

# Auditor's Annual Report on Bath & North East Somerset Council

2020-21

19 May 2022



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

# Executive summary



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

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements for 2020/21, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the Covid-19 pandemic.

The main area of financial impact for the Council in 2020/21 has been reduced revenue income, particularly in respect of the commercial estate and heritage and parking service. The pandemic resulted in the closure of iconic buildings such as the Roman Baths, Fashion Museum and Victoria Art Gallery all resulting in significant reductions to projected income for the year. For example, the Roman Baths were open for only 148 days in year, compared to a planned 363 days and was a major contributor to an overall reduction in heritage income resulting in a loss of £19.7m of income which was mitigated to a net service pressure of £3.5 million after taking account of the government's income compensation scheme and other service cost reductions. Other areas particularly hard hit were parking, with the Council suffering a £5.8m reduction in income, of which £3.9m was refunded from the Government's compensation scheme.

Council budgets for the year were rebased to recognise the impact of the commercial income loss of £13.2m, with income in Heritage and Parking now forecast to build back to pre-covid levels by 2025/26. The pandemic impacted on almost all Council Services. In response, the Council focused on identifying key operational and strategic risks using the new interim working practices to ensure that service provision could continue during 'lock down'. It approved a Covid-19 financial recovery plan for 2020/21 and this, combined with further government support (a total of £43.7m of Covid-19 Grant Support was received in year) eased some of the financial pressures in year resulting in an outturn £5.7m under budget, with £5.4m transferred to corporate earmarked reserves.

We have not identified any significant weaknesses, but have identified 15 opportunities for improvement which are set out in detail within our report.

Criteria	Risk assessment	Finding
<b>Financial sustainability</b>	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but four improvement recommendations made
<b>Governance</b>	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but six improvement recommendations made
<b>Improving economy, efficiency and effectiveness</b>	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but five improvement recommendations made

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

# Executive summary



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



### Financial sustainability

The Council has a good track record of sound financial management and delivered an underspend in 2020/21, after taking into account central government funding. This was after contributions to reserves, including £4.6m to the Financial Planning & Smoothing Reserve and £4.85m to Covid-19 reserves to support Covid-19 related cost pressures in 2021/22. However, achieving the levels of planned savings will continue to be challenging and, without robust planning and monitoring mechanisms, could be a potential risk to the Council's financial sustainability in the medium to longer term. Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in respect of its financial sustainability.

We have not identified any significant weakness but have identified four opportunities for improvement relating to:

- management of the schools deficit,
- ongoing careful budget management,
- minor changes in reporting the relationship between revenue and capital, and
- ensuring that vacancies are linked to workforce plans.



### Governance

Overall, we found no significant weaknesses in the Council's Governance arrangements for ensuring that it made informed decisions and properly managed its risks. We found that the Council had responded appropriately and pragmatically to the pandemic crisis. Decision making arrangements were adapted quickly and essential services prioritised at the start of the pandemic, with appropriate adjustments made to refocus work later in the year.

### Governance (continued)

We have made five improvement recommendations relating to:

- opportunities to develop risk reporting,
- enhancing the annual reporting of whistleblowing and investigations,
- considering some small changes in the presentation of the complaints and feedback policy,
- treasury management performance reporting, and
- introducing a regular annual update of the register of interests and declarations of gifts and hospitality completed by Members.



### Improving Economy, Efficiency and Effectiveness (3Es)

We have not identified any significant weakness in the Council's arrangements for understanding and improving the 3Es, but we have identified areas for improvement. The Council adopted its new four year strategy in February 2020 so the events of the pandemic have, inevitably, impacted on the implementation of its delivery. The Council's Roadmap 2020-2024 clearly identifies an outcomes focused performance management framework as key and the Council's performance management framework (the Integrated Reporting Framework) has progressed since 2020/21, with formal Corporate Performance Updates now scheduled to Cabinet on a quarterly basis.

