

Auditor's Annual Report on Tamworth Borough Council

2021/22

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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.



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

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	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but two improvement recommendations have been made. See further commentary on pages 5-7 of this report.	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but an improvement recommendation has been made. See further commentary on pages 10-11 of this report.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendations were made.	No significant weaknesses in arrangements identified, but four improvement recommendations have been made. See further commentary on pages 13-15 of this report.	↔

	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.

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).



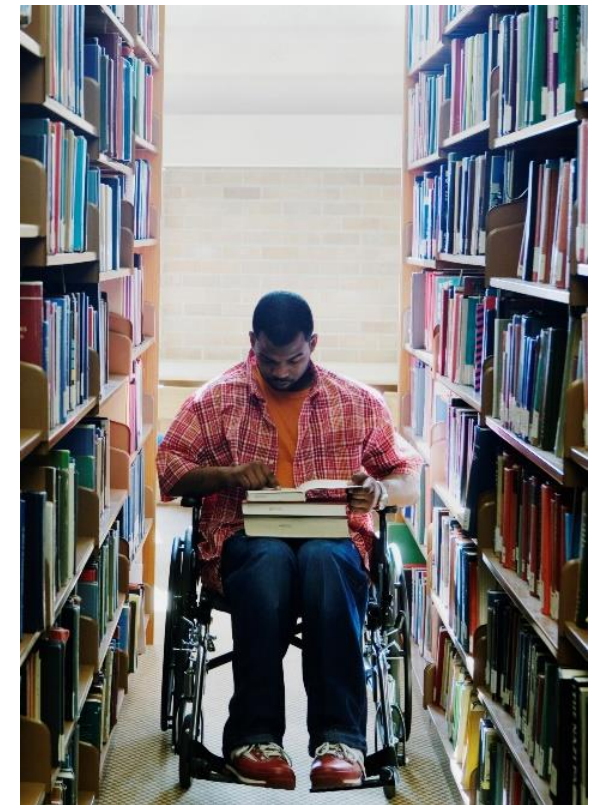
Governance

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 5 to 15.

Financial sustainability



We considered how the Council:

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

Financial outturn 2021/22

Tamworth Borough Council has historically performed well, with a track record of strong financial and budgetary management despite the challenging environment in which it is operating. The Council originally set a surplus budget for the General Fund of £0.6m for 2021/22. The Council achieved a favourable variance of £0.6m, the most significant reason for this is increased income from COVID-19 funding of £0.2m and other additional income from Marmion House. The Council originally set a deficit budget for the Housing Revenue Account of £0.3m. The Council subsequently reported a favourable variance of £0.9m which has led to a surplus being delivered at year end of £0.5m. The variance is largely due to the housing repairs contract and also that no planned maintenance was carried out in quarter four.

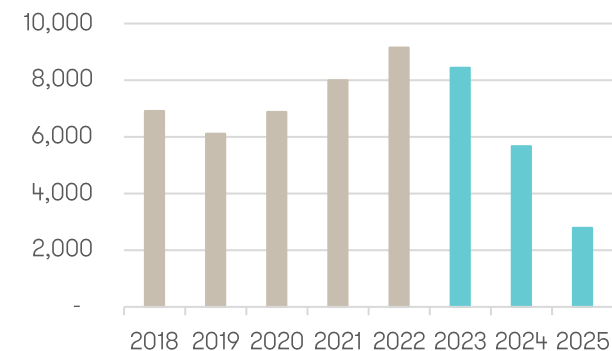
The Council had usable reserves of £57.1m at 31 March 2022 (£63.2m at 31 March 2021). This is made up of the General Fund (£9.1m), Housing Revenue Account (£5.7m), Earmarked reserves (£25.1m), and Capital reserves (£17.2m). Whilst the level of reserves remained strong at the end of 2021/22, there are significant challenges forecast within the Council's medium term financial strategy (MTFS).

