appropriate.

Quarterly budget monitoring reports were presented to Cabinet, which included detailed analysis of actual and forecast costs and income pressures. These were accompanied by a detailed commentary. Alternative budget proposals were considered to balance the budget in year as a result of the cost and income pressures relating to the pandemic. The recovery budget set out other approaches to that recommended by the S151 Officer, for example the use of reserves, the cessation of discretionary services or applying for exceptional government support.

Arrangements are in place for the finance team to engage with budget holders to review financial performance. While there is no formal internal revenue budget monitoring process other than the quarterly reports presented to Cabinet, there are bespoke arrangements between finance business partners and budget holders that are tailored to the complexity of individual budgets. Budget holders have self-service access to their budgets in real time through the finance system, with the capability to drill down to individual transaction level. Major capital projects such as the Minster Exchange have project and programme boards which include finance representatives and these boards monitor project delivery including cost and funding.

Financial monitoring reports presented to Cabinet demonstrate that in year forecast variances are being picked up promptly and budget holders are held to account for delivering their budget or developing mitigating action. The Section 25 Statement is clear that service managers are expected to manage changes within their budgets by reprioritising or reducing expenditure where there is a significant reduction in income.

Therefore we have not identified any significant weaknesses with regard to the Council's arrangements for budget monitoring. Our work has identified improvement recommendations with regard to the level of information provided as part of the monitoring and approval of the capital programme and also relating to the level of detail presented in the general fund budget summary.

## Informed decision making

The work of the Council's committees is governed by the constitution. The constitution was last updated in September 2020. The constitution is available on the Council's website and includes the staff and elected members codes of conduct.

The Annual Governance Statement sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

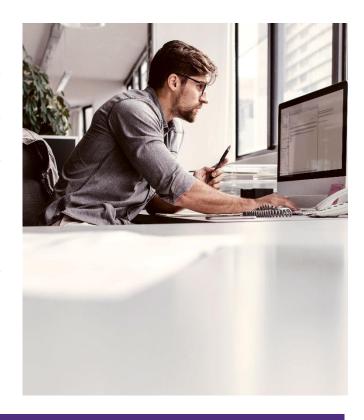
During the year the Council has continued to make key decisions and as identified earlier introduce emergency decision making arrangements until virtual meetings could be held. The Council has sought third party advice to support effective decision making.

We found no evidence of significant weaknesses and have not identified any improvement recommendations.





6	Recommendation	The Council should review its business continuity plans to understand why they were not referred to or applied during the pandemic. Following this review the business continuity plans should be refreshed for the lessons learnt during the pandemic and training provided as necessary.
	Why/impact	Business continuity plans should provide guidance and procedures to be followed in a range of situations. If the plans were not referred to them procedures may not have been followed.
	Summary findings	A review undertaken by Internal Audit identified that some services did not refer to their business continuity plans during the pandemic.
	Management comment	Business continuity arrangements were established with the creation of a tactical group, which had an agenda and objectives. Business continuity actions were communicated in writing to all service areas. Due to the unique challenge of the pandemic there needed to be a degree of 'dynamic' business continuity response. Services were maintained and supported by a health & safety working group. The Council won Silver in a national award for its Covid-19 response. Management will consider this feedback as part of its review of Business Continuity.



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



#### 7 Recommendation

The corporate risk register should be reviewed by members in a formal meeting, such as Cabinet or Audit, Compliance and Governance Committee on a regular basis throughout the year.

## Why/impact

Reviewing the corporate risk register in a formal meeting will ensure that members are supported by senior officers to:

- consider corporate risks
- help identify risks
- understand how the risks are managed and monitor mitigating actions
- agree the level of risk the Council is willing to accept.

The corporate risk register would be made available as appropriate as part of the accompanying committee papers.

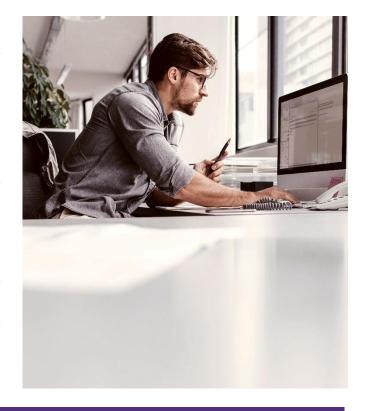
### Summary findings

Informal Cabinet meetings are provided with a copy of the corporate risk register on a quarterly basis. These meetings are not minuted and we were unable to assess the level of debate. It is standard practice within local government for the corporate risk register to be regularly review by either Audit Committee and/or Cabinet in public meetings.

The Council aims to publish its corporate risk register on its website, however it has only been published once in 2020/21 (February 2021) since September 2018.

# Management comment

The risk register will be taken to a formal committee or Cabinet meeting moving forward.



