

# Auditor's Annual Report on Cotswold District Council 2021/22

16 June 2023



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

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



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

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# Executive summary



## Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	Risk of significant weakness identified	No significant weaknesses in arrangements identified, but 2 improvement recommendations made	No significant weaknesses in arrangements identified, but 4 improvement recommendations made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 1 improvement recommendation made	No significant weaknesses in arrangements identified, but 4 improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 2 improvement recommendation made	No significant weaknesses in arrangements identified, but 3 improvement recommendation made	↔

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

We recognise that these judgements relate to 2021/22 and that inevitably arrangements across all these areas will have evolved since the period for which these judgements relate. We have sort to reference further developments in the detail of this report where appropriate but have based are assessment above on the period in question.

# Executive summary



## Financial sustainability

The Council, like others, continues to operate in an uncertain financial environment. The Council understands the financial risks it faces particularly in respect of its key income streams, the impact of inflationary pressures and the need to identify and then delivery savings over the medium term. The Council has put in place appropriate measures, including the recent formation of a cabinet transformation working group, to support financial sustainability.

As part of our initial audit plan, we identified a risk of significant weakness in relation to financial sustainability reflecting the uncertainty regarding local government funding in the medium term. Our subsequent work has not identified any significant weaknesses in arrangements to secure financial sustainability but has identified four improvement recommendations. Further details can be seen on pages 16 to 19 of this report.



## Governance

The Council enhanced its governance arrangements during 2021/22 through a review of the Council's constitution and the introduction of a revised Risk and Opportunity Management Strategy, with further development of the Council's governance and control environment planned as part of the Council's corporate peer challenge 2023 action plan. Our work has not identified any significant weaknesses in arrangements but has identified four improvement recommendations. Further details can be seen on pages 25 to 28.



## Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. The Council is seeking to significantly develop its benchmarking and performance management activities whilst also assessing key partnership arrangements. These planned areas of focus will help strengthen arrangements for improving the way the Council delivers its services. We have identified three opportunities for improvement which are set out on pages 33 to 35.



As at the 30 May 2023 our work on the Council's financial statements is substantially complete.

We are, however, awaiting the resolution of a national issue in respect of the net Pension Liability.

Subject to the satisfactory resolution of this outstanding issue we anticipated giving an unqualified opinion on the Council's financial statements for 2021/22.

Our findings are set out in further detail on pages 38



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

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our work on the Council's financial statements is substantially complete. We are, however, awaiting the resolution of a national issue in respect of the net Pension Liability. Our findings are set out in further detail on page 38.

## Statutory recommendations

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

We did not issue 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 did not issue a public interest report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply to the court.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for judicial review.

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

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

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

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

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



## Financial Sustainability

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



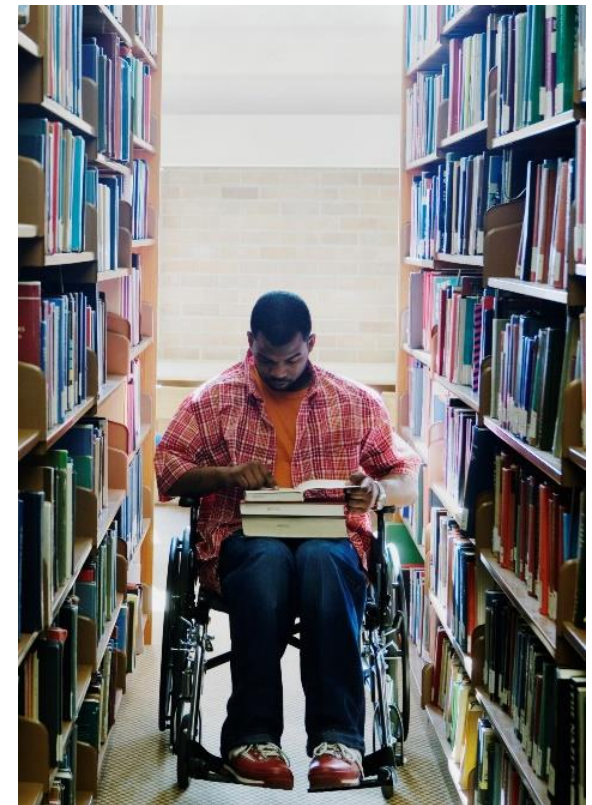
## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 35. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Outturn 2021/22

The Council's Cabinet, on 04 July 2022, considered the Financial, Council Priority and Service Performance Report 2021/22 - quarter four, and this included the Council's general fund provisional outturn for the financial year 2021/22. The provisional outturn was an underspend of £0.018m, and the associated report included detailed explanations of significant variances, and a full list of all budget variances formed an appendix to the main report which supports transparency and is in line with good practice.

Significant budget variances included a £0.74m under recovery of car parking income for the financial year 2021/22 which reflected the ongoing impact of Covid-19, partially offset by £0.24m of grant funding from the government income compensation scheme for lost sales, fees and charges.

Higher rates of recycling during 2021/22 resulted in £0.3m more income than originally budgeted, additionally the paid subscriptions to the Council's garden waste collection service were also higher than the original budget estimate resulting in £0.15m of additional income to the Council. Due to additional waste being presented by households during 2021/22, and in response to Covid-19 health and safety requirements, environmental service contract costs were £0.15m overspent for 2021/22.

The provisional 2021/22 outturn also detailed that Revenues and Housing Services were £0.38m overspent, reflecting the impact of Covid-19 on this service area with significant contributors to this overspend being increased temporary accommodation costs, additional costs to support residents facing financial hardship and an under recovery of overpayment and court cost income.

The Council was part of the Gloucestershire Business Rates Pool during the financial year 2021/22 which resulted in £0.35m of additional income.

This additional income was transferred to the Council's Priorities Fund, an earmarked reserve to provide revenue funding to projects that support the delivery of the Council's corporate priorities, representing a practical strategy to fund future initiatives that support delivery of the Council's Corporate Plan 2020-2024.

## 2022/23 Budget

On 16 February 2022 full Council considered the medium-term financial plan and budget report for 2022/23. The report clearly set out the impact to the Council of the local government financial settlement for the financial year 2022/23 which had been confirmed on 7 February 2022. This included a lower tier services grant of £1.43m, a new homes bonus payment of £0.81m, rural service delivery grant of £0.63m and a one-off services grant of £0.12m. The Council's income from retained business rated increased to £3.46m, an increase of £0.18m in comparison to the previous financial year. The budget report stated that the 2022/23 core Government funding represented an overall reduction of £0.22m in comparison to 2021/22.

The 2022/23 budget report set out the Council Tax base which had increased by 0.8% compared to the previous year, which was lower than the 1.2% increase that had previously been assumed within draft budget proposals considered by Cabinet on 4 October 2021, this lower rate of growth was due to a rise in the number of single person households, an increase of Local Council Tax Support payments and slower than predicted housing growth. The Council's 2022/23 budget recommended an annual increase of £5 per band D property, which combined with the tax base growth would result in overall increase of £0.25m in income from Council Tax in compared to the previous year.

# Financial sustainability (Cont'd)

The 2022/23 budget report included a detailed assessment of the impact of inflation on salaries and contracts supported by external inflation forecasts to inform the Council's budget assumptions which represents good practice.

The Council's 2022/23 budget included a 2.5% inflationary increase in pay for Council, Publica employees and allowances for members for 2022/23. Pay inflation for Ubico Limited, the Council's environmental services company, was separately assessed with inflation growth of £0.35m being reflected in the 2022/23 budget.

Total Council wide inflationary pressures, including pay and contracts, were £0.83m for 2022/23 with the budget report highlighting a potential risk of further inflationary increases during 2022/23, with an intention for the Council to meet any additional inflation cost over and above the existing provision from unallocated general fund reserves representing a practical risk mitigation strategy, in the short term, to rising inflationary pressures.

The impact of Covid-19 continued to impact the Council's financial planning with the 2022/23 budget forecasting a £0.4m reduction in car parking income and increased contract costs of £0.36m for additional recycling and garden waste collection rounds.

Other significant growth items for 2022/23 included £0.097m to fund additional posts including a full-time monitoring officer, adding further capacity to the Council's senior leadership team, and a permanent resource to support economic development to help assist economic recovery within the district following the Covid-19 pandemic. The Council also recognised the importance of data security controls and the 2022/23 budget included a growth item of £0.007m for ICT software and cyber security enhancements.

The Council owns several commercial properties held as investments that generate income to support the revenue budget. The 2022/23 budget report forecast the Council would receive £0.561m of commercial property investment income in 2022/23 which represented an increase of £0.134m from the previous year. This increase in income resulted from the refurbishment of a commercial property asset, prior to 2022/23 rental income from this asset had been placed in a reserve to fund the repairs. The strategic management of the Council's assets including those held as commercial investment is covered later within this section.

The Council's medium term financial plan and budget report for 2022/23 included and annex of all the responses received from a public budget consultation that had been held between October and November 2021.

The 2022/23 budget report also explained how the Council had extensively promoted the budget consultation resulting in 33% more responses than the previous year and that the responses received had been considered by cabinet and helped inform budget decisions.

The Council's active promotion of the 2022/23 budget consultation, the assessment of feedback and publication of all responses within the 2022/23 budget reports demonstrates the Council willingness to engage the public in the budget setting process, supports transparency and represents good practice.

## Capital Programme

On 24 February 2021 full Council considered the Medium Term Financial Plan (MFTP) and Budget Report 2021/22 which included the Council's proposed capital projects over a four-year period between 2021/22 to 2024/25, with a planned total capital expenditure of £74.8m for the period.

Capital projects for 2021/22 had an original budget of £18.32m which was funded by a combination of grant funding, capital receipts, and borrowing. Planned capital projects included leisure facility improvements (£1.58m), private sector housing adaptations (£0.75m), digital development within services (£0.55m) and provision of electric vehicle charging points (£0.15m), these capital project demonstrated alignment to the Council's corporate priorities. The 2021/22 capital programme included £15.2m of capital provision in relation to potential schemes falling within the scope of the Council's Recovery Investment Strategy 2020-2024.

On 04 July 2022 Cabinet considered the Financial, Council Priority and Service Performance Report 2021/22 - quarter four, and this included the Council's provisional capital outturn for the year. Actual capital expenditure for 2021/22 was reported as £2.6m against a revised capital budget of £26m. The revised capital budget reflected the Council's approval of capital schemes relating to decarbonisation works and property acquisitions.

