



Members of the audit, Compliance and Governance Committee  
Cheltenham Borough Council  
Municipal Offices  
Promenade  
Cheltenham  
GL50 9SA

Dear Sirs and Madams

### Cheltenham Borough Council – Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Management and those charged with governance of the Authority and should not be shared with anyone beyond the Authority without our prior approval.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

BISHOP FLEMING LLP

# Contents

1. Introduction.....	2
2. Executive summary.....	4
3. Audit of the financial statements .....	5
4. Value for Money .....	7
5. Financial sustainability.....	8
6. Governance.....	10
7. Improving efficiency, economy and effectiveness.....	13
8. Recommendations .....	16

# 1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cheltenham Borough Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council Authority is also responsible for putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our External Audit Plan that we presented to the Audit, Compliance and Governance Committee on 22 October 2024.

## 2. Executive summary

### Results from the audit of the financial statements

We have completed our proposed audit work on the financial statements.

The previous auditor's, Grant Thornton, issued a 'Disclaimer of Opinion' within their audit report on the Statement of Accounts for 2022/23 having completed no audit work on the results for the year ended 31 March 2023.

This has resulted in us having no assurance over any of the comparative results relating to 2022/23 in the statement of accounts; no assurance over the opening balance sheet at 1 April 2023; and no assurance over the cut-off of transactions in the Comprehensive Income and Expenditure Statement between 2022/23 and 2023/24.

We have therefore issued a disclaimed audit opinion for 2023/24. See section 3 for more details.




### Results on our work on other matters

We completed our review of other matters in line with our issuing of the audit opinion. There were no other matters that were necessary to be reported in relation to our responsibilities in these areas. These is set out in further detail in section 3.



### Results from our work on VFM arrangements

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 for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		We did not identify any significant weakness in the Council's arrangements. We have identified three recommendations where we consider arrangements in place could be improved. See section 8 for further details.
Governance		We did not identify any significant weakness in the Council's arrangements. We have identified one recommendation, where we consider arrangements in place could be improved. See section 8 for further details.
Improving economy, efficiency and effectiveness		We did not identify any significant weakness in the Council's arrangements. We have identified two recommendations, where we consider arrangements in place could be improved. See section 8 for further details.

#### Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made



## 3. Audit of the financial statements

### Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

It was not possible for us to complete all our planned work for the 2023/24 audit by the statutory backstop date. This is due primarily to the prior year accounts not being audited, which has meant that we are unable to place reliance on opening balances or give an opinion on in-year movements which depend on those balances. In addition, the tight timeframe between the 2022/23 audit being signed off on 4 December 2024 and the deadline of 28 February 2025 has meant that there are other areas that we have been unable to conclude on.

Given the lack of time between the 2022/23 sign off and the 2024 statutory deadline we have focused our testing on areas that will enable us to build back assurance over your statement of accounts in the most effective way. Our main area of focus has been to get assurance over the balance sheet of the Council as at 31 March 2024 as this will enable us to have assurance over the cut-off of transaction between 2023/24 and 2024/25.

The work that we have planned to complete in the time available is largely complete.

We anticipate issuing a disclaimed audit opinion due to the lack of assurance over opening balances, as a result of the prior year financial statements also being disclaimed by the previous auditor.

### Key issues arising from the accounts audit

Management obtained an Asset Ceiling Report from the actuary for the year ended 31 March 2024 to determine whether a pension asset on the Local Government Pension Scheme should have been recognised. This report confirmed that, in addition to derecognising the asset, management should have recognised an additional liability of £24.8m.

### Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or

- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit, Compliance and Governance Committee on 25 February 2025.