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



8	Recommendation	The Council's whistle-blowing policy should be reviewed and updated.
	Why/impact	The policy may not reflect any current legislative changes or changes in other complimentary policies such as bullying and harassment or grievance procedures.
	Summary findings	The Council's whistle-blowing policy has not been updated since November 2017.
	Management comment	The Council's whistle-blowing policy is scheduled to be updated and approved by the Audit, Compliance and Governance Committee by 31st March 2022.



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

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# Improving economy, efficiency and effectiveness



### We considered how the Council:

- responded to the changes required as a result of Covid-19
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## **COVID-19 arrangements**

We noted in the Governance section that the Council introduced a recovery strategy and plan. The strategy identified that review of the recovery plan should be delegated to the Executive Director People and Change and that periodic reports would be brought to the Overview and Scrutiny Committee. A report was presented to the Overview and Scrutiny Committee in November 2020 on the Council's COVID-19 recovery programme, although this had some similarities to the recovery strategy it did not address all aspects of the recovery strategy. Therefore, we have concluded that the recovery strategy has not been presented to Overview and Scrutiny Committee and is not included within the Committee's workplan.

We consider that member oversight of the recovery plan would be beneficial to ensure there is appropriate challenge by members and progress against the priorities are openly challenged and publicly available.

## Performance management

The Council has a Corporate Plan that sets out its priorities and corporate objectives for the period 2019-2023. It is based upon the Council's place vision, which is a collective commitment for Cheltenham.

During 2019/20 the Council's progress against the Corporate Plan was reviewed by Overview and Scrutiny Committee and Cabinet, based upon a range of performance indicators. However, these progress reviews were not undertaken in 2020/21 as a result of the need to prioritise the Council's focus on responding to the pandemic.

In 2019/20 the Council recognised that its performance management arrangements could be improved and began the process of identifying key performance objectives against which the corporate objectives could be monitored at strategic and operational level. These performance indicators were to be monitored using Clearview and the intention was to have a strategic dashboard which could be used and viewed by members online. Although the process of identifying and populating Clearview with key performance indicators has continued during 2020/21 it has yet to be completed. This delay is directly attributable to a lack of capacity as staff have had to focus on other priorities during the pandemic.

In addition the Council does not have a performance management framework which would provide the structure and guidance to tie together all aspects of the performance management structure.

Whilst the Council has not had framework in operation which uses key performance indicators to monitor performance the Council has continued to monitor performance of individual projects within the Corporate Plan, such as the Minister Innovation Exchanged and Golden Valley Development, which have all been reported to formal member committees.

In addition the Council has adapted and developed innovative ways for delivering its services to maintain service performance. This was recognised by the Royal Town Planning Institute when the Council receiving an award for Planning Heroes in a pandemic.

Although corporate performance reporting was not operating as it had in previous years, whilst Clearview was being developed, we consider that operational mechanisms and enhanced governance arrangements introduced as a result of the pandemic has enabled performance to be identified and acted upon as necessary. Whilst we recognise that the Council is in the process of developing a performance management framework and indicators against which performance can be effectively managed, we have issued an improvement recommendation to ensure arrangements are improved in 2021/22.

## Benchmarking and learning from others

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can identify areas for improvement and also provide targets to work towards.

Benchmarking was undertaken as part of our VfM work. We used our management tool 'CFO Insights' and compared the units costs for a range of services. This identified two areas where the unit costs were very high in comparison to other district councils:

- Culture and related services attributable to high unit costs for heritage, open spaces, theatres and public entertainment, and tourism all being very high
- Planning and development- a result of high unit costs for development control, and other planning policy having very high unit costs

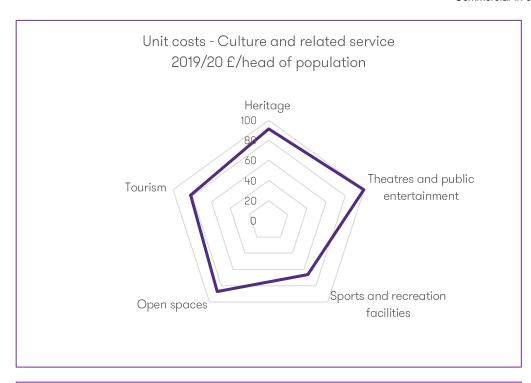
We discussed these high cost areas with officers who confirmed that the Council does not routinely undertaken financial comparisons/benchmarking, but does occasionally undertake comparisons to support individual service reviews. For example its procurement service review.