Significant contributors to the capital project slippage included:

- £15.2m - Recovery Investment Strategy
- £4.3m - Strategic property acquisition
- £1.2m - Investment in Cirencester leisure centre
- £0.6m - Installation of electric vehicle charging points



# Financial sustainability (Cont'd)

## Capital Programme (Cont'd)

The absence of approved schemes falling within the scope of the Council's Recovery Investment Strategy (which is discussed later in this section) represented the majority of capital project slippage during 2021/22. The Recovery Investment Strategy 2020-2024 was approved by full Council on 23 September 2020 however the supply of suitable schemes was slowed by the economic impacts of the Covid-19 pandemic.

As part of our work, we have analysed the Council's actual capital expenditure in comparison to the capital budget for the financial years 2017/18 to 2021/22 as per Figure 1 below:

	2017/18	2018/19	2019/20	2020/21	2021/22
Actual Capital Expenditure (£m)	2.3	1.6	7.6	3.2	2.6
Capital Budget (£m)	5.2	12.8	16.6	11.0	26
% of budget utilised	44%	13%	45%	29%	10%

**Figure 1. Capital budget utilisation 2017/18 – 2021/22 (£m)**

Figure 1 shows that the Council has historically underutilised its capital budget over the last 5 years.

Discounting the impact of the Covid-19 and the scaling up of the Council's capital projects from 2020/21 – 2021/22, the Council committed on average 34% of the total capital budget for the period 2017/18 to 2019/20.

We are aware the Council has committed to review some elements of its capital activities as part of the Local Government Association (LGA) corporate peer challenge 2023 action plan report, considered by full Council on 18 January 2023.

We recommend the Council widens the scope of its planned review of capital project activities, during 2023/2024, to identify areas that could be enhanced to support the timely delivery of all capital projects.

This should include a review to:

- ensure effectiveness of the Council's current capital project planning, approval, and prioritisation process.
- review the appropriateness of the profile of each existing capital project spend.
- assess the resources, internally and externally, which are needed to manage the Council's capital projects, including finance and project management resource.
- assess the adequacy of current risk management, monitoring and oversight of the Council's capital projects.

## Recovery Investment Strategy

As already noted, on 23 September 2020 full Council approved the Recovery Investment Strategy 2020 – 2024. The strategy set out the financial challenges facing the Council and included reference the Council's MTFP 2020/21 – 2029/30 and an overall unfunded revenue budget gap of £4.8m to 31 March 2024.

The strategy included a delivery plan for the period 2020/21 to 2023/24 which detailed how the Council would close this budget gap through a mixture of government grant funding, increasing existing/creating new revenue streams and service efficiencies.

The strategy also set out a capital investment framework within which the Council could invest in the infrastructure of the district, whilst also providing a return on investment that covered the capital financing costs and delivered a financial return to the Council.

The Recovery Investment Strategy 2020 – 2024 detailed planned new capital expenditure of £54.2m, funded by Council borrowing, for the period 2021/22 to 2023/23 and included a requirement that capital investment schemes falling within scope of the strategy did not worsen the ongoing revenue position of the Council with any proposals needing to meet the annual revenue cost of the capital investment plus a minimum financial return of 2.5%.

# Financial sustainability (Cont'd)

## Recovery Investment Strategy (Cont'd)

On this basis the Recovery Investment Strategy assumed £1.35m of income from capital investments for the period 2021/22 to 2023/24.

On 20 July 2022 full Council approved an updated Recovery Investment Strategy 2022 – 2026 to align more fully to the Council's 2022/23 budget and MTFP 2022/23 – 2025/26 that had been approved by the Council on 16 February 2022.

The Recovery Investment Strategy 2022 – 2026 again focused on how future capital investment returns could support the Council's revenue budget. The Recovery Investment Strategy 2022 – 2026 detailed planned capital expenditure of £76.5m, funded by Council borrowing, for the period 2022/22 to 2023/24 and assumed a £5.6m revenue return on the capital investment for the same period.

On 16 November 2022 full Council considered a further report on the Recovery Investment Strategy 2022 – 2026 which recommend the strategy be cancelled and the Council should amend its capital strategy to remove the associated £76.5m of planned capital activity.

The recommendation to rescind the Recovery Investment Strategy 2022 – 2026 was based on external economic factors including uncertainty over the impacts of higher inflation, interest rates and affordability of Council borrowing. We also understand from the Council that external advice was sought in relation to proposals within the Recovery Investment Strategy 2022 – 2026.

The Council's assessment of the viability of the Recovery Investment Strategy 2022 – 2026, represents agile decision making and provides evidence of the Council's willingness to review the appropriateness of previous Council decisions.

The rescinding of the the Recovery Investment Strategy 2022 – 2026 does have implications to the Council's MTFP 2022/23 - 2025/26 specifically in relation to the assumed revenue returns from the proposed capital expenditure of £5.6m for the period 2022/23 – 2025/26.

The report of 16 November 2022 to full Council, rescinding the Recovery Investment Strategy 2022 – 2026, acknowledged the need for the Council to now develop a savings programme that mitigates the risk to the Council's financial resilience. The Council's development of a new savings is covered in more detail later in this section of the report.

## Fees and Charges

On 24 February 2021 full Council considered the Council's Medium Term Financial Strategy and Budget 2021/22 report. This report included proposals to increase discretionary fees for waste services and car parking charges, however a full schedule of all fees and charges, both discretionary and statutory, was not included. On 16 February 2022 full Council considered the Council's Medium Term Financial Strategy and Budget 2022/23 report and again this report included proposals to increase discretionary fees for waste services and specific car parking charges but did not include a full schedule of all the Council's fees and charges.

We understand from the Council that for the financial years 2021/22 and 2022/23 all statutory fees and charges were increased in line with legislation however, only specific discretionary fees and charges were increased, and a complete review of fees and charges was not undertaken. The Council's budget reports for 2021/22 and 2022/23 did not explain any instances where the Council had decided to not increase fees and charges and the implications of this decision on projected income to the Council.

We have not raised this as an improvement recommendation as on 6 February 2023 Cabinet considered a report of fee and charge setting proposals for 2023/24, presented by the Council's recently appointed Deputy Chief Executive and Section 151 officer. This report included a full schedule of fees and charges, the report described in detail any proposed changes and included reference to the financial implications of such changes which supports transparency and follows good practice.

## Medium Term Financial Strategy 2022/23 – 2025/26 and Savings

On 16 February 2022 full Council considered the Council's medium term financial strategy (MTFS) report, as part of the 2022/23 budget setting process, the MTFS covered a four-year period which supports effective financial planning and follows good practice. This MTFS report set out how Council would deliver a balance budget for each year of the strategy whilst delivering the Council's corporate priorities. The MTFS report detailed a wide range of factors and risks that has been considered in the formation of the MTFS report and these included the impact of inflation on pay and contracts with the MTFS assuming of 2.5% inflationary increase for the MTFS period, the impact of Covid-19 on income with the MTFS assuming Council's income from sales, fees and charges will return to pre-pandemic levels from 2024/25 and an assessment of the ongoing uncertainty of future local government funding from central government.

# Financial sustainability (Cont'd)

## Medium Term Financial Strategy 2022/23 – 2025/26 and Savings (Cont'd)

The MTFS assumed central government funding, received, or retained by the Council, would reduce for the period 2022/23 to 2025/26 as per Figure 2 below:

	2022/23	2023/24	2024/25	2025/26
Overall Central Government funding (£m)	6.469	4.486	3.581	2.654
Forecast Reduction in Central Government funding from prior year (£m)	0.227	1.983	0.905	0.927

Figure 2 – MTFS 2022/23 – 2025/26 forecast central government funding

Figure 2 shows that the Council assumed that central government funding would significantly reduce by a total of £4.04m for the period 2022/23 – 2025/26 and the outcome of the governments fair funding review and the business rates baseline reset would begin to negatively impact the Council from 1 April 2023.

Councils continue to operate with a lack of funding certainty in part due to continued delays to the fair funding review and the implementation of the business rate baseline reset but also due to external factors such as inflation and rates of economic growth which could lead to different financial scenarios.

The Council's MTFS 2022/23 – 2025/26 report did not detail and assess different financial scenarios in relation to levels of central government funding for local authorities or other elements of financial variance such as inflation, the rate of Council Tax growth and the impact of decisions that could be taken in respect of the level of Council Tax charged.

An improvement recommendation is made for the Council to introduce wider financial scenario planning within its MTFS and to include such information in annual budgeting setting reports.

Assessing the reasonable best, worst and optimum financial scenarios when setting the Council's budget and medium-term financial plans would enhance the Council's strategic financial planning and support the Council's financial sustainability, and flexibility, to accommodate a range of potential scenarios.

The Council MTFS 2022/23 to 2025/26 included savings targets to balance the revenue budget for the MTFS period as per Figure 3. Savings 2022/23 – 2025/26 below:

	2022/23	2023/24	2024/25	2025/26	Total
Savings (£m)	0.822	3.824	2.062	2.160	8.868

Figure 3 Savings 2022/23 – 2025/26 identifies the Council planned £8.868m of savings over the MTFS period. The Council explained, within the MTFS 2022/23 – 2025/26 report, the savings targets would be delivered by a mixture of policy changes, efficiency savings, fee increases and investment returns with a plan for the delivery of the savings detailed in the Council's Recovery Investment Strategy. However, as already referenced in this report on 16 November 2022 full Council considered a report that recommended the Recovery Investment Strategy was cancelled which has impacted the Council's planned delivery of savings. On 15 February 2023 the full Council considered the 2023/24 revenue budget, capital programme and medium term financial strategy 2023/24 – 2026/27. The MTFS 2023/24 – 2026/27 included revised savings and transformation plan items as per Figure 4 below:

	2023/24	2024/25	2025/26	2026/27	Total
Savings and transformation plan items (£m)	1.510	2.358	3.323	3.351	10.542

Figure 4. Savings and transformation plan items 2023/24 – 2026/27, shows the Council plans to deliver £10.542m of savings over the MTFS period, however this level of savings does not balance the revenue budget for the MTFS period. The budget gap within the MTFS 2023/24 – 2026/27 is identified in Figure 5 below:

	2023/24	2024/25	2025/26	2026/27	Total
Budget Gap (£m)	0.860	0.206	1.822	3.025	5.913

Figure 5 budget gap MTFS 2023/24 – 2026/27 identifies that the Council is required to close a budget gap of £5.913m, after the delivery of £10.54m of savings, over the MTFS period.