2022/23 forecast outturn

The Council originally set a budget for 2022/23 of a net cost of £6.58m for the General Fund and a surplus of £2.51m for the Housing Revenue Account. The budget also identified the need for savings of £2.5m over the next 3 years. The quarter three performance report for 2022/23 has identified that the Council is currently reporting a favourable variance at

period 9 of £548k. This was largely due to treasury management and additional investment income generated. Also reported in the quarter three update is that the Council projects to have General Fund balances of £0.7m over the next 3 years. This would then enter a shortfall of £4.2m by 2026/27 and £8.8m over the 5 years to 2027/28, including the minimum approved level of £0.5m. Further savings of around £1.8m per annum will be required over next 5 years.

General Fund Balances
at 31 March (£'000)



[Source: MTFS 2022-25]

Medium term financial strategy

The MTFS was updated and presented to members in January 2022. This indicates that the Council is going to be required to make some challenging decisions in upcoming years given the level of savings which will be required in order to prevent the General Fund balances falling below the minimum approved level. The MTFS has subsequently been updated in January 2023 and reports that over the next 5 years, the Council will need to make savings of £1.8m per annum.

The headline figures for 2023-24 are:

- 4 A General Fund net cost of services of £9.6m;
- A transfer of £1.7m from General Fund balances;
- A transfer of £1m from HRA balances;
- A General Fund capital programme of £10.8m over 5 years; and
- A Housing capital programme of £38m over 5 years.

Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a quarterly basis. These are reported to the Corporate Management Team on a monthly basis and to Cabinet on a quarterly basis.

The savings required by the Council are set out within the Medium Term Financial Strategy. These are updated within the quarterly updates which are reported to Cabinet. However, our review of available papers did not

identify clear reporting on the delivery of savings against plan. Discussions with officers indicate that savings are built into budgets and monitored by service departments. Savings are only reported to members on an exception basis where they are not delivered. We consider that the Council could improve its reporting in this area by reporting a summary setting out the achievement of savings.

In recent years, the Council has relied heavily on the Reset and Recovery programme to deliver the majority of its savings. The target for the Reset and Recovery programme had been set at £3.5m over 5 years to 31 March 2022. Discussions with management identified that the Reset and Recovery programme fell short of this target by c.£1m. Going forward, the Council has identified in its latest Medium Term Financial Strategy that savings of £1.8m per annum will be required over the next 5 years.

The Council has reported back to members quarterly on the progress of the Reset and Recovery programme with a conclusion to the programme due in March 2023. At present there does not appear to be a programme in place to continue the good work of the Reset and Recovery programme and therefore we have recommended that the Council considers implementing a stage two to the programme.

We have also recommended that management continue to regularly update members on the progress on the savings schemes with sufficient detail so that members can hold management accountable where the savings plans are not being delivered in the agreed timescales.

Financial Planning

The Corporate Plan clearly sets out corporate strategic priorities, which are also referenced within the Council's financial planning. The plan provides a framework to invest in the Council's broader ambitions and long term priorities, as well as the recovery from COVID-19. We are satisfied there is a clear linkage between the Medium Term Financial Strategy and the priorities set out in the Corporate Plan.

The capital programme also supports the Council's corporate priorities. The capital programme is mainly focused on the development of the high street as part of the future high streets project. The two largest projects for the Council moving forward are the future high streets project (£11.8m) and the planned works to HRA dwellings (£21.75m). The Council has an ongoing capital programme of over £22.4m for 2022/23 and had an asset base of £272m as at 31 March 2022. There was slippage in capital spending due to COVID in 2020/2 and 2021/22, but the spending achieved does reflect the Council's priorities as set out in the Corporate Plan.

Managing risks to financial resilience

The Council has identified risks to the capital and revenue forecasts as part of the medium term financial strategy. These risks are scored as high, medium or low and given a control measure in order to reduce the risk to the medium term financial strategy. The 2023/24 medium term financial strategy has identified a shortfall in the General Fund of £8.8m over 5 years.

The majority of this shortfall will be managed by planned savings and policy changes.

Generally, we find the Council to be well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance.