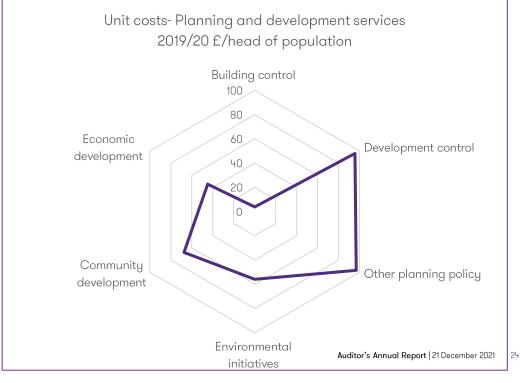
Within culture and related services the very high costs were not unexpected as the Council supports two theatres and maintains its parks to a very high standard. With regards to tourism services, the Council provides services through Marketing Cheltenham and this service is thought to contribute to the high unit costs within the tourism service. The Council is in the process of evaluating and considering options for the Marketing Cheltenham service, based upon cost of the service versus benefits delivered and the likely impact on the service should the level of support be reduced.

Within the planning and development service officers considered that the very high cost of development control was attributable to high staffing costs. The reason for the very high unit cost for other planning policy was not known and required further exploration.

Although the charts opposite are only able to provide an indication of where costs are high, they do provide an indication of where further exploration of these costs could identify potential efficiencies and savings for the Council. We have raised an improvement recommendation that the Council should consider benchmarking and explore the high unit costs within these services.

On the spider charts opposite, 50 represents the group median. The group in this case is all district councils. If a measure is closer to the outside of the chart it would be classed as 'very high cost', whereas if the line is closer to zero, then it would be classed as 'very low cost' in comparison to the group. For example, the charts indicate that 'Theatres and public entertainment' unit costs are comparatively very high whilst 'Building control' costs are very low.





## **Data Quality**

The Council assures itself over the accuracy of the information reported to elected members by ensuring documents are reviewed by senior officers and that agreed procedures are followed. This will include review by a legal representative and finance.

The Council does not have a data quality policy. Such a policy should set out an agreed approach to ensuring the reliability and consistency of data quality across the Council. It should also set out who is responsible for ensuring quality and accuracy of data used throughout the Council.

## Significant partnerships

During this review officers have made us aware that they consider their subsidiaries and shared services; Ubico Ltd, Publica Group (Support) Ltd (Publica), The Cheltenham Trust, Cheltenham Borough Homes, South West Audit Partnership and One Legal to be their significant partners. The services delivered by these partners are actively monitored through management agreements, ELT and reports to members. Where performance was not as expected, or the service was not meeting the Council's needs, then action has been taken, such as the strategic finance function coming back in-house from Publica in 2020.

Annual reports have been presented to the Overview and Scrutiny Committee for Publica and Ubico, however no reports have been presented for any statutory partnerships for which the Council is a member, such as the local safeguarding boards, community safety and Health and Wellbeing Board. These partnerships are attended by senior officers and we have been assured that any issues of concern would be brought to ELT by those officers. However, the role of members in ensuring the role of these partnership is overseen by Cabinet or Overview and Scrutiny Committee is not clear. Although there is no evidence of any significant failings in any of the partnerships, we consider arrangements could be improved if the performance management framework and key performance indicators also included those for which the Council is dependent upon its partners. We have incorporated this improvement recommendation with recommendation 10, which considers performance management across the Council.

We recognise that the Council has developed greater links and partnerships within the community during the pandemic, both with the voluntary sector and Local Enterprise Partnership. The LGA review highlighted that these community partners would welcome further opportunities to identify and continue with these enhanced ways of working.

#### **Procurement**

The procurement service is an outsourced service provided by Publica. The Council recognise that the service has had a capacity issue and as a result has provided strategic procurement advice internally to address the capacity and skills gap. In recognition of this issue the Annual Governance Statement has identified procurement as an area of weakness within its governance arrangements. Although these issues have existed the Council is not aware of failures to operate a legal and fair procurement exercise, although relationships have become challenging as capacity has become stretched.

We also note that the Council does not have an up to date procurement strategu. The existing strategy is out of date and refers to a shared service which no longer exists. We are aware that the Council is exploring solutions to the current situation and as a result we have raised an improvement recommendation recognising that the current service and supporting policy needs to be updated.



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# Improving economy, efficiency and effectiveness

9	Recommendation	The Overview and Scrutiny Committee should regularly review progress against the COVID-19 recovery strategy.
	Why/impact	The recovery strategy includes key priorities against which members should be aware of progress and have the opportunity to publicly challenge performance.
	Summary findings	When Cabinet agreed its final COVID-19 recovery strategy in July 2020 the recommendations included that Overview and Scrutiny would be provided with a report on the recovery strategy. To date Overview and Scrutiny have not received an update on the recovery strategy and it is not included within their forward plan.
	Management comment	The recommendation will go to the Overview and Scrutiny Chair's Group to consider this agenda item for its work plan.