# Financial sustainability (Cont'd)

## Medium Term Financial Strategy 2022/23 – 2025/26 and Savings (Cont'd)

For 2023/23 the Council set a balanced budget, after the utilisation of reserves, and we understand from the Council that a Cabinet Transform Working Group was formed in February 2023 and is developing a revised approach to the Council's savings programme to address the budget gaps identified over the remaining MTFs period.

The Council's new Deputy Chief Executive and Section 151 Officer has highlighted, within the 2023/24 revenue budget, capital programme and medium-term financial strategy 2023/24 - 2026/27 report to full Council on 15 February 2023, that the Council needs to place a focus on identifying and approving future savings during 2023/24.

This will help ensure the Council is able to maintain financial sustainability over the current MTFs period and the development of additional saving plans is an area of that will be followed up on in more detail within the 2022/23 Auditors Annual Report.

## Reserves

On 24 February 2021 full Council considered the Council's Medium Term Financial Strategy and Budget 2021/22 report, which included a statement in respect of the adequacy of the Council's reserves and a recommendation, from the Chief Finance Officer, that the Council should hold a minimum general fund unallocated reserve balance of £1.75m which represented 14% of the Council's net revenue budget.

The 2021/22 budget report stated that general fund unallocated reserves were forecast to be £2.29m of 31 March 2022, 18% of the 2021/22 net revenue budget. The Council's minimum level of unallocated general fund reserves represented a practical risk mitigation strategy especially considering the ongoing impact of Covid-19 on the Council's financial planning for 2021/22 and is good practice.

The Council's earmarked general fund reserves of £12.6m includes a corporate priorities fund reserve being available for investment in initiatives which support delivery against the Council's priorities, planned expenditure from this reserve in 2021/22 supported civic pride initiatives, additional waste and recycling provision and funding to support the Recovery Investment Strategy and economic development demonstrating close alignment with the Councils corporate plan 2020-2024 which is good practice.

On 5 December 2022 Cabinet considered the Financial, Council Priority and Service Performance Report – 2022-23 Quarter Two which explained the Council was facing budget pressures that were impacting on the 2022/23 budget, which included inflation, energy costs and interest rates, resulting in a forecast budget outturn variance of £1.38m which would be funded by general fund reserves.

Within this report the Council stated it had sufficient reserves to support the revenue budget in the short term however action need to be taken to ensure that the Council is financially sustainable over the MTFs period and the Financial, Council Priority and Service Performance Report – 2022-23 Quarter Two included several recommendations to address the projected variance including:

- Delivery of contract efficiencies and cost savings must be a priority over the remainder of the financial year
- The allocation of any one-off income or cost savings is allocated to a new financial resilience reserve
- As part of the final budget preparation process for 2023/24, a review of the reserves and balances strategy is undertaken to consider the adequacy of reserves in light of the financial risks faced by the Council.

The Council has taken proactive action to strengthen its level of reserves and is actively assessing the adequacy of reserves to meet future financial uncertainties. The sustainability of Council reserves is an area that will be assessed in more detail within our 2022/23 Auditor's Annual Report.

# Financial sustainability (Cont'd)

## Alignment of Financial and other Corporate Plans

### Corporate Plan 2020-2024

The Council's Medium Term Financial Strategy and Budget for 2021/22, as agreed by full Council on 24 February 2021, had direct alignment to the priorities within the Council's Corporate Plan 2020-2024, for example the budget for 2021/22 included:

- Proposed capital project investment to support the delivery of new social housing, green energy projects and installation of charging points for electric vehicles. Additionally, revenue implications from the proposed capital projects were identified within the Council's Capital Strategy 2021/22 demonstrating further alignment of key Council Strategies
- New revenue funding for reviewing the Council's Local Plan to make it 'green to the core'

On 6 September 2021 Cabinet considered the Financial, Council Priority and Service Performance Report – 2021-22 Quarter 1. The purpose of the report was to provide a quarterly progress update, 1 April – 30 June 2021, to Cabinet in respect of:

- Council activity supporting the Council's Corporate Plan 2020-2024.
- individual service performance.
- budget monitoring reports for the General Fund Revenue and Capital budgets 2021/22.

The collation of quarterly corporate plan activity with service and financial performance within one report further demonstrates the Council's awareness of the interdependency of these three key areas and provides an opportunity for appraisal of the Council progress in achieving in corporate priorities representing good practice.

### Workforce Strategy

The majority of the Council's workforce are employed within Publica a not-for-profit company wholly owned by the Council, Forest of Dean District Council, West Oxfordshire District Council and Cheltenham Borough Council. The Council has small number of retained officers including statutory posts. The Council and Publica do not have current workforce or people strategies.

However, the Publica Business Plan 2022 – 2025 does set out the Publica's strategic priorities including those relating to the development of its workforce to support the delivery of shareholder priorities which includes Publica working toward Investors in People accreditation which was since obtained in July 2022. We have been informed by Publica a workforce strategy is being currently developed and it is intended this workforce strategy will build upon the Publica Business Plan 2022 – 2025 and the Investor in People framework.

In October 2022 the Local Government Association (LGA) conducted a peer review of the Council. The LGA feedback report included key recommendations that directly related the workforce of both the Council and Publica, these are covered in more detail within the Improving economy, efficiency and effectiveness section of this report.

The Council has responded to the key recommendations, as part of the corporate peer challenge 2023 action plan report, that was considered by full Council on 18 January 2023. However, the corporate peer challenge 2023 action plan does not include a commitment to develop a workforce strategy in partnership with Publica or for a workforce strategy to be developed for directly employed Council officers.

It is acknowledged that due to the Publica providing services to four individual Councils a workforce strategy would need to be built upon mutually agreed principles with sufficient alignment to individual shareholder priorities and financial plans, despite the need for shareholder consensus the absence of an agreed workforce strategy, aligned to the Council's medium term financial plan, increases financial risk to the Council and this is addressed within a wider improvement recommendation within this section.

### Asset Management

On 7 March 2022 Cabinet considered a report regarding changes to the Council's offices to facilitate agile working, reduce cost costs and carbon impact of the Council's operations and creating lettable space within the building to provide income to the Council. The report explained the Council's resourcing partner Publica introduced an Agile Working Strategy in August 2020, which supported a permanent shift to a hybrid working for most Publica staff and because of this change, the Council had reduced need for office space. The report proposed 35% of Council office space could now be marketed, following capital investment, to new commercial tenants. The Council's review of its physical assets in terms of future usage patterns and whether alternate use of space can support income generation demonstrates good practice. However, in our review of how the Council manages its wider physical assets we have established the Council does not have in place an Asset Management Strategy, but we understand from the Council this is planned activity.

# Financial sustainability (Cont'd)

## Alignment of Financial and other Corporate Plans (Cont'd)

Financial sustainability could be enhanced by the introduction of workforce strategies and an asset management strategy which are aligned to, and support, the Council's medium term financial strategy. We recommend the Council develops and agrees the following:

- A Publica workforce strategy, and aligned Council workforce strategy, that supports the delivery of the Council's corporate priorities and medium-term financial strategy and assists the Council to address the relevant workforce recommendations made as part of the corporate peer challenge.
- An asset management strategy that is aligned to the Council's corporate plan 2020 – 2024 and Climate Emergency Strategy 2020-2030 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's medium term financial strategy.

## Treasury Management

The Council sets a treasury management strategy annually as part of the budget setting process. The monitoring of treasury management activity is undertaken by the Council's Audit and Governance Committee. This process follows good practice and is in adherence to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice.

On 29 September 2022 the Audit and Governance Committee considered the Treasury Management Outturn Report 2021/22 which detailed the Council's treasury management activities for the financial year ending 31 March 2022. The report stated outturn for investment income received in 2021/22 was £0.39m representing a 1.2% return on an average investment portfolio of £32m. The Council's investment portfolio of £32m included £12.5m invested in pooled funds as of 31 March 2022. These pool funds generated a total return of 3.41% during 2021/22 and the capital values on these funds increased by £0.422m as of 31 March 2022.

The Treasury Management Outturn Report 2021/22 highlighted that pooled funds do introduce higher level of risk than other Council investment activities. However, the report stated the pooled funds are invested in different investment classes and therefore risk is diversified and pooled fund performance, and their suitability in meeting the Council's investment objectives, are monitored and discussed with the Council's external treasury management advisors on a regular basis representing a practical risk management strategy, supported by specialist advice and demonstrates good practice.

The Treasury Management Outturn Report 2021/22 report confirmed the Council's compliance to treasury management indicators during 2021/22, these indicators were:

- The Council's exposure to credit risk - Portfolio average credit requirement being A- (complied)
- A limit on principal sums invested for periods longer than 364 days - £12.5m limit (complied)

The use of treasury management indicators by the Council represents a reasonable risk management framework although the Council has not adopted treasury management indicator in relation to its exposure to liquidity risk. The Council's Treasury Management Outturn Report 2021/22 stated the Council held £14.7m in money market funds and call accounts and we have been informed by the Council that the call account are instant access but there is not a formal liquidity indicator set as part of the Council Treasury Management Strategy.

An improvement recommendation is made for the Council to agree and adopt an indicator of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a defined period, without the need for additional borrowing.

The adoption of a liquidity indicator would strengthen the Council's management of treasury risk, enhance existing cash flow planning, support the Council's treasury management objectives, and increase transparency.

## Local Climate Bonds

On 05 July 2021 Cabinet recommended the approval of a Council report pledging to issue a Local Climate Bond using a community municipal investment model managed by an external provider. The report explained the bonds would enable people to invest directly into the Council and receive a return on their investment and allow the Council to use the capital raised to support climate change projects within the district. The Council's proposal for a Local Climate Bond issue directly aligned with a priority within the Council's Corporate Plan 2020-2024 'responding to the challenges presented by the climate crisis' and a principles within the Council's Climate Emergency Strategy 2020-2030 including 'seek to leverage external finance, to magnify the impact of what we would otherwise achieve with our own much more limited resources', such interconnectivity and alignment of key Council plans and strategies is good practice

# Financial sustainability (Cont'd)

## Local Climate Bonds (Cont'd)

On 16 February 2022 full Council considered the medium-term financial plan and budget report for 2022/23. The report proposed that the Council issued Climate Bonds with an indicative interest rate of 1.18% for five years. The budget report also stated that the external provider fees would be charged to the revenue account and these costs would be offset by the Council paying a lower interest rate return, on the bonds, than the rate available through the Public Works Loan Board. The budget report also proposed that the final terms of the Climate Bonds, including the interest rate offered and the number and timing of investment phases is delegated to the Deputy Chief Executive in consultation with the Deputy Leader and Cabinet Member for Finance.