Page 15 Capital

The Council has a Capital Strategy in place which is clearly linked to the priorities in the Corporate Plan. The capital programme includes spending across the future high streets project, disabled facilities grants, castle grounds tennis courts, new build housing and housing maintenance and repairs. The MTFS takes into account the revenue costs of capital expenditure and we have not identified any inconsistencies between the capital strategy and other financial plans.

The Council's five-year capital programme reported to members February 2022 details the capital programme from 2022/23 to 2026/27. This shows a significant level of capital spend, in the General Fund of £18.8m and in the Housing Revenue Account of £46.4m across the five years. The quarter three 2022/23 report details that the Council has deferred £19.2m of the 2021/22 capital programme in to 2022/23 and will look to reprofile £25.1m of this programme to 2023/24. This clearly represents a significant challenge for the Council.

During the 2021/22 financial year, the Council began its

work on the Future High Streets Project. The Council has acquired a number of assets required for the project as well as appointing expert advisers to assist with the deliver and management of the project. Management report on the financial performance of this project to members quarterly and they are closely monitored by the Executive Director – Finance.

Investments

During 2021/22 the Council maintained an average balance of £75.3m of internally managed funds. The internally managed funds earned an average rate of return of 0.28%. The comparable performance indicator is the average 7-day SONIA rate which was 0.139%. This compared with a budget assumption of £34.484m investment balances earning an average rate of 0.25%. The majority of the investments are with other Councils or Money Market Funds.

The Council also holds some more complex investments such as the Ankerside shopping centre, the risk profile of this investment has increased over the past year due to the change in ownership of the lessee. In recent years, the council have increased their investment into property funds. This has in turn increased the Council's exposure to the market. We have reviewed the Council's processes for determining which funds to invest in and are satisfied that the Council took appropriate advice. Property fund performance is reported quarterly to Cabinet (& Corporate Scrutiny Committee) and is also included as part of the three statutory Treasury reports during the year (Plan, Mid year and Outturn).

Summary of findings

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 2 improvement recommendations as a result of our review.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council needs to identify what comes next now that the reset and recovery programme has ended. There are challenges in relation to the financial position in future years and a development of the Reset and Recovery programme will help to stabilise the financial position.

Why/impact

The Council's 2022/23 budget identified the need for savings of £2.5m over the next 3 financial years, with the MTFS at the time (to 2025) showing a significant reduction in the Council's General Fund Balance (as shown on page 5).

Auditor judgement

At present there does not appear to be a programme in place to continue the good work of the Reset and Recovery programme, which was a significant programme of savings.

Management Comments

The Medium Term Financial Strategy projections are updated on a quarterly basis and reported to CMT and Corporate Scrutiny Committee, followed by approval at Cabinet, as part of the Quarterly Performance report. The development of savings plans to address the updated forecast financial position will be considered as part of the budget setting process for 2024/25.

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

Improvement recommendations



Financial sustainability

Recommendation 2

The Council should make sure that savings plans are clearly broken down and communicated to members. This should include information explaining the saving plan, the amount it is expected to save, whether the planned savings are recurrent or not, progress to date and a completion timeline.

Why/impact

Without sufficient detail, members will not be able to properly scrutinise savings plans and understand where there are risks or issues with delivery. This would impact on members' ability to appropriately challenge management.

Auditor judgement

Management should continue to regularly update members on the progress on the savings schemes with sufficient detail so that members can hold management accountable where the savings plans are not being delivered in the agreed timescales.

Management Comments

A summary of the progress in delivering the planned savings will be reported on a quarterly basis to CMT and Corporate Scrutiny Committee, followed by approval at Cabinet, as part of the Quarterly Performance report.

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

Governance



We considered how the Council:

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

Leadership, decision making and committee effectiveness

Appropriate leadership is in place. The Council operates a Leader and Cabinet form of executive arrangements. In addition, there are four scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated, and was last reviewed in December 2020. Relevant information is provided to decision makers before major decisions are made to ensure there is appropriate challenge. Scrutiny is focussed on the Council's performance against the Council's vision and there is a link between performance and finance.