## 4. Value for Money

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 for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there is any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

## 5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that 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; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

### Overview and 2023/24 outturn

As per the original budget for 2023-24 (approved by the Council on 20 February 2023), there was a planned £0.3m contribution towards general balances for 2023-24, in addition to assumed planned savings and additional income of £1.3m. However, as per the 2023-24 Financial Outturn (reported to Council on 22 July 2024) rather than contributing to reserves, the Council had in fact used £1.3m reserves. In addition, as per the HRA Operating account, there was a net operating deficit of £0.6m, greater than the £0.2m forecast. This has resulted in the HRA Reserve being reduced to £0.9m from £1.5m

For 2023-24, the council budgeted for capital of £17.7m with final capital outturn being £7.1m. The main areas of underspend were on replacement vehicles and recycling equipment and enabling the delivery of Private Rented Sector Housing. In addition, there was an underspend of £0.7m on the HRA Capital programme of £21m.

### Financial planning and monitoring

The Council sets its budget and Medium-Term Financial Strategy (MTFS) annually, with the 2022-23 to 2026-27 version being approved on 20 February 2023 by the Council. The MTFS is updated twice a year in November and February. It is subject to regular review at these points by Cabinet and Council and is also presented to the Audit, Compliance and Governance Committee and Overview and Scrutiny Committee for overview and challenge.

The Council presents quarterly performance reports to the Overview and Scrutiny Committee and to Cabinet that set out delivery against the annual budget. This approach ensures that financial targets, including cost-saving initiatives, are closely tracked against key performance metrics. This proactive governance framework supports the Council in responding to emerging financial challenges while maintaining fiscal sustainability.

As at 31 March 2024, the Council has a large amount (£203m) of borrowings, an increase of £23m from the prior year. Of this, £70m is due within the 2024-25 financial year (up from £65m in 2022-23). The use of short-term borrowing is to benefit from interest rates being lower than on long-term loans – This is in line with the Council's Borrowing Strategy. As per the Council's budget proposals, there are expected to be fewer large financial commitments in 2024-25 and there will be therefore more cash available, and less requirement to take out short-term temporary borrowing. As per the Borrowing Strategy, the Council replaced £20m of temporary borrowing with a fixed 10½ year PWLB Annuity loan but will continue to use short-term loans with interest rates being lower.

The increased costs of financing loans as a result of higher interest rates are included in the budget, but there is a risk that these will fluctuate. The Council's increased level of debt (which is largely due to major repairs and replacements on its housing stock) should be seen as a risk. Levels have increased over recent years, with total borrowing increasing from £174m in March 2021, and the Council's debt ratio (the total debt as a percentage of total assets) increasing in that period from 28.9% to 33.3%. Moreover, the Treasury Management Strategy forecasts external borrowing to rise to £268m by 31 March 2027. We have therefore raised a recommendation that the Council needs to put plans in place to manage the levels of debt.

### **Achieving efficiency savings**

As detailed above, the Council had planned to make £1.3m of savings. This included cost savings across several service areas and increased income including an increase in disposal of property interest and review of the council's resources for discretionary services. However, of the £1.3m, the Council has only met £0.9m of this. We have therefore included a recommendation below as the Council should review savings targets and understand reasons for not meeting these.

The Council's savings target in 2024-25 is £2.7m and, given the budget shortfalls projected it is important the Council continues to deliver on its increasingly ambitious savings targets.

### **2024-25 financial planning**

The Council presented the 2024-25 Budget to elected members in February 2024. The plan shows a balanced budget for the year after a draw from reserves of £0.362m. All financial planning is completed based on provisional budget settlements issued by UK Government departments, which feed into the Council's overall planning assumptions.

The Council's approach to the capital programme aligns with its approach to the budget planning. The Council's capital programme budget and outturn reports are presented to Cabinet alongside General fund revenue account budgets and outturn reports. The costs of financing the capital programme are reflected within the general fund revenue account budget.

There is no workforce strategy implemented at the Council, which is in line with prior year findings. We have included this within section 8 of the report within the prior year recommendations for follow-up. There is no evidence to suggest that progress has been made to implement a workforce plan during 2023-24.

*Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made three recommendations for areas of improvement at section 8*

## 6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how the body 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; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; 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; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

### Risk management

Risk management is evolving at the Council, however at 31 March 2024 the Corporate Risk Register was lacking key features such as link to strategic objectives, specific risk mitigation details and direction of travel. There is an absence of a risk appetite statement although the policy does refer to “tolerance” of risk and high-level guidance on levels which are RAG rated. The Risk Register details a specific reference, the risk detail, the risk manager, current assessment score based on impact and probability. There are control details and a risk action indicator with a review date.

We have seen that the corporate risk register presented to the Audit Committee in September 2024 reflects work that has been undertaken to improve risk documentation and while many additional features are included, there is still some additional improvements that could be made. Details of our associated recommendation can be found in section 8 in the following pages.

We have seen evidence that progress is being made in risk reporting and will review this further in our 2025 audit work. We note that since 1 April 2024 the Council have appointed a Learning & Development lead who is in the process of pulling together a corporate training plan and we note that this includes risk management training which will benefit members and aid embedding solid risk management oversight at all levels.

The Council’s Governance Structure is made up of one Leader (Chair), one Deputy Leader (Vice Chair), and five other Cabinet members. Each Cabinet member has assigned responsibilities for an area of the Council allowing them to consider levels of risk in each area.

### Internal control

The Audit, Compliance and Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Another key element of internal control is the role of Internal Audit.

The Council's Internal Audit is provided by the Southwest Audit Partnership (SWAP), who have a representative at each of the Audit Committee meetings to present any audit findings. The Audit, Compliance and Governance Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting.

Through our review of the Internal Audit reports, along with review the Audit, Compliance and Governance Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

Internal Audit completed their work for the 2023/24 financial year and the Head of Internal Audit opinion stated that the Council has a “generally sound system of governance, risk management and control in place”. The Annual Opinion from SWAP was one of “low reasonable” which is defined as some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Through review of the Internal Audit reports we have seen improvement recommendations made that are generally responded to positively and implemented by management.

### **Budget setting and budgetary control**

Budgets are designed and set by budget holders before presentation and consultation by the Cabinet with review of the performance against the prior year undertaken alongside budget holders before being approved at a Full Council meeting.

The budget setting process for 2023/24 considered past performance, analysis and impact of global events such as the war in Ukraine and domestic issues such as interest rates, public confidence following the mini budget in September 2022 and risk scenarios linked to the MTFs. We have seen through Committee papers including those presented and discussed at Cabinet and Full Council that budget setting is considered at all levels from budget holders, Portfolio Holder for Finance, the Chief Executive, Deputy Chief Executive, S151 Officer and Senior Leadership Team. Within the monitoring reports seen, it is clear that budget holders are held to account for delivering budget or developing mitigating actions. Minutes of the Overview and Scrutiny Committee show quarterly monitoring and scrutiny. Budgets are presented for approval at Cabinet. We have seen the 2023/24 budget was approved at Cabinet in the meeting of 13 February 2024 and then by Full Council later on 23 February 2024.

Quarterly reporting of capital projects to Overview and Scrutiny Committee and Cabinet evidence monitoring and oversight of capital matters.

Sufficient evidence has been seen through review of minutes to provide assurance that the budget setting and monitoring processes are reported and discussed with leaders throughout the year. Analysis of budget variations and explanations were included in the reporting.

### **Decision making**

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

There is an appropriate culture set by senior officers, driven by the code of conduct set out in the Council’s Constitution. This includes appropriate levels of engagement by the leadership team with other senior members and attendance at governance meetings. Leadership also ensure that the appropriate experts are consulted for unusual or complex transactions such as the Publica transition reports.

### **Ensuring appropriate standards**

The code of conduct for members and officers gives clarity and guidance in connection with standards expected. We have seen compliance with the standards as an example in the gifts and hospitality declarations which are included on a register and on the council website.

We have not encountered any examples of gaps in standards during the course of our work and have been assured by management that no serious data breaches have occurred. The Audit, Compliance and Governance Committee receive cyber security update reports to enable monitoring of the adequacy of cyber security arrangements.

*Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements. We have made one recommendation for areas of improvement at section 8.*

## 7. Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council 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; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

### Assessing performance and evaluating service delivery

Quarterly performance reports are presented to the internal leadership team (Chief Executive, S151 Officer, Deputy s151, Executive Directors, Monitoring Officer and Head of Performance). Individual programmes and projects also have their own targets and performance expectations and are reported via the programme/project boards as required. In line with planned work for the Oversight & Scrutiny Committee, in October 2023 a CBC Performance Report was presented to committee as a response to a request for further performance indicators and demonstration of how the council is performing, this included data for 2022/23. It shows quarter by quarter data on Business Units (e.g. Bereavement Services, Building Control, Commercial & Income Generation etc) and allows inquiry and challenge by the committee on progress. Overall performance in most areas exceeded targets however a number of areas fell below target. These include savings identified due to excess energy costs, exit interviews, Marketing Cheltenham and the absence of the ice rink over the Christmas period and Complaints regarding Ubico (cleaning services).

The plan for the Overview & Scrutiny Committee agreed in March 2024 includes the same expected exercise, however at the time of our work, no such report was presented in 2024. We are aware that a change in approach has taken place with managers reporting on a more streamlined set of performance metrics aligned to the priorities in the current corporate plan. We have seen this has been reported to Cabinet in July 2024. We will review progress on this further in our 2025 audit work.

Peer challenge is a core part of the Local Government's Association's (LGA) sector support offer to councils. We note that the last corporate peer review was undertaken at the Council on 18<sup>th</sup> November 2022. The peer review report was published for the Full Council meeting in April 2023. The report highlighted a number of areas where the Council has made good improvements since the last review and went on to develop an action plan to address the further development areas.

### Publica outsourcing arrangements

The Council are one of four authorities that outsource a handful core functions (including elements of the finance function) to Publica Group Limited (Publica). Publica is a 'Teckal company' owned by Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council, established in 2017.

Since 2017 Publica has delivered council services on behalf of Cheltenham Borough Council. A Local Government Association independent peer review was commissioned in 2022 by Cheltenham Borough Council to look at whether Publica was still able to meet the current and future needs of its owners. Subsequently, an options appraisal was undertaken by the consulting firm, Human Engine, which recommended that the majority of services should move from Publica back to the councils, leaving Publica to deliver reduced number of back office and customer services for the Councils. Cheltenham Borough Council agreed with the recommendation and the Chief Executive has organised a

detailed transition plan that initially covers phase 1 of the transfer which took place 1 November 2024, in conjunction with partnership authorities.

The functions utilised within Cheltenham Borough Council remain unchanged at the time of our reporting, with phase 1 of the transitional process having no direct impact.

We will consider monitoring and oversight in more detail in our 2024/25 work.

## Partnership working

The Council participates in a wide range of local partnerships and has a track record of working with strategic partners to develop strategies and translate those into actions for the Council to deliver. The Council's two key partnerships are with Publica (role detailed above) and Ubico. The purpose of Publica is to deliver shared services between Cheltenham Borough Council, Cotswold, West Oxfordshire and Forest of Dean District Councils. Publica has a service agreement with CBC in relation to the provision of payroll, finance (AP & AR), health & safety, ICT and procurement services.

The Council maintains oversight and monitoring of Publica and Ubico, with regular meetings occurring within the senior management team. These are reported annually to the Overview and Scrutiny Committee and the Cabinet who review the progress made within the partnerships in line with the framework for partnership working.

The Council has significant Net Zero agenda and a population that is expected to grow up to 5,300 households between now and 2029. Decisions made about commissioning from Ubico in the coming years are likely to be critical both to future savings plans and to the Council's ability to reach net zero targets. The Council has a good working relationship with Ubico and arrangements for annually reviewing Ubico's business plans and performance, which will be important.

As the Council progresses work with the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well. The Council does not at present have a partnership policy or register of its key partners. In 2022/23 it was recommended that the council should consider adopting a new partnership strategy and register and the details can be found in section 8 below, this recommendation remains valid for the current year.