On 23 January 2023 the Audit and Governance Committee considered the Treasury Management Mid-Year Report 2022-23 which referred to the Climate Bonds, now named as 'Cotswold Climate Investment' and the report stated that a £0.5m bond issue had closed on 16 August 2022, fully funded by 450 investors and as 30 September 2022 the Council held a £0.5m loan administered through an external provider and this fund would projects, including installing publicly available off-street electric vehicle charging points and improving the energy and carbon performance of the Council's offices. Cotswold Climate Investment is a form of debt/loan-based crowdfunding that represents an emerging area of commercial activity for Councils. Innovative commercial activities could present new opportunities for Councils alongside increased financial risk and therefore the Council's use of crowd funding is an area that will be assessed in more detail within our 2022/23 Auditor's Annual Report.

## Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability.

Whilst arrangements are deemed appropriate we recognise that the ability to balance the revenue budget into the medium term will become increasingly difficult. The recent cancellation of the recovery investment strategy will necessitate a clear alternative to addressing budget gaps going forward. The cabinet transformation working group will have a key role to play in fulfilling this challenge. In addition continued close monitoring of delivery against budget and the need to review service delivery to reflect the changing needs of the Council's stakeholders remains critical.

We have made four improvement recommendations set out on pages 16 to 19.



# Improvement recommendations



## Financial sustainability

### Recommendation 1

We recommend the Council widens the scope of its planned review of capital project activities, during 2023/2024, to identify areas that could be enhanced to support the timely delivery of all capital projects. This should include a review to:

- ensure effectiveness of the Council's current capital project planning, approval, and prioritisation process
- review the appropriateness of the profile of each existing capital project spend
- assess the resources, internally and externally, which are needed to manage the Council's capital projects, including finance and project management resource
- assess the adequacy of current risk management, monitoring and oversight of the Council's capital projects

### Why/impact

The recommendation will help ensure capital project activities are optimally planned, managed, and delivered, reducing the level of slippage seen previously.

### Auditor judgement

We are aware the Council has committed to review some elements of its capital activities as part of the corporate peer challenge 2023 action plan report, considered by full Council on 18 January 2023. We consider the scope of the action plan should be widened.

### Summary findings

The Council has historically underutilised its capital budget and an extended review of the Council's approach to the capital project activities will help the Council identify opportunities for optimising capital project delivery and support the Council's corporate objectives.

### Management Comments

The Council will review the approach it takes to the capital estimates for schemes included in the Capital Programme. This will cover robustness of the proposed expenditure profiles.



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



# Improvement recommendations



## Financial sustainability

### Recommendation 2

We recommend the Council introduces wider financial scenario planning within its MTFS and to include such information in annual budgeting setting reports.

### Why/impact

Assessing the reasonable best, worst and optimum financial scenarios when setting the Council's budget and medium-term financial plans would enhance the Council's strategic financial planning and support the Council's financial sustainability, and flexibility, to accommodate a range of potential scenarios.

### Auditor judgement

Councils continue to operate with a lack of funding certainty in part due to continued delays to the fair funding review and the implementation of the business rate baseline reset but also due to external factors such as inflation and rates of economic growth which could lead to different financial scenarios.

### Summary findings

An assessment of financial scenarios as part of the MTFS would enhance transparency and support financial sustainability.

### Management Comments

The MTFS review and preparation process already includes the use of scenarios to model the impact of decisions and the external economic environment. The published MTFS should be viewed as the most credible view of the Council's financial position.

It is recognised that providing the scenario planning as part of the MTFS would assist members in understanding the financial risks inherent in longer-term financial planning. We will include as an Annex to the MTFS report.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 3

We recommend the Council develops and agrees the following:

- A Publica workforce strategy, and aligned Council workforce strategy, that supports the delivery of the Council's corporate priorities and medium term financial strategy and assists the Council to address the relevant workforce recommendations made as part of the corporate peer challenge
- An asset management strategy that is aligned to the Council's corporate plan 2020 – 2024 and Climate Emergency Strategy 2020-2030 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's medium term financial strategy

#### Why/impact

The development and introduction of a workforce strategy and asset management strategy would strengthen the Council strategic planning and support financial sustainability

#### Auditor judgement

A workforce strategy and asset management strategy, will support the Council to identify allocate resources accordingly which will support the Council's financial planning.

#### Summary findings

The absence of a workforce strategy and asset management strategy increase financial risk to the Council.

#### Management Comments

The Council will develop a workforce strategy in response to the broad recommendations arising from the corporate peer challenge report. The strategy will assess the workforce requirements of service delivery, Council priorities and MTFS. The Council will work in partnership with Publica and other shareholders to agree a Publica workforce strategy. The Council is preparing a new Asset Management Strategy that will support the Council's MTFS and wider objectives. This is anticipated to be considered by Cabinet in October 2023.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 4

We recommend the Council agrees and adopts a liquidity indicator to monitor the amount of cash available to meet unexpected payments within a defined period, without the need for additional borrowing.

### Why/impact

The adoption of a liquidity indicator would strengthen the Council's management of treasury risk, enhance existing cash flow planning, support the Council's treasury management objectives, and increase transparency.

### Auditor judgement

The Council's Treasury Management Strategy does not currently include a voluntary measure of liquidity and the inclusion of a liquidity measure would support the Council's financial planning.

### Summary findings

A liquidity indicator would support the Council to manage exposure to liquidity risk and optimise financial planning and treasury management activities.

### Management Comments

The Council will work with the Council's Treasury Management advisors, Arlingclose, in defining and adopting an appropriate liquidity indicator for the 2024/24 Treasury Management Strategy.



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

# Governance



## We considered how the Council:

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

## Risk Management

The Council's risk management arrangements were assessed by internal audit during 2021/22. Internal audit issued a risk management position statement in September 2021 which explained an assurance opinion had not been issued due to the level of planned improvements ongoing in respect of the Council's risk management processes, but an action plan had been agreed between internal audit and the Council, based on internal audit observations, which included the development and approval of a new risk management strategy.

The Council acted on the recommended internal audit action plan and on the 23 November 2021 the Audit and Governance Committee considered a report on a revised Risk and Opportunity Management Strategy for approval. The revised Risk and Opportunity Management Strategy described how the Council, and Publica, would evaluate and manage business risks to ensure the effective operation of the Council and support the delivery of its corporate plan. The Risk and Opportunity Management Strategy explained how risk management responsibilities were embedded throughout the Council and Publica with strategy clearly assigning specific risk management functions to roles across both organisations, including members of the Council. The layered approach to organisational risk management and the assignment of specific risk management responsibilities demonstrates good practice.

The Risk and Opportunity Management Strategy is supported by a management guide which is intended to supplement the strategy by setting out in detail the processes and procedures to be followed by officers in respect of risk management activities.

Additionally the strategy stated that training will be provided to all officers, appropriate to their level of responsibility. We understand from Publica the next risk management training for officers is scheduled for May 2023.

Internal audit conducted a follow up audit to assess the Council's implementation of agreed actions identified within risk management position statement and the follow up report, issued to the Council in April 2022, confirmed recommended actions had been completed and a risk management review would be undertaken in 2022/23 to assess the effectiveness of the new controls introduced.

The Council maintains and regularly reviews a corporate risk register which identifies key risks that may prevent the organisation meeting its business objectives alongside mitigations for those risks. Each quarter the Audit and Governance Committee reviews the corporate risk register.

The corporate risk register for quarter two 2021/22 was reviewed by the Audit and Governance Committee on 23 November 2021. The corporate risk register report identified 27 risk areas graded to determine both the likelihood and the impact of the risk occurring using a 5 by 5 evaluation criteria. Each risk was allocated a designated owner, red, amber and green (RAG) graded, and the risk register included descriptions of existing controls, mitigations or contingencies and a narrative of risk responses and further actions that were required, and each risk had a direction of travel. Minutes of this Audit and Governance Committee showed active engagement from members in assessing the Council's risks and controls demonstrating effective oversight.

# Governance (Cont'd)

## Internal Audit

Internal audit is provided by South West Audit Partnership (SWAP). SWAP can demonstrate compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having been conducted in May 2020.

Internal audit activity at the Council is reviewed by the Audit and Governance Committee quarterly. The Council's proposed internal audit plan report 2021/22 was considered by the Audit and Governance Committee on 29 April 2021. The 2021/22 internal audit plan report stated that the programme of internal audit activity for 2021/22 was informed by:

- a risk assessment, conducted by SWAP.
- the input of senior management.
- the review of the Council's risk register.

The Internal audit assessment of various source of relevant information to inform the internal audit plan is in line with good practice.

The proposed internal audit plan 2021/22 included 27 audits with the proposed programme of work to be reviewed quarterly, by the Council and SWAP, to ensure alignment with any new and emerging sector risks. The quarterly assessment of the suitability of planned internal audit coverage, to accommodate emerging risk areas, provides agility to the internal audit plan and represents good practice.

The Internal Audit Annual Report for 2021/22 was considered by the Audit and Governance Committee on 21 July 2022, this report stated that 84% of internal audits were completed, marginally below, the set target of 90%. However, 7% of planned internal audits were in progress or at review stage. This represents reasonable performance considering SWAP conducted additional added value work, not within the original work plan, to support the Council's response to the Covid-19 pandemic.

The report included the Head of the Internal Audit opinion on the overall adequacy and effectiveness of the system of internal control in operation at the Council. The opinion's conclusion was:

'on the balance of our 2021/22 audit work for Cotswold District Council, enhanced by the work of external agencies, I am able to offer a High Reasonable Assurance opinion in respect of the areas reviewed during the year'.