The Annual Governance Statement should be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. The constitution is shared with all staff members on joining and is openly available on the Council's website.

Monitoring and assessing risk

The Corporate Risk Register is presented to Cabinet as part of the medium term financial strategy. Cabinet also consider risk as part of their decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Corporate Management Team reviews corporate risks through quarterly monitoring reports.

Key operational risks are reported through to the Corporate Management Team. Risks are identified within individual Service Plans and are considered on a regular basis within departmental management teams. The risk register is maintained on the specialist Pentana system. The risk register contains a sufficient amount of detail covering areas such as the risk matrix, risk score, severity, likelihood, risk description, consequences of the risk, vulnerabilities and causes and who is responsible for managing the risk.

The Council's understanding of and planning for risks appears appropriate.

There is an internal audit function operating at the Council and we are satisfied with the standard of work being carried out by Internal Audit. Internal audit completed 80% of their planned 17 audits during the 2021/22 year, with a high level of recommendations accepted. At the end of 2021/22 there were 93 recommendations outstanding, 24 of these were high priority, 51 medium priority and 18 low priority actions. 16 of the 24 high priority recommendations were overdue at 31 March 2022, these have been followed up with management in quarter 1. It is recommended that a plan is implemented to clear these recommendations and the progress against this plan is monitored closely.

The effectiveness of the implementation of these processes and staff awareness of the requirements of the Code is regularly tested. The Council has continued to ensure its staff are aware of responsibilities in relation to fraud and bribery and has an Anti-bribery Policy to support staff. The Council takes its responsibility for countering these issues very seriously. The Counter Fraud

Service (LCFS) reports progress and plans quarterly to Audit and Governance Committee. Any identified cases of fraud are proactively investigated, and criminal cases pursued where the evidence supports it. LCFS provide a combination of fraud awareness newsletters and training, hold meetings with key managers and engage in active investigations.

Budget Setting Process

The budget-setting process is multi-layered and thorough, with several stages. The draft budget is presented to Cabinet for review in December, with additional papers presented to Cabinet to approve the budget in February. There is also a quarterly review of budget to outturn position by Cabinet.

The budget and MTFS are considered concurrently. There is not a separate standalone MTFS, but the longer-term projections and any risks to the medium term are incorporated into the reports accompanying the budgetary information considered by Cabinet quarterly.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.

Budgetary control

There are good systems in place for oversight of the budget. The finance department engages at least monthly with budget holders. As well as quarterly budget

reports to cabinet, budget holders have access to real time information through discussions with the finance team. There is stringent in-year oversight of the budget at a high level, with the Scrutiny Committees and Corporate Management Team reviewing and assessing the actual outturn and future risks to the budget. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are clearly set out.

Monitoring and ensuring appropriate standards

The Council has arrangements in place to monitor compliance with legislation and regulatory standards. The arrangements include the oversight of the Monitoring Officer, and the work of internal audit.

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

The Council has a Counter-Fraud and Counter Corruption Policy, as well as a Whistleblowing Policy, Code of Conduct and Anti-Money Laundering Guidance. These document the policies and procedures of the Council, as well as the ethical behaviours expected of staff.

A Register of Interests is maintained, and there is a standing item on all meetings of the boards and panels to disclose any interests relating to matters on the agenda.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established anti-fraud culture. We identified in the previous year, that the Council could disclose gifts or hospitality which had been declined, this has not yet been introduced but will be considered when the policy is next reviewed.

We have not been made aware of any significant non-compliance with the Council's governance framework, other breaches of legislation or regulatory standards, or serious data breaches.

Summary of findings

Overall, we are satisfied the Council has appropriate governance arrangements in place. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 1 improvement recommendation as a result of our review.

Improvement recommendations



Governance

Recommendation 3

At March 2022, there were 93 recommendations from IA outstanding, of these, 24 were high priority. It is recommended that the Council work to action these recommendations and reduce the level outstanding.