## Commissioning and procuring services

The Council has a procurement and project management strategy in place, which was last updated in July 2015. While a review is significantly overdue, we are aware that there are draft Contract Rules in progress of being updated and expected to be in line with the Procurement Act 2023 (PA23) and the Procurement Regulations 2024 (PR24) which come into effect February 2025. This outlines how procurement services are outsourced to Publica, and the communicated vision is to demonstrate value for money through effective commissioning and procurement whilst minimising impacts on the environment. The Council have an in-house procurement executive who oversees the Publica procurement function in detail. The revision of this procurement strategy and policy should be concluded and we have raised a recommendation below in section 8, to this effect.

The Council should review and revise contract management arrangements regularly and timely around renewals and waivers to ensure that appropriate lead times reduce the instance of urgency. The prior year auditors raised that a large number of waivers were reported, these waivers were due to emergency circumstances requiring urgent action. Subsequent to these prior year audit findings, an Internal Audit was undertaken on Waivers in 2023/24 which is evidenced in Audit Committee papers, with an assurance opinion of "low substantial" given on the audit by SWAP. Waivers are used less frequently now and are reported as decisions on the external website.



There is no evidence that suggests the Council is failing to operate a fair procurement exercise for significant contracts.

The Council have decided to bring the housing maintenance and management services delivered by CBH back in house – with the transfer back into the Council of all staff from 1 July 2024. This is expected to afford greater direct control in a sector with challenging increased compliance requirements and the ability to make some efficiency savings by streamlining management structures.

*Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made two recommendations for areas of improvement at section 8.*

# 8. Recommendations

**KEY:**



Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.





Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

## Current Year Issues

Financial Sustainability – Level of borrowing	
<p>The Council's level of borrowing has increased significantly over recent years and is forecast to increase more so over the life of the Treasury Management Strategy, whilst there are a number of ongoing strategic projects that the Council are investing in. There is also increasing borrowing for capital expenditure for the replacement of housing property components in the HRA.</p> <p>A significant proportion of the debt is short term borrowing following movements in interest rates have made long term fixes less attractive.</p>	<p><b><u>Recommendation</u></b></p> <p>We recommend that the Council closely tracks the need for additional borrowing as projects such as the Golden Valley development and strategic disposals progress.</p> <p>The Council should review options to reduce external borrowing (such as strategic disposals to fund reinvestment in the HRA) in order to minimise finance costs and manage risks of adverse movements in interest rates.</p> <p><b><u>Management comment</u></b></p> <p>At the end of 2024/25 the Capital Financing Requirement of the Council is estimated to be £211.02m. This is split between the General Fund (£112.2m) and Housing Revenue Account (£98.8m). As noted in the body of the report, although our asset to debt ratio has increased this is only by a small percentage demonstrating that our assets and investments are continuing to perform strongly.</p> <p>Work is currently ongoing to review the 30 year HRA business plan which tracks a number of different measures including interest cover and borrowing levels. Reducing our reliance on borrowing is important to ensuring the long term sustainability of the HRA. Management will work with the administration to agree a strategy around any future borrowing and investment which will support this which may include generation of capital receipts which can be used as an alternative to borrowing.</p>

	<p>Treasury management activity at the Council is about managing the risks and maximising the benefits of our cash flows, borrowing and investments. The team monitor PWLB rates on a daily basis and are constantly looking to take advantage of lower rates for our borrowing – as demonstrated by the recent fixing of HRA borrowing.</p> <p>Projects within the general fund which require an element of borrowing are subject to robust business cases which demonstrate that borrowing costs can be covered and there is an appropriate return on investment or saving generated from the investment. This is vital to ensure our capital programme continues to be affordable.</p>
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<b>Governance – Risk management</b>	
	