## Prevention and Detection of Fraud

The Council's, and the Council's resourcing partner Publica, have a comprehensive suite of policies describing the approach to minimise fraud, bribery and corruption. These include Counter Fraud and Anti-Corruption Policy, Whistleblowing Policy, Publica Business Conduct (for Publica employees last updated in 2021), Code of Conduct for Council (retained) Employees and Councillor Code of Conduct. The Code of Conduct for Council (retained) Employees is dated 17 December 2007. An improvement recommendation is made in respect of the Code of Conduct for Council (retained) employees to be updated during 2023 as this is a key document supporting the Council's approach and controls in the prevention and detection of fraud.

The Council operates a Counter Fraud and Enforcement Unit, a shared service between the Council, Forest of Dean District Council, West Oxfordshire District Council, Tewkesbury Borough Council, Cheltenham Borough Council and Publica, which provides specialist officers to investigate all allegations of internal and external fraud.

The activities of the Counter Fraud and Enforcement Unit relating to the Council are reviewed by the Audit and Governance Committee biannually. On 28 April 2022 the Audit and Governance Committee considered Counter Fraud and Enforcement Unit Report which included a proposed work plan for 2022/21 and a summary of the Counter Fraud and Enforcement Unit activities during 2021/22 which included:

- Post payment verification of business grants and test and trace support payments.
- Investigation of National Fraud Initiative data matches.
- Review of single person discounts and Local Council Tax Support claims.
- Licensing investigations.
- Support for disciplinary investigations.

The activities of the Counter Fraud and Enforcement Unit demonstrates the Council's commitment to the prevention and detection of fraudulent activities, and this demonstrates good practice.

# Governance (Cont'd)

## Budget Setting

The Council's budget setting process follows a detailed project plan, prepared by the finance team, which sets out key budget setting actions and responsibilities which supports effective and timely planning and demonstrates good practice.

The budget setting process begins in May and includes a series of internal budget meetings between the Portfolio Holder for Finance, Chief Executive Officer, Deputy Chief Executive and Section 151 Officer within which the Council assesses and updates the existing MTFS to reflect the Council's current financial position and corporate priorities. This process was supported by external insight data regarding the local government funding outlook.

During June and July the finance team hold meetings with all budget managers, including Publica and Ubico (the Council's environmental services delivery partner), to capture relevant financial information to inform the budget setting process. These meetings identify opportunities for savings or income generation, service budget pressures, external factors that might have a budgetary impact, implications from the implementation of the corporate plan and the meetings also include a review of capital project activity, discretionary spend and earmarked reserves. The output of the meetings is captured and assessed by the finance team who then produce budget working papers that were assessed further by the Portfolio Holder for Finance, Chief Executive Officer, Deputy Chief Executive and Section 151 Officer. During September further meetings are held between the Council, Publica and Ubico with a specific focus on agreement of growth and savings items. Once agreed final budget papers formed.

The draft Medium Term Financial Strategy and Budget 2021/22 report was first considered by Cabinet on 7 September 2020, this report detailed draft revenue and capital budget proposals for 2021/22 and included a MTFS for 2021/22- 2024/25. Unavoidable budget pressures, proposed savings, Council corporate priority spending, level of reserves and an assessment of the financial risks facing the Council were all clearly set out within the report along with proposals for a public consultation.

The draft Medium Term Financial Strategy and Budget 2021/22 report was considered by the Overview and Scrutiny Committee on 1 December 2020, demonstrating early oversight of draft budget proposals. On 4 January 2021 Cabinet considered a report detailing the feedback received from the public consultation on the 2021/22 budget proposals, that had taken place between 4 November to 11 December 2020. Responses to the public consultation were published in full which supports transparency and is in line with good practice.

On 28 January 2021 Audit and Governance Committee assessed the 2021/22 draft Capital, Investment and Treasury Management Strategies, minutes of this meeting demonstrate active engagement of members with feedback from the Audit and Governance Committee, being provided to the Cabinet for consideration as part of the Council's budget setting process.

Overview and Scrutiny again assessed the draft Medium Term Financial Strategy and Budget 2021/22 report on 2 February 2021 which included details of the provisional Local Finance Settlement and the latest financial position of the Council. Cabinet, on 8 February 2022 considered the final draft report in respect of Medium Term Financial Strategy and Budget 2021/22, with the minutes of the cabinet meeting referring to the input given by both the Overview and Scrutiny Committee and Audit and Governance Committee and how such input has been taken into account in the budget setting process. On 25 February 2022 full Council approved a balanced budget based on the recommendations from Cabinet.

The Council's budget setting process is well planned and thorough, it takes into account a wide range of relevant factors and incorporates these into detailed budget reports which are then assessed through several stages of member oversight representing good practice.

## Budget Monitoring

The Council finance team resource, aside from the Council's Section 151 Officer, is provided by Publica. Publica uses a central financial management system, Agresso. Responsibility for updating budgets forecasts within the finance systems rest with the finance team although budget holders have read only access.

Quarterly meetings are held between the finance team and budget holders to complete a budget forecast and identify any variances against the original budget set, and the reasons for them. The output of these meetings are then recorded by the finance team within a system separate to the Agresso finance system. We understand from Publica that the Agresso system has not been optimised to included forecasting or collaborative planning modules and this leads to an improvement recommendation. We recommend that the finance system is optimised to remove the need for forecasting to be recorded outside of the core finance system. We also recommend, as part of the system optimisation, collaborative planning is also considered, allowing budget holders to have greater system access.

# Governance (Cont'd)

## Budget Monitoring (Cont'd)

The utilisation of forecasting and collaborative planning modules could provide further efficiency to the budget monitoring process and reduce risk of error or data loss.

The finance team prepared quarterly 2021/22 budget monitoring reports based on the meetings held with budget holders, these reports included revenue and capital budget variances and other relevant service information that provided a supporting narrative to the forecasts. The 2021/22 budget monitoring reports were reviewed by the Overview and Scrutiny Committee quarterly.

On 31 August 2021 the Overview and Scrutiny Committee considered Financial, Council Priority and Service Performance Report – 2021-22 Quarter One. The budget monitoring reports stated reasons for variances, for both revenue and capital, and included non-financial contextual information giving depth to individual variances. Additionally, a full list of all budget variances formed an appendix to the main report which is good practice. In addition to the revenue and capital budget monitoring schedule, the Audit and Governance Committee provided oversight to the Council's treasury management functions. The Audit and Governance Committee considered the Treasury Management Mid Term Report 2021/22 on 21 October 2021 and the full year Treasury Management Outturn Report 2021/22 on 29 September 2022.

## Council Decision Making

The Council operates a cabinet and Council leader model of governance, known as the executive, supported by several committees. The Council publishes on its website details of all cabinet, committee and full Council meetings, and this includes the agendas, minutes and decisions made. During 2021/22 the Council introduced live broadcasting of formal Council meetings which enhances transparency and demonstrates good practice.

The Council's constitution, published on the Council's website, sets out how Council decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people.

The Council operates a cross party constitution working group. The aims of this group includes a regular review of the Council's constitution and to make recommendations regarding proposed changes. On 5 October 2022 an extraordinary meeting of full Council considered a report, Constitution of the Council, which recommended several changes were made to the constitution following a review, conducted by the constitution working group.

The Council's review of the constitution, supported by a Constitution Working Group, enhances the Council's governance arrangements and supports the Council's duty to annually review its constitution with any necessary changes being considered by full Council.

Oversight of decisions proposed and made, by the executive is provided by the Council's Overview and Scrutiny Committee. The Overview and Scrutiny Committee met six times during the financial year 2021/22. Minutes of these meetings show a range of topics being assessed, including a meeting of the Overview and Scrutiny Committee on 01 February 2022, to consider a call-in accordance with Part 14.13 of the Council's constitution, demonstrating active participation of members and a willingness to challenge decision made by the executive. The Council also operates an Audit and Governance Committee, which provides oversight to the Council's arrangements for governance, managing risk, maintaining an effective control environment, and both financial and non-financial performance. The Council's Audit and Governance Committee met five times during 2021/22, minutes of these meetings reflect regular attendance of committee members and active member input in the examination of papers within the Audit and Governance Committee terms of reference.

As already referenced, within the financial sustainability section of this report the LGA conducted a Corporate Peer Challenge in October 2022. The report also included recommendations regarding the Council's governance arrangements as follows:

- The Council needs to reassure itself that its governance arrangements are robust
- Determine what Overview and Scrutiny is there to do and provide the appropriate support to it
- Establish a training and development programme for elected members

The Council has responded to each of the key recommendations above, as part of the corporate peer challenge 2023 action plan report, that was considered by full Council on 18 January 2023. The corporate peer challenge 2023 action plan includes a series of development actions in respect of the Overview and Scrutiny Committee and the Audit and Governance Committees and includes a plan to establish a refreshed training and development programme for all elected members.

# Governance (Cont'd)

## Council Decision Making (Cont'd)

The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the 'Audit and Governance Committees: Practical Guidance for Local Authorities and Police 2022', which deals with the function and operation of Audit and Governance Committees and represents best practice for Audit and Governance Committees in local authorities throughout the UK, the guidance also includes a self-assessment tool to identify areas of improvement, and this leads to an improvement recommendation. We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate its impact and identify areas for improvement which then can be included within the corporate peer challenge 2023 action plan.

## Appropriate Standards

On 29 September 2022 the Audit and Governance Committee considered the Council's Annual Governance Statement for 2021/22 which included reference a wide range of relevant policies, frameworks, controls that are in accordance with an effective governance framework. The Annual Governance Statement for 2021/22 also included an action plan of activity to be undertaken during 2022/23 to further develop the Council's governance arrangements which represents good practice. During the same meeting the Audit and Governance Committee considered the 2021/22 annual report of standards issues, including complaints against members.

The report detailed that there had been seven member complaints received during 2021/22, the majority of which were either withdrawn, or had no further action taken, with all member complaints being investigated in line with the Council's Member Code of Conduct, which forms part of the Council's constitution and adopts the Local Government Association Model Code of Conduct which demonstrates good practice.

The Council's constitution includes gifts and hospitality guidelines for members and officers, and these clearly set out expectations, procedures, and monitoring controls. Member gifts and hospitality declarations are published under each member's profile on the Council's website which supports transparency.

Publica, the Council's resourcing partner, introduced during 2021/22, an online gifts and hospitality declaration process for officers which is managed and overseen by the Human Resources team.

The Council has a register of Data Breaches that is updated regularly, and we have reviewed the register and can find no evidence of significant data breaches during 2021/22. In completion of the Annual Auditors Report for 2021/22 we have found no evidence of breaches of legislation or regulatory standards during the 2021/22 year nor is there evidence of significant or repeated departure from regulatory or statutory requirements or professional standards.