Why/impact

Recommendations from IA, especially high priority recommendations, should be an area of focus for officers and staff.

Auditor judgement

The number of outstanding recommendations at the Council at March 2022 was much higher than we would normally expect to see at a Borough Council.

Management Comments

Significant progress has been made in reducing the number of outstanding audit recommendations in recent years. As at 31st December 2022, there were 13 high priority recommendations outstanding. Progress in resolving outstanding audit recommendations is reviewed by the Audit Manager and respective Assistant Director on a quarterly basis to inform the Quarterly Internal Audit Progress report – as reported to CMT and Audit and Governance Committee on a quarterly basis.

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.

Working in partnership

The Council works in partnership with a relatively large number of organisations, contributing effectively to the arrangements and agenda for each partnership or group. For example, the Council's waste service is delivered as part of a joint operation with Lichfield District Council and has been successful.

The Council has good relationships with the Voluntary and Community Sector, and joint projects were delivered during the Covid-19 pandemic. The Council does not however have a partnership plan in place at present, though we are aware that one is being developed.

We are satisfied that the Council can demonstrate partnership working across a number of areas.

Procurement

In 2019, The Council moved away from having a formal procurement strategy. We have discussed with the Council how they ensure they are following the recommendations set out in the LGA national procurement strategy and we are satisfied the Council has adequate processes and controls in place to meet these. The Council monitors the performance of procurement through monthly reports to the Corporate Management Team.

In our previous year's work, we identified that the Council had not updated its transparency code disclosures in a timely manner, however we have confirmed that this has now been updated and continues to be updated regularly.

The Council does not monitor its spend by supplier. This would be helpful to identify any unusual suppliers but also to aid with contract monitoring.

Those charged with governance are only made aware of the performance of contracts on an exception basis. This means that contracts are only reported to them where there are significant performance issues. We consider that those charged with governance should be informed of all significant contracts which could impact the Council.

We have reviewed the contract monitoring process for two of the significant contracts. It has been identified that the Council meet monthly with the contractor to monitor performance against KPIs. The report shared with us showed that the Council had KPI results significantly different to that of the contractor. We challenged management as to why this happened but did not receive a response.

Through our review of the procurement processes in place we have concluded that overall the procurement processes in place are appropriate, though we have raised some improvement recommendations as set out on subsequent pages of this report.

Future High Street Fund

During 2021/22 the Council's Town Regeneration project progressed further. By the end of the year, the Council had acquired some of the key assets required as part of the project and during 2022/23, the Council appointed the contractor who will be undertaking the work. We have reviewed the arrangements the Council has in place with

regards to monitoring of the project and deem that the arrangements in place are adequate. The Council have also worked closely with the other stakeholders in the project which is demonstrated through the Future High Streets Management Board.

The Council have appointed McBaner as their advisors in relation to the project and to date have made use of the reports in the design stage of the project and also the tendering stage. In addition, the Council have a full time project manager assigned to the project, which will help to ensure the project is delivered on time and on budget.

There has been a lot of significant progress made on this project during the 2022/23 financial year, such as obtaining all of the key assets required and appointing the contractor who will be undertaking the work.

To date we have not identified any significant weaknesses in the Council's arrangements, but this will be an area of particular focus for us in our 2022/23 Value for Money work.

Performance monitoring

Key Performance Indicators (KPIs) are reported on the performance page of the Council's website and included within the quarterly performance reports to Cabinet. The Council changed to this method of reporting in 2019 in order to streamline the level of KPIs reported to Cabinet. Cabinet reviews the performance reports on a quarterly basis. KPIs are also reported as part of the individual service plans.

We identified that at the time of our work, the performance page of the Council's website had not been updated since quarter four of the 2020/21 financial year. We have raised an improvement recommendation in relation to this, however, we do note that performance has been reported at least quarterly to members and the minutes of these meetings are available publicly on the Council's website.