<p>The Corporate Risk register would benefit from additional key features expected in best practice and a formal risk appetite statement should align to the Council’s strategy and policy documentation.</p>	<p><b><u>Recommendation</u></b></p> <p>While many improvements have been started during 2024/25, we would suggest that a clear link to the five key strategic priorities of the council, with a clear articulate risk appetite statement. We would expect to see the inherent risk score, impact of mitigations and therefore residual risk score reflected to allow management and committee to interrogate controls in place and their effectiveness over time.</p> <p><b><u>Management comment</u></b></p> <p>The existing Corporate Plan for 2023-27 is currently being reviewed and a draft was provided as part of the audit evidence. Once the Corporate Plan and strategic priorities of the administration have been refreshed for 2025-2029 then we can consider whether an overall risk appetite is appropriate.</p>

<b>Improving Economy, Efficiency and Effectiveness – Updating of Procurement and contract management strategy</b>	
	
<p>The Council’s procurement and contract management strategy requires updating, including giving appropriate consideration to the Procurement Act 2023 which is effective from 24 February 2025.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council Procurement and contract management strategy should be reviewed, and revised where appropriate, to ensure that it is not failing to operate a fair procurement exercise for significant contracts and the revised procurement and contract management strategy should reflect current governance arrangements.</p> <p>The Council should obtain specialist advice and support to ensure that the procurement and contract management strategy is revised and updated in a timely manner and reflects current legislation.</p>


**Management comment**


As evidenced as part of this review, the Council now have in post a specialist Strategic Procurement Manager who is assessing and supporting our readiness for the implementation of the new Procurement Act.

As part of this role, documentation and procurement toolkits are being updated and relaunched with accompanying training and support.

The toolkit will split out current procurement and contract management strategy into smaller sections making it easier to access and use.

## Prior Year Issues reported by the predecessor auditor – Ongoing

Financial Sustainability – Achieving savings targets	
	
<p><b><u>Previous finding</u></b> Discipline over savings plans will be necessary to re-build the general balance.</p> <p><b><u>Previous recommendation</u></b> Savings and additional income plans: For future years, a detailed look back at the previous areas of overspend and non-delivery should feed into assumptions made at the budget setting stage. Sensitivity analysis, both during budget setting and refreshed during the year, will be important for remaining mindful of the impact that any shortfall in savings plans could have.</p>	<p><b><u>Previous management comment</u></b> Work is going is ongoing to ensure that there is a collective accountability across the organisation for budget and saving decisions. Where work has been successful in identifying savings, some have not been seen through to achievement and in some budget areas we are going reporting overspends against base budgets which needs to be owned and managed by service areas.</p> <p><b><u>Arrangements in place during 2023-24</u></b> Savings and additional income plans were not delivered in full for 2023-24, as had been the case for the two previous financial years. Savings plans will need to be adhered to, given the reducing level of reserves.</p> <p><b><u>Revised management comment</u></b>  The Section 25 report produced by the Section 151 Officer to accompany each final budget proposal makes a number of assumptions to determine the appropriate level of general balances. One of those assumptions is the level of savings delivered each year. In 2024/25 that was assumed to be 80%, with general balances sufficient to cover any shortfall. At January 2025 we have delivered 73% of the £2.741m. This is a significant increase in the level of savings delivered in 2023/24 which reflects the work with the administration and budget holders on collective accountability.</p> <p>Work continues on the 2024/25 savings and any undelivered target will need to be achieved in 2025/26. The 2025/26 budget also makes much more prudent assumptions on levels of commercial income, fees and charges which have missed their targets during the post pandemic period. Together, these actions should result in a significant replenishment of reserves and balances by 31 March 2025.</p>

Financial Sustainability – Formal Workplan	
	
<p><b><u>Previous finding</u></b> Scope for strengthening workforce planning arrangements for better alignment with the budget.</p> <p><b><u>Previous recommendation</u></b></p>	<p><b><u>Previous management comment</u></b> Once the transfer of Cheltenham Borough Homes (CBH) employees has been undertaken and we have a stable HR operation, work will be undertaken on a larger term sustainable workforce strategy to meet future needs.</p>