## Finance function capacity

As set out on page 39 of this report the Council has a track record of producing complete, accurate and timely draft financial statements. The scope of external audit challenge has increased in recent years and the 2021/22 audit has highlighted the lack of capacity within the Council's finance function. Specifically as reported in our ISA260 Audit Findings Report, in our view, there is not sufficient skilled finance expertise below the Section 151 officer and Chief Accountant to support the multiple responsibilities of a local Government finance team. The reliance on the Chief Accountant, who has taken on almost sole responsibility for supporting the external audit process, means that timely audit completion is compromised.

We recommend that the Council strengthen its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. We have made four improvement recommendation which are set out on pages 25 to 28.



# Improvement recommendations



## Governance

### Recommendation 5

We recommend the Code of Conduct for Council (retained) employees (2007) is updated and agreed during 2023 as this is a key document supporting the Council's approach and controls in the prevention and detection of fraud.

### Why/impact

The Council's code of Conduct for (retained) Employee's is a key document describing the Council's expectations and controls in respect of retained employee conduct.

### Auditor judgement

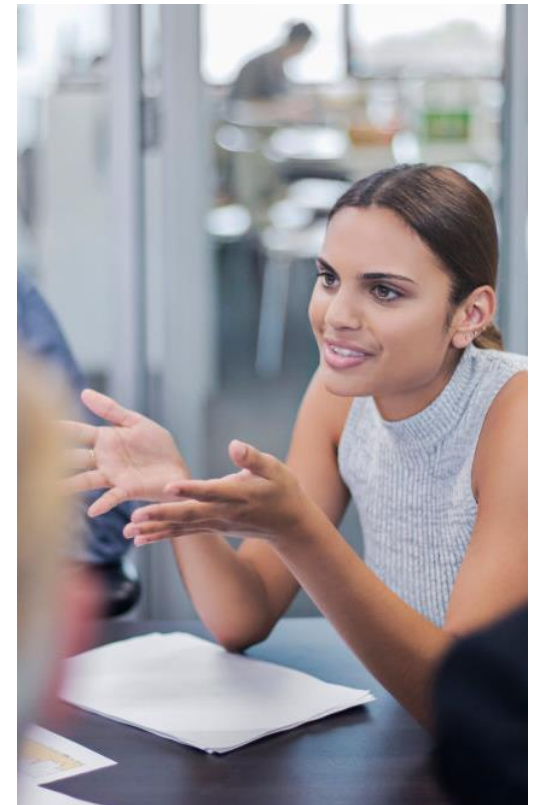
The Council's Code of Conduct for (retained) Employees should be current and aligned to current risks, themes and organisational values.

### Summary findings

The Council's governance arrangements would be improved by updating the Code of Conduct for (retained) Employee's.

### Management Comments

Publica employed staff 'fall under' their Code of Conduct (2021). The Council is reviewing the 2007 Code of Conduct in light of the Publica document and will adopt an updated Code of Conduct for Council (retained) employees by December 2023.



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

# Improvement recommendations



## Governance

### Recommendation 6

We recommend that the finance system is optimised to remove the need for forecasting to be recorded outside of the core finance system. We also recommend, as part of the system optimisation, collaborative planning is also considered, allowing budget holders to have greater system access.

### Why/impact

The utilisation of forecasting and collaborative planning modules could provide further efficiency to the budget monitoring process and reduce risk of error or data loss.

### Auditor judgement

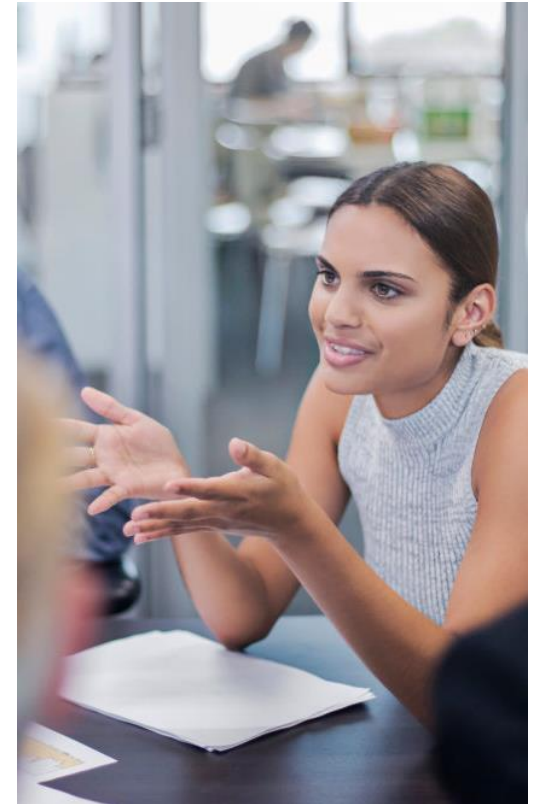
The use of two separate systems to record budget monitoring could increase risk to the Council in its management of financial data. Also budget holders have limited access to the finance system. Increasing finance system permissions to budget holders, as part of the finance system optimisation, could also drive efficiencies for the Council.

### Summary findings

The Council's finance system requires optimisation to reduce risk and support efficient processes.

### Management Comments

Council and Publica are working in partnership on an improvement plan/roadmap for Agresso financial system. This will focus on improving the financial reporting and forecasting processes. The Council will agree a roadmap and investment requirement over coming months and consider as part of budget setting process for 2024/25.



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

# Improvement recommendations



## Governance

### Recommendation 7

We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate its impact and identify areas for improvement.

### Why/impact

A self assessment exercise could identify further areas of Audit and Governance Committee development that could then strengthen planned activity within the Council's corporate peer challenge 2023 action plan.

### Auditor judgement

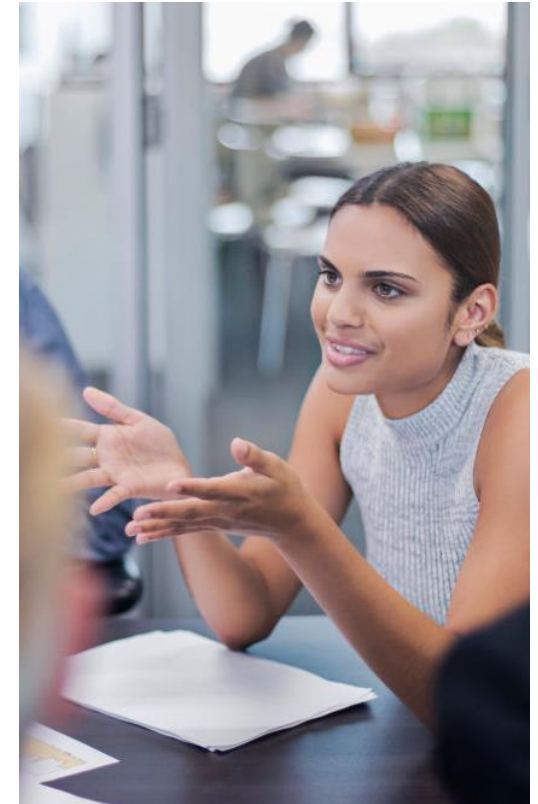
The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the 'Audit and Governance Committees: Practical Guidance for Local Authorities and Police 2022', which deals with the function and operation of Audit and Governance Committees and represents best practice for Audit and Governance Committees in local authorities throughout the UK, the guidance also includes a self-assessment tool to identify areas of improvement which could be utilised to support the Council to strengthen its governance arrangements.

### Summary findings

The Council's Audit and Governance Committee provides effective oversight. The recommendation seeks to enhance these provisions even further.

### Management Comments

The Council will include a self-assessment exercise and report as part of the Audit and Governance Committee's workplan for the 2023/24 municipal year.



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

# Improvement recommendations



## Governance

### Recommendation 8

We recommend that the Council strengthens its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.

### Why/impact

Additional finance resource would provide additional capacity and contingency to the support the financial functions and responsibilities of the Council.

### Auditor judgement

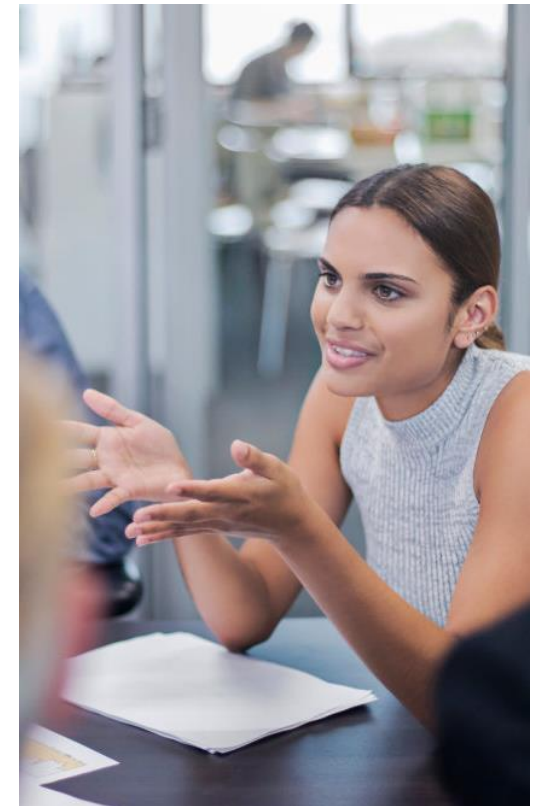
The scope of external audit challenge has increased in recent years and the 2021/22 audit has highlighted the lack of capacity within the Council's finance function. Specifically as reported in our ISA260 Audit Findings Report, in our view, there is not sufficient skilled finance expertise below the Section 151 officer and Chief Accountant to support the multiple responsibilities of a local Government finance team.

### Summary findings

The reliance on the Chief Accountant, who has taken on almost sole responsibility for supporting the external audit process, means that timely audit completion is compromised.

### Management Comments

The Council is in discussions with Publica on how the Finance Service can be strengthened including consideration of structures, staffing levels, skills and experience.



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

# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

## Managing Performance and Benchmarking

The Council's corporate plan 2020-2024 has three overarching principles, one of which is 'providing value for money for our residents and businesses' which is underpinned by a corporate plan commitment to 'deliver the highest standard of services' which demonstrates the Council's strategic commitment to delivering cost effective and performing services.