Service plans

It was reported in the previous year that although service plans are in place for most services, these are not always maintained and kept up to date. We have confirmed that the Council have service plans for each service, dated 2022-24, demonstrating that the Council has attempted to update these plans. We have noted that there remain issues with many of these plans, with key issues identified being:

- indicators which have not been updated recently;
- projects reporting zero progress but a due date in the near future;
- KPIs for which no data is reported, so users cannot determine whether the service is operating effectively; and
- KPIs for which no information was included to enable the user to assess performance against either previous periods or the current target, sometimes both.

Taking the customer services service plan as an example: the plan includes 28 indicators, but only three of these have a current value and none of them have any

information on targets. Of the three indicators with a value, only one has a trend chart which enables the user to see how the indicator has moved over time.

We therefore recommend that service plans include KPIs which are measurable, and enough information to allow the user to determine whether the service is operating effectively.

We also recommend that the service plans are updated regularly as the projects within them progress so that performance can be monitored more closely.

Benchmarking

It was identified in the previous year that the Council does not consistently use external benchmarking as a tool to measure performance and identify improvement opportunities. We have previously raised an improvement recommendation in this area, the Council have purchased some external benchmarking from LG Futures. The Council are yet to receive this data.

Grant Thornton prepared benchmarking reports for each Council that we audit to help auditors identify risks of significant weaknesses in arrangements. Review of this report for Tamworth Borough Council does not indicate any such risks.

The report highlighted some areas of relatively low spending, such as environmental and regulatory spend, but also highlighted a number of services where the Council's spend is relatively high.

These are:

- cultural and related services costs. This is due to the higher spend on; museums and galleries, open spaces, theatres and public entertainment, tourism and sports and recreation facilities.
- planning and development costs. This is due to community development spend.

High spend is not necessarily an indicator of poor or inefficient services. Rather it can be a decision to invest in appropriate local services. We have discussed this with the Executive Director - Finance, and he is satisfied that the areas of high spend are in line with the Council's priorities. The Council should reflect on this benchmarking and whether it is satisfied with service spend.

Summary of findings

Overall, we are satisfied the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses and have not raised any key recommendations. We have raised 3 improvement recommendations as a result of our review.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 4

The Council should ensure they have a procurement pipeline in place which will allow them to proactively monitor their contracts.

Why/impact

A pipeline would allow for forward planning, and better consideration of upcoming requirements from a value for money perspective. It would also mitigate the risk of last-minute issues and decision-making.

Auditor judgement

The more information the Council can gather on its future procurement needs, the better its ability to make decisions not only in relation to individual contracts, but also with regards to resourcing the work required.

Management Comments

This has already been recognised by the Council and is being developed to inform procurement resourcing requirements. The procurement team continue to develop new methods of working to enhance and manage the support they can provide and to improve the governance of the procurement process. A key element of this work is the establishment of the procurement pipeline. Progress is reported quarterly to CMT as part of the Quarterly Procurement Process Update report.

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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 5

The Council's performance page of the website should be kept up to date with details of the Council's quarterly performance.

Why/impact

Information made available to the public should be kept up to date wherever possible.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management Comments

As soon as management were aware of the issue, the website was updated immediately with the latest quarterly performance information, which is also available with the relevant Committee agenda.

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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 6

The service plans provided by the Council in many cases did not include KPIs which could be monitored and showed as nil values. In addition, some service plans did not provide updates on progress of the actions required identified in the report.

Why/impact

Service plans with missing or out of date information are not a useful tool for their intended purpose, and could lead to important information or risks being obscured.

Auditor judgement

It is important that the KPIs and progress updates included in these reports are clear, relevant and timely so that the plans can be utilised for their intended purpose.

Management Comments

A comprehensive review of all service plans was carried out in 2022 in line with the new Corporate Plan and new service plans with associated key performance indicators being developed. These should be updated on a monthly basis and it is planned will be reported to members on a quarterly basis within the Quarterly Performance report (as reported to CMT, Corporate Scrutiny Committee and Cabinet quarterly). A number of service plans are clearly managed well and up to date but it has been recognised that a number of service plans require bringing up to date prior to the first quarterly report for 2023/24.