<p>The Council should consider developing a formal workforce strategy.</p>	<p><b><u>Arrangements in place during 2023-24</u></b></p> <p>The decision was taken in October 2023 to wind up CBH and the staff were transferred back to the Council in July 2024. The decision was taken to delay the development of a workforce strategy until the new structures and alignment of the two sets of officers was embedded.</p> <p><b><u>Revised management comment</u></b></p> <p>Although the staff from Cheltenham Borough Homes were transferred back to the Council in July 2024, operationally many teams are still transitioning. In the final quarter of 2024/25 the second phase of management reorganisation is underway and it is expected that teams will start to stabilise under new structures by late Summer 2025. At this point the future workforce strategy will be reviewed, taking into account the resilience of our officer functions in preparation for Local Government Reorganisation within Gloucestershire.</p>
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<b>Improving economy, efficiency and effectiveness – An approved Partnership strategy</b>	
	
<p><b><u>Previous finding</u></b></p> <p>The council does not have a partnership policy or a register of its key partners. The council is in the process of identifying how key partners contribute to the corporate objectives as they develop performance management.</p> <p><b><u>Previous recommendation</u></b></p> <p>The Council should develop and approve a partnership strategy and partnership register which includes:</p> <ul style="list-style-type: none"> <li>- A central record of Council's partnership activity, including partnership governance arrangements</li> <li>- An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register.</li> <li>- Best practice information for officers in respect of partnership management</li> </ul>	<p><b><u>Previous management comment</u></b></p> <p>The council recently appointed a full time Director with responsibility for governance who also acts as the Council Monitoring Officer. Partnership governance arrangements and activity will be overseen and coordinated through this postholder.</p> <p>Partnership risks are currently captured on CBC's corporate risk register but these could be categorised and pulled out for a separate register in the future. Different partners require a differing approach from client managers, but we can consider incorporating some suitable training on the best approach as long it is specific to that partner.</p> <p><b><u>Arrangements in place during 2023-24</u></b></p> <p>The Council does not at present have a partnership policy or register of its key partners. As the Council progresses work with the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well.</p> <p><b><u>Revised management comment</u></b></p>

There is a clear distinction between our partners who are commissioned to deliver core services on our behalf and contractual partners who are procured for specific goods and services. The monitoring of each will differ dependent on the nature and specification of those services with the latter falling much more within the contract management recommendation above as part of the new Procurement Act regulation.

For partners who are engaged under commissioning arrangements, we are currently reviewing our management structures as part of an organisational restructure following the transfer of housing services back to the Council. This includes commissioning functions to ensure there is capacity and resource to scrutinise, support and monitor delivery.

Prior Year Issues reported by the predecessor auditor – Resolved

**Governance – Effectiveness of Audit, Compliance and Governance Committee.**

<p>For the Audit, Compliance and Governance Committee, the council should consider a self-assessment exercise; the provision of any necessary training; and the recruitment of two independent members.</p>	<p><b><u>Recommendation</u></b>  The Audit, Compliance and Governance Committee is effective. The Council should ensure its continued effectiveness by conducting a self-assessment exercise, in line with the Chartered Institute of Finance and Public Accounting's (CIPFA) methodology, which will enable the Committee to evaluate its effectiveness and identify areas for improvement and any unmet training needs. We also recommend that the Council recruits at least two appropriately qualified, independent members of the Committee.</p> <p><b><u>Management comment</u></b>  Working with our internal auditors (Southwest Audit Partnership), Cheltenham Borough Council have now started a review of the effectiveness of the committee. This will include consideration as to whether the council wishes to appoint independent members.</p> <p><b><u>Arrangements in place during 2023-24</u></b>  A Member Development Strategy has been produced and was approved in December 2024. This addresses all Members and Committees. The Audit Committee is to be combined with the Standards Committee in 2025/26, including two independent Members.</p>
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**Governance – Organisational and leadership capacity**  
Resolved