The Council has an established regime of performance management supported by oversight and governance. Each financial quarter, the Overview and Scrutiny Committee, and then Cabinet assess a Council Financial, Council Priority and Service Performance Report. This report is divided into three sections:

- Progress on actions in the Corporate Plan.
- Service performance report.
- Financial performance including budget monitoring.

The Council's Financial, Council Priority and Service Performance Report provides a comprehensive suite of information and data tracking the Council's performance across key areas.

The Council sought to strengthen its performance monitoring during 2021/22 by the formation of member led task and finish group with a remit to 'review the current data provided as part of the quarterly performance report with a view to establishing whether it is fit for purpose'.

Initial recommendations of this task and finish group were presented to the Overview and Scrutiny Committee on 21 March 2023 with recommendations to amend the presentation of individual performance indicators being considered by the Council for adoption later in 2023.

The Council's collation of strategic, service and financial performance in one report, which is then subject to oversight and scrutiny, provides ease of comparison, supports transparency and highlights the interdependency of key performance areas which demonstrates good practice.

As part of our work we have assessed indicators from the Grant Thornton and CIPFA financial benchmarking tool CFO Insights. This compares unit costs for a range of services, using revenue outturn data for 2021/22, and then benchmarks the Council's unit costs with its statistical nearest neighbours. Of the six main revenue outturn service groupings the Council's cost of provision was average or very low for housing services, planning and development, highways and transport and cultural and related services. Environmental and regulatory services and central services identified as very high in comparison to statistical neighbours, specifically in relation to cemetery services, climate change costs, flood defences, recycling, street cleansing and central services provided to the public. The 2020/21 Auditors Annual Report included an improvement recommendation for the Council to undertake a review of revenue outturn data to understand variances in unit costs with statistical neighbours, the Council responded to this recommendation and stated unit cost analysis would be implemented through the budget setting process for 2023/24.

As already referenced earlier in this report, the LGA conducted a corporate peer review of the Council in October 2022. The LGA feedback report described the Council's service delivery performance as 'mixed' in comparison to other statistical neighbours when utilising data from LG Inform, a benchmarking tool provided by the LGA and available to the Council.

# Improving economy, efficiency and effectiveness (Cont'd)

## Managing Performance and Benchmarking (Cont'd)

The LGA feedback noted that performance benchmarking had identified the Council was performing well in respect of waste and recycling rates however the Council needed to be mindful in respect of the performance, based on 2021/22 data, of revenue collection, the percentage of vacant dwellings in the district and the percentage of planning applications decided in time.

The Council has responded to these LGA recommendations as part of the corporate peer challenge 2023 action plan report, that was considered by full Council on 18 January 2023, with the Council stating it will complete the following actions:

- Initiate a (internal) value for money review to enable further benchmarking and analysis to take place.
- Re-set and revisit Publica Contract and service level agreement and key roles and responsibilities.
- Utilise 'nearest neighbour' analysis tools including LG Inform to provide a broader basis upon which to judge and manage performance and service delivery, via use of LG Inform or similar data set tools.
- Feed key performance review into overview and scrutiny work plan for performance setting metrics.
- Seek to become top quartile in terms of service delivery with regard to planning, non-domestic rates collection, vacant dwellings, council tax collected.
- Refresh target setting process, outcomes and processes to ensure that recognition of performance is broader than just Publica partner Council's.
- Ensure that Publica does not lose sight of the basics of service delivery in relation to the Publica Business Plan.

The Council's corporate peer challenge 2023 action plan report places a significant focus on the role of benchmarking data in assessing Council performance and value for money, sets a performance aspiration in respect of specific services and commits to a review of the Council's agreements with its main resourcing partner Publica. The action plan includes a timescale for commencement of individual actions but does not include specific delivery dates and this leads to an improvement recommendation.

We recommend the Council develops the corporate peer challenge 2023 action plan report to introduce a delivery timeline, for the significant actions proposed, under the performance and value for money section.

This would support the Council to drive forward its planned initiatives with pace but also help identify options that may help address the budget gaps identified in the MTFS 2023/24 – 2026/27 as already referenced within the financial sustainability section of this report.

## Significant Partnerships – Publica

As previously noted, Publica Group provides most of the Council's services.

The LGA Peer Challenge 2023 feedback report directly referenced the Council's partnership arrangement with Publica and included the following recommendations:

- Address the concerns of staff about the way they are treated by some senior leaders within the Council and the Publica organisation.
- Undertake more direct dialogue between the senior leadership of the Council and Publica in order to address the following issues:
  - The continued appropriateness of some functions remaining with Publica.
  - Where direction is set from, clarity of roles and where accountability sits.
  - How increased strategic capacity is provided to support the council.
  - Translating the political objectives into manageable deliverables.
  - Developing a focus on organisational culture and behaviour and staff well-being.

95% of officers providing Council services are employed by Publica and we particularly note that the LGA peer review has identified concerns regarding staff wellbeing, as included above.

We highlight this area as the well being of staff is a central consideration for organisational senior leaders. Fostering employee wellbeing is good for staff and the organisation. Promoting wellbeing can help prevent stress and create positive working environments where individuals and organisations can thrive.

# Improving economy, efficiency and effectiveness (Cont'd)

## Significant Partnerships – Publica (Cont'd)

The Council has committed to series of actions, as part of the corporate peer challenge 2023 action plan report, to address these wellbeing concerns which include:

- Clarifying process of member engagement with staff with reference to email communications.
- Aligning the (Publica) 'Great Place to Work' project to the Publica Investors in people programme of work to ensure consistency
- Revisiting Publica's focus on organisational culture, values and behaviours and engage and work with the Staff Forum Group.

We consider these actions will support the Council and Publica to enhance staff wellbeing and demonstrates good practice particularly in relation to staff engagement.

## Transformation – Publica

We have been informed by the Council that its recently formed Cabinet Transform Working Group will oversee, shape and hold to account the Council, Publica and other partners in relation to transformation activity across the Council, with a particular focus on ensuring that service improvements and savings are delivered in line with the corporate strategy and MTFs. We also understand from the Council that Cabinet Transform Working Group will oversee and monitor the progress of all the actions relating to Publica as part of the Council's corporate peer challenge 2023 action plan report.

We recognise the importance of transformational activity to support the delivery of the Council's corporate plan and MTFs, and that this could lead to significant changes to how services are delivered within Publica and the Council. We consider that staff engagement during transformational activity is an essential requirement especially considering the recommendation following the LGA peer review in respect of staff wellbeing. We recommend the Council and Publica implements a framework to disseminate information, regarding the Cabinet Transform Working Group, to staff in order that updates can be provided in respect of any proposed areas of transformation. Leadership from the Council and Publica in this area will strengthen transparency and support the effective operation of this key partnership.

## Significant Partnerships – SLM Leisure

SLM operate leisure and cultural facilities on behalf of the Council. The arrangement with SLM Leisure includes the payment of an annual management fee to the Council of £0.1m.

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The provider has been impacted by the Covid-19 pandemic and this has required further intervention from the Council during 2021/22. The Council's Cabinet, on 04 July 2022, considered the Financial, Council Priority and Service Performance Report 2021/22 - quarter four, and this detailed that the Council had provided £0.28m of financial support to SLM for the period April to July 2021 whilst leisure centres were closed due to Covid-19 restrictions. The report explained financial support was paid to SLM under open book arrangements and the financial support had been in part funded by grant funding of £0.1m from the National Leisure Recovery Fund. The management fee for the period April 2021 to July 2021 was also waived by the Council. The Council's intervention to support its leisure provider manage the impact of Covid -19 shows active management of the issue by the Council, aligns to a priority within the Corporate Plan 2020-2024, being 'support health and well-being' and reflects similar interventions across the sector to support leisure providers weather the impacts of Covid-19.

## Leisure and Cultural Management Option Appraisal

On 1 March 2021 Cabinet considered a report to review the findings and recommendations proposed by external consultants commissioned to develop a Leisure Strategy for the District. Within the report it was recommend that a leisure management options appraisal was conducted to determine the most suitable delivery model, contract scope and contract terms for the Council's leisure facilities and for leisure consultants to be appointed to undertake the options appraisal on behalf of the Council. To support the leisure management options appraisal process a cross party Leisure and Cultural Provision Working Group was established with the purpose of helping to determine the best delivery model for the provision of sustainable leisure and cultural activities provided in Council owned facilities.

On 9 May 2022 Cabinet considered a report in respect of the options appraisal of leisure and culture management arrangements and Cabinet granted authority for officers to commence procurement exercise for the operation of the Council's leisure and cultural facilities. As part of this process, we understand from the Council that a project board was established which included the Cabinet Member for Health and Wellbeing, Senior Officers from the Council and Publica, internal audit, legal advisors and leisure consultants.

# Improving economy, efficiency and effectiveness (Cont'd)

## Leisure and Cultural Management Option Appraisal (Cont'd)

As part of the procurement exercise, Overview and Scrutiny Committee were provided with key updates on the procurement process in October 2022 and February 2023. Cabinet, on 13 March 2023, considered the award of contracts for the management of the Council's leisure and culture facilities. The review of the Council's leisure and cultural service has been extensive, supported by external advice and underpinned by appropriate governance. The outcome of the leisure services procurement exercise will be considered in more detail within the 2022/23 auditors annual report.

### Procurement

The Council's Procurement and Contract Management Strategy is dated 2015, and we understand from the Council this is in the process of being revised with the new strategy scheduled to be considered by Cabinet in June 2023. We understand from the Council this new version will be aligned to Council's corporate plan 2020 – 2024 and climate emergency Strategy 2020-2030, will reflect the duties placed on the Council to tackle modern slavery and will also include reference to the Council's obligations from the Public Services (Social Value) Act 2013. This represents good practice.

The Council has a procurement resource online portal that provides officers with self-serve procurement advice, guidance, and resource materials including a commissioning and procurement user guide which clearly sets out procurement thresholds, roles and responsibilities and key processes. We consider the online portal is an effective way of disseminating procurement information throughout the Council.

The Council's commissioning and procurement user guide refers to the existence of a procurement board that is required to assess all new or existing contracts above a £0.1m value threshold representing an effective procurement control. The role of the procurement board is not referenced within the Council's contract procedure rules which form part of the Council's constitution. We recommend the Council reviews the contract procedure rules to ensure they fully align with developments in the Councils procurement and contract management process.

### Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have identified three opportunities for improvement which are set out on pages 33 to 35.





# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 9

We recommend the Council develops the corporate peer challenge 2023 action plan report to introduce a delivery timeline for the significant actions proposed under the performance and value for money section.

## Why/impact

This would support the Council to drive forward its planned initiatives with pace but could also help identify options that may help address the budget gaps identified in the MTFS 2023/24 – 2026/27 as already referenced within the financial sustainability section of this report.

## Auditor judgement

The Council has included commencement dates for significant actions proposed under the performance and value for money section of the Council's corporate peer challenge 2023 action plan. The additional of delivery timelines would support the Council's planned activity.

## Summary findings

The inclusion of delivery timelines within the 2023 action plan would support timely delivery of significant actions.

## Management Comments

The Council will include a delivery timeline for the significant actions arising from the corporate peer challenge. This will be included in an update on the action plan due to be considered by members in September 2023.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 10

We recommend the Council and Publica implements a framework to disseminate information, regarding the Cabinet Transform Working Group, to staff in order that updates can be provided in respect of any proposed areas of transformation.

## Why/impact

Leadership from the Council and Publica in this area will strengthen transparency, help manage change and support the effective operation of this key partnership.

## Auditor judgement

The Council has responded to recommendations within the LGA peer review relating to Publica which included concerns regarding staff wellbeing. The Council's planned actions could be enhanced by further communication and liaison with Publica staff regarding a transformational activity.

## Summary findings

The LGA Peer Challenge 2023 – feedback report directly referenced the Council's partnership arrangement with Publica and the wellbeing of Publica staff. The Council and Publica should seek to engage Publica staff more in respect of the activities of the Cabinet Transform Working Group.

## Management Comments

Cabinet Transform Working Group meetings will include a standing item on communications as part of its Agenda but conscious that some of the discussions will remain sensitive. The Council accepts the recommendation that a protocol should be in place around what/when/how to communicate.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 11

We recommend the Council reviews its contract procedure rules to ensure they fully align with the Council's procurement and contract management process.

### Why/impact

The Council's contract procedure rules form part of the Council's constitution and should align completely with procurement process and threshold requirements, such alignment will reduce risk to the Council.

### Auditor judgement

Current procurement procedures require officers to refer any contract with a value in excess of £0.1m to the Council's procurement board for consideration and oversight. This requirement is not referenced within the Council constitution.

### Summary findings

The alignment of the Council's constitution to current procurement threshold procedure will strengthen the Council's procurement arrangements.

### Management Comments

Agreed. Contract Procedure Rules are to be reviewed by the Constitution Working Group no later than December 2023. Cabinet will consider the Procurement Strategy in July 2023.



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

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The Council should carefully monitor its investment strategy so that forecast additional savings (new sources of income and reduced costs) are generated in line with the assumptions in the MTFS	Improvement	June 2022	Within the annual auditors report for 2020/21 the Council stated that management accepts the recommendation and has put in place a Capital Programme Investment Board, comprising of a cross-party group of Members to consider business cases for investment, monitor and drive delivery of the Recovery Investment Strategy	Yes	No
2	The Council should ensure continued close in year monitoring and timely corrective action will be required to ensure savings are delivered and service redesign with partners are successfully implemented	Improvement	June 2022	Within the annual auditors report for 2020/21 the Council stated that they had already commenced the refresh of the Council's MTFS and preparation for the budget in 2023/24. Engagement with the Cabinet will commence in July 2022. The Council receives monthly financial performance reports from Ubico, which will identify the impact of inflation, particularly on the cost of vehicle fuel and employee costs. Similarly, Publica provides an update on a quarterly basis to its board which is shared with Council Officers. Car parking revenue has been significantly affected by the Covid-19 pandemic as demand reduced. The income stream is reported weekly to the Cabinet Member along with other performance metrics. Information from quarterly budget monitoring is used to inform development of the budget form 2023/24 and the MTFS	Yes	No
3	The Council should consider mapping risks to corporate objectives	Improvement	June 2022	Within the annual auditors report for 2020/21 the Council stated this recommendation will be considered by the Risk Management Group of officers and management will support its implementation	Yes	No
4	To undertake a review of 2020/21 Revenue Outturn data to understand variances in unit costs with statistical neighbours	Improvement	June 2022	This recommendation will be implemented through the budget setting process for 2023/24	Yes	No

# Follow-up of previous recommendations (Cont'd)

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
5	The Council should continue to drive planned improvements with Publica, including reviewing the effectiveness of planned changes to contract monitoring, governance and reporting arrangements from Publica to key Council decision makers	Improvement	June 2022	Within the annual auditors report for 2020/21 the Council stated the Council is working closely with the Publica Executive Directors, Group Managers and Business Managers to find solutions to the financial challenges facing the Council. A Transformation working group is due to be set up to oversee the Publica Service Improvement Programme. The Chief Executive and Leader of the Council will continue to embed the improvements to governance arrangements which will make Publica more accountable for improving economy, efficiency and effectiveness	Yes	No

# Opinion on the financial statements



## Audit opinion on the financial statements

As at the 30 May 2023 our work on the Council's financial statements is substantially complete.

We are, however, awaiting the resolution of a national issue in respect of the net Pension Liability. Specifically, following the recent publication of the 31 March 2022 triennial valuation for Gloucestershire Pension Fund the updated information may require a revised calculation from the actuary. Until this is resolved we are not in a position to conclude in this area.

Subject to the satisfactory resolution of this outstanding issue we anticipated giving an unqualified opinion on the Council's financial statements for 2021/22.

## Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit & Governance Committee in April 2023. The continued delay in concluding this work is due to the outstanding national pension fund liability issue.

## Preparation of the accounts

The Council provided draft accounts in line with the agreed timetable along with supporting working papers.

There is a recognition that capacity within the finance team remains a significant issue. We are of the view that there is not sufficient skilled finance expertise below the S151 officer and Chief Accountant to support the multiple responsibilities of a LG finance team. Specifically, the reliance on the Chief Accountant, who has for a number of years taken on almost sole responsibility for supporting the external audit process, means that timely audit completion is compromised.

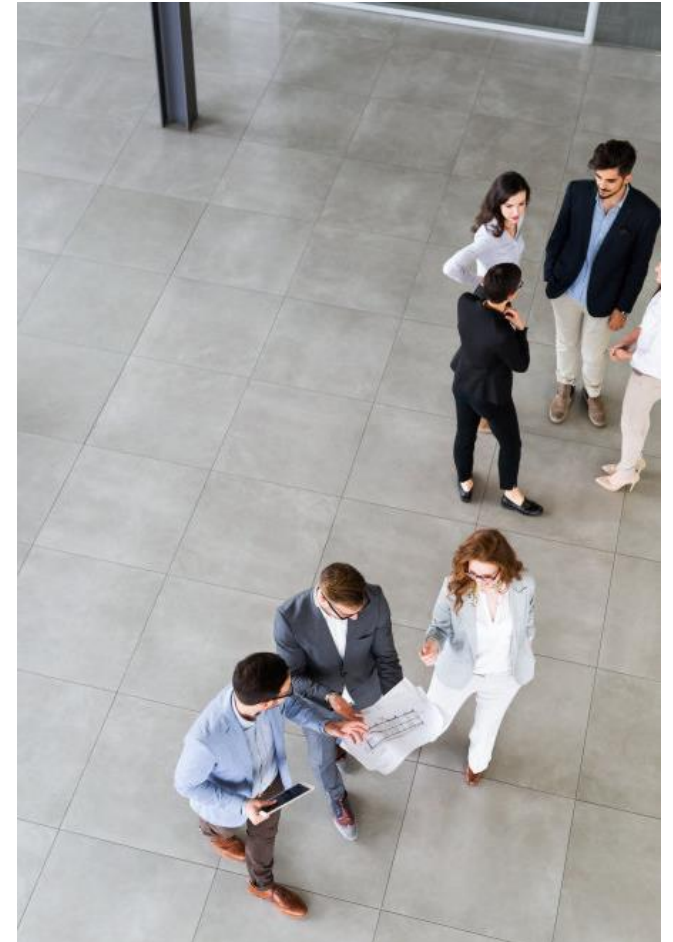
## Issues arising from the accounts

Our work to date has not identified any material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement.

The main adjustments arising as a result of the audit is in respect of carpark valuations which has resulted in a reduction of £650k to their carrying value.

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

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



# Appendices

# Appendix A – Responsibilities of the Council

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

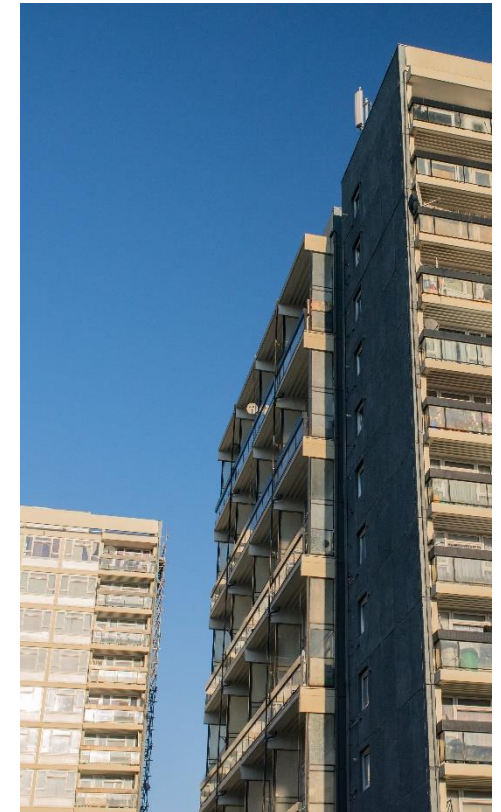
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (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 identified as a potential significant weakness during our initial planning	As part of our initial audit plan, we identified a risk of significant weakness in relation to financial sustainability reflecting the uncertainty, sector wide, regarding local government funding in the medium term and we have specifically assessed the Council's approach in managing this financial uncertainty.	Our subsequent work has not identified any significant weaknesses in arrangements to secure financial sustainability but has identified four improvement recommendations.	Appropriate arrangements in place and four improvement recommendations raised. Further details can be seen on pages 16 to 19 of this report.

# 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.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	
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	16 to 19 25 to 28 33 to 35