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

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# Improving economy, efficiency and effectiveness

10	Recommendation	The Council should continue to develop its performance management arrangements and introduce a performance management framework that sets out how the Council's strategic objectives will be monitored. This should include key performance indicators against which progress will be assessed on a regular basis by senior officers and members. This framework should include the significant partnerships which contribute to the corporate objectives.
	Why/impact	Existing arrangements did not enable elected members to evaluate progress against it strategic objectives.
	Summary findings	In 2020/21 the Council did not report progress across all its strategic objectives within the Corporate Plan to members. It did not have agreed key performance indicators to enable performance to be effectively assessed, it was reliant on operational management arrangements.
	Management comment	This work is in progress. Performance framework; balanced scorecard due for completion February 2022 and corporate plan progress report and review due in quarter 4.



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

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# Improving economy, efficiency and effectiveness

11	Recommendation	<ul> <li>The Council should consider if the introduction of benchmarking would be beneficial and explore the very high unit costs identified for:</li> <li>Culture and other service - review this area of discretionary spend as to whether the high spend aligns with the Council's corporate priorities</li> <li>Planning and other services - review the cost and service provided and consider whether savings and efficiencies could be achieved.</li> </ul>
	Why/impact	Benchmarking enables services to be compared and potential savings and efficiencies to be identified
	Summary findings	The Council does not routinely undertake financial benchmarking. Our review has identified two very high unit cost areas; culture and other service and planning and other services. Further analysis identified service areas which are contributing to these high cost indicators.
	Management comment	The Council will consider what benchmarking tools are available and consider any actions as appropriate.



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

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# Improving economy, efficiency and effectiveness

12	Recommendation The Council should adopt a data quality policy.			
	Why/impact	A data quality policy would set out the Council's approach to continually improving the quality of data required to support good decision making.  A data quality policy should include:  definition of data quality and why it is important  roles and responsibilities, including members, senior officers and individual employees  data quality objectives  monitoring arrangements  arrangements for data sharing.		
	Summary findings	The Council does not have a data quality policy.		
	Management comment	We will look to develop a Data Quality Policy in 2022/2023.		



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



13	Recommendation	The Council should address the weaknesses within its procurement service, including ensuring its has a current and relevant procurement policy.
	Why/impact	The existing arrangements should be improved to ensure that there are no significant failings in the procurement process.
	Summary findings	The Council does not have a current procurement policy, its existing policy is dated 2015 and relates to a shared service which no longer exists. The existing service does not currently meet its needs and additional strategic resources has had to be provided in-house.
	Management comment	We will look to develop a new Policy in 2022/2023.



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

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# Opinion on the financial statements



# Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 29 October 2021.

# Other opinion/key findings

There were no other opinion or other key findings.

# Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit. Compliance and Governance Committee on 22 September 2021 with the final updated AFR being reported to the Committee on 12 January 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 NAO.

Our work has not yet been completed as we are awaiting the final instructions to be issued by the NAO.

# Preparation of the accounts

The Council provided draft accounts in line with the national deadline. Whilst progress has been made on the prior year, we experienced some challenges in both the quality and timeliness of supporting information provided by officers. This contributed to the delay in the completion of the audit.

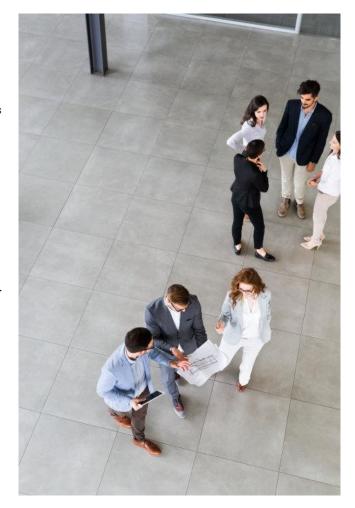
# Issues arising from the accounts:

The key issues were:

- the classification of £2.5m of grant income was incorrect;
- there were errors in the valuation of property, plant and equipment balances, including investment properties of £1.6m (gross); and
- the investment return on Pension Fund assets was overstated by £0.6m as a result of estimation uncertainty.

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

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



# **Appendices**

# **Appendix A - Responsibilities of the Council**



#### Role of the Chief Financial Officer:

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

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

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

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

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

The Chief Financial Officer (or equivalent) 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 - 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:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness, see pages 6 to 11 for more details	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements were in place, five improvement recommendations raised.
Governance was not identified as a potential significant weakness, see pages 17 to 19 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements were in place, three improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 23 to 25 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements were in place, five improvement recommendations raised.

# Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 12 – 16 20 – 22 26 - 30

# Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

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

We have not issued any statutory recommendations.

## Public interest report

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

We have not issued 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 have not made an application to the Courts.

## **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 have not issued any advisory notices.

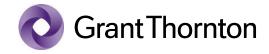
## Judicial review

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 have not applied for a judicial review.

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