<p>Significant changes are planned. It will be important that strong processes are in place to secure the intended benefits from these decisions</p>	<p><b><u>Recommendation</u></b>  The Council should build strong organisational and leadership capacity to oversee the high-profile changes it is currently managing. This will include building risk management and project management skills; learning from partners; engaging specialist technical support; reviewing arrangements for governance, oversight and budget monitoring; and capturing financial impacts of the medium-term financial plan.</p> <p>When the changes involve bringing new staff in-house to join the existing workforce, there will be other considerations as well. Arrangements for governance and oversight over teams; performance monitoring; skills, capacity and training will need to be aligned both during the transition and, on a permanent basis, afterwards</p> <p><b><u>Management comment</u></b>  CBC will continue to develop a leadership and management team that embeds the consideration of the risks and measures of mitigation as part of its business-as-usual activities and within any change/transformation projects. Consideration will also be given on what further training and support colleagues needs to ensure that CBC continue to strengthen an organisational culture with an</p>
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understating of risk, governance, change/transformation and financial management at its core.

**Arrangements in place during 2023-24**

The 2022 Peer Review concluded similarly. The Peer Review Action Plan was presented to the Overview & Scrutiny Committee in January.

**Governance – Overview and Scrutiny Committee Approach**

The OSC does not perform its function of holding the Cabinet to account as well as it could because it does not have a forward plan that mirrors that of the cabinet, which undermines its identity to challenge the cabinet. There is evidence that it does not make the best use of its call-in powers.

**Recommendation**

The Council should take a more strategic approach to the work the Overview and Scrutiny Committee (OSC), including developing an OSC Forward Plan which aligns with the Cabinet's Forward Plan. The Committee should also make full use of its pre- and post-decision call-in powers to strengthen its ability to act as critical friend to the Cabinet.

**Management comment**

Since the Audit, OSC have exercised their power of call-in demonstrating the vital role that scrutiny plays in our decision-making process. Whilst OSC do have a work plan and do review the executive forward plan, it is acknowledged that forward plans are not aligned. A review of OSC work plan will take place following the council elections in May 2024.

**Arrangements in place during 2023-24**

The Overview & Scrutiny Committee has a forward plan which is reviewed as a standing agenda item at each meeting.

**Governance – Updating of the Council Constitution.**

Constitution requires updating and appropriate resource mix will be important.

**Recommendation**

The Council should review and revise its Constitution to ensure it is fit for purpose and reflects current governance arrangements. The Council should obtain specialist advice and support to ensure that the Constitution is revised and updated in a timely way.

**Management comment**

As acknowledged in the report a constitution working group has been set up, led by the monitoring officer, and a significant amount of work on updating the constitution has now been undertaken, including a complete review of appendices, updates to the scheme of delegation, revised financial procedure rules and the introduction of a council budget meeting protocol. Work continues, at pace, on review and revision and we are satisfied with the progress being made.

**Arrangements in place during 2023-24**

A Constitution Working Group is now operational and has run throughout 2023/24. The Group focus on different areas of the constitution with relevant decisions on changes being presented to Council for approval.

### Improving economy, efficiency and effectiveness – Reporting of waivers

23 waivers were issued in 2021/22 and 10 in 2022/23. All were appropriately authorised and included full descriptions of services required and reasons for the waiver. No evidence that these waivers are overseen by members. Urgency was often cited as a reason for waiver.

#### Recommendation

Consideration should be given to reporting waivers to an appropriate committee on at least an annual basis.

The report should include the number of waivers compared to recent years, these services procured and the reason why the waiver was approved.

#### Management comment

All waivers that are authorised on the ground of 'urgency' are reported to the next available Cabinet meeting, and all contracts are published by way of formal decision notice.

The Council will review the mechanisms available through our new performance management software to capture the number of waivers compared to recent years. The services procured and the reason why the waiver was approved. Once agreed the Council will determine which committee this information should formally be reported to.

#### Arrangements in place during 2023-24

Work has been ongoing to reduce the numbers of waivers used to support procurement decisions. An Internal Audit was undertaken in 2023/24 which is evidenced in Audit Committee papers. Waivers are used much less frequently now and are reported as decisions on the external website.



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