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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 7

The Council should ensure that it understands why its KPIs differ from those of contractors where relevant.

Why/impact

Differences in KPI reporting may result from different interpretations of data, the use of inconsistent data, or the use of differing KPI definitions. As KPIs are often contractual, it is important that these differences are understood and addressed.

Auditor judgement

We reviewed the contract monitoring process for two of the Council's significant contracts and identified that the Council had KPI results significantly different to that of the contractor in places. We challenged management as to why this happened but did not receive a response. We therefore do not have assurance that management understand the reasons for these differences.

Management Comments

The differences will be investigated and an update reported to the Audit and Governance Committee.

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 There is no requirement to register gifts or hospitality which have been declined. This could be helpful to report to other members as a matter of course, so they can be alert in case they are also approached and offered something which ought to be declined.	Improvement	March 2022	This has not yet been introduced.	No	To be considered when the policy is next reviewed.
2 Service plans should be kept up to date and contain sufficient detail to enable management to assess the performance of the service lines. This should also be included in reports to members. In addition, key performance indicators (KPIs) should be provided to members so that they can form a view of whether the service is performing well.	Improvement	March 2022	We have confirmed that the Council have service plans for each service, however there remain issues with many of these plans.	Yes	A further recommendation has been raised in this report – see Recommendation 6 on the previous pages.
3 The Council does not have a consistent approach to the use of external benchmarking (to measure performance and identify improvement opportunities).	Improvement	March 2022	The Council have purchased external benchmarking from LG Futures. The Council are yet to receive this data.	Yes	Consideration should be given to this information once received.
4 The transparency code disclosure should be kept up to date and published in line with the code guidelines.	Improvement	March 2022	We have confirmed that this has now been updated and continues to be updated regularly.	Yes	No
5 The Council should monitor spend with each supplier to identify any unexpected amounts. This will aide in identify whether contracts for the supply of goods are being used appropriately.	Improvement	March 2022	The Council does not monitor its spend by supplier.	No	Not yet addressed
6 Those charged with governance are only made aware of the performance of contracts on an exception basis. This means that they are only made aware of contract performance when a contract is not performing as it should. We consider that those charged with governance should be informed of all significant contracts which could impact the Council.	Improvement	March 2022	Those charged with governance are still only made aware of the performance of contracts on an exception basis.	No	Not yet addressed

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 29 November 2022.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Governance Committee on 15 November 2022.

Whole of Government Accounts

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

Our work did not identify any issues.

Preparation of the accounts

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

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.

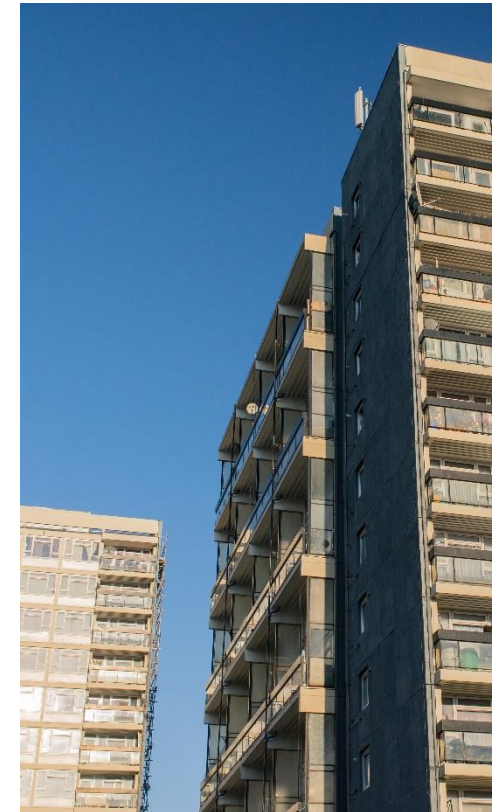
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 November 2022, following the Audit Committee meeting on 15 November 2022. Our findings are set out in further detail on page 20.

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 a judicial review.

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	Pages 8, 9, 12, 16, 17, 18

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