We have included five improvement recommendations which relate to:

- the continuing development of the Council's performance management reporting framework and Key Performance Indicators (KPIs),
- strengthening the existing benchmarking processes,
- raising the profile of work completed in response to external regulators such as Ofsted,
- ensuring that the Council commissioned review of Aequis is implemented, and
- strengthening contract management arrangements.



## Opinion on the financial statements

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

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

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

Our audit work was completed remotely during August to December 2021. Full details of our findings from the audit are detailed in our Audit Findings Report dated 7 December 2021.

Our audit identified no individually material errors or adjustments to the financial statements but identified errors that cumulatively materially impacted on the draft statements presented to audit. Officers agreed to correct these, the most significant of which are:

- Improper componentisation of seven assets
- Two assets included in the valuation report for which valuations were not performed

In addition, we raised a number of recommendations for management as a result of our audit work.

We provided an unqualified audit opinion on 16 December 2021.





# Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 7 to 30. 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 it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Outturn 2020/21 and Covid-19 arrangements

The Council reported a large underspend against original budget for 2020/21. At the start of 2020/21 during the early stages of the pandemic officers were predicting the full year impact of Covid-19 to be a cost pressure of £42.1m before mitigations and government support. The financial recovery plan approved by Cabinet in July 2020 approved £20.7m of cost saving measures which combined with an estimated £10m (actual as at July £13.2m) of government support would result in a £11.4m deficit, if fully implemented. This shortfall was to be funded from a combination of earmarked reserves and balances.

The implementation of some of these measures, combined with the refinements to the 2020/21 forecast as further grant allocations to mitigate income loss provided by central government resulted in continued improvements in the in year forecast. The Council first projected a return to an on budget position and then following further government support late in the year an underspend. The final outturn report to Cabinet in July 2021 reported a £5.7m underspend against budget.

The Council has received a total of £43.69 million of Covid-19 support grants from MHCLG which were held corporately and helped achieve the underspent budget for 2020/21. It also enabled transfers to earmarked reserves of £5.42m, in the main to the Financial Planning & Smoothing Reserve (£4.6m which is planned to be used to support the MTFs “smoothed savings approach”).

In line with many other authorities the Council overspent on its Direct Schools Grant outturn in year by £4.2m. This added to the overspend from prior years resulted in a the total DSG carried forward deficit of £5.4m.

## Budget 2021/22

The budget for 2021/22 and beyond, presented at Cabinet in February 2021, included an analysis of risks including the impact of Covid-19. Commercial income loss is reported as in excess of £13m for 2021/22, with Heritage & Parking income forecast to build back to pre-covid levels by 2025/26.

The 2021/22 net revenue budget was set at £130.07m based on the funding announced in the local government finance settlement and the balanced forecast outturn for 2020/21, as at December 2020. The budget funding excludes any Covid-19 support from Government, which is a prudent approach and ensures that such funding is not being applied to support service delivery plans and is available to meet any potential shortfall arising from the pandemic.

However, the starting point for the budget was a funding gap of around £20m due to a combination of ongoing service cost pressures and the impact of the pandemic (around 15% of net budget). The budget proposal included an £8.48m savings plan and use of £11.31m from reserves (as a one-off, £8.5m from revenue and £2.81m from business rates). Repayment of the revenue reserves is then budgeted over the five year financial planning period.

As at February 2022 delivery of 93% of the savings plans is reported with a further 5% mitigated by one off underspends during the year and the Council is forecasting that the 2021/22 revenue outturn will come in just below budget (£0.06m). This represents a good outcome from the Council given the huge financial and service delivery pressures it has faced over the last 2 years.

A revenue contingency of £1.65m was included in the 2021/22 budget and the planned level of unearmarked reserves were £12.59m, which is considered adequate for the medium term. A Covid-19 risk reserve of £5m was also set up for unplanned Covid-19 related budget pressures.

### Budget 2022/23 and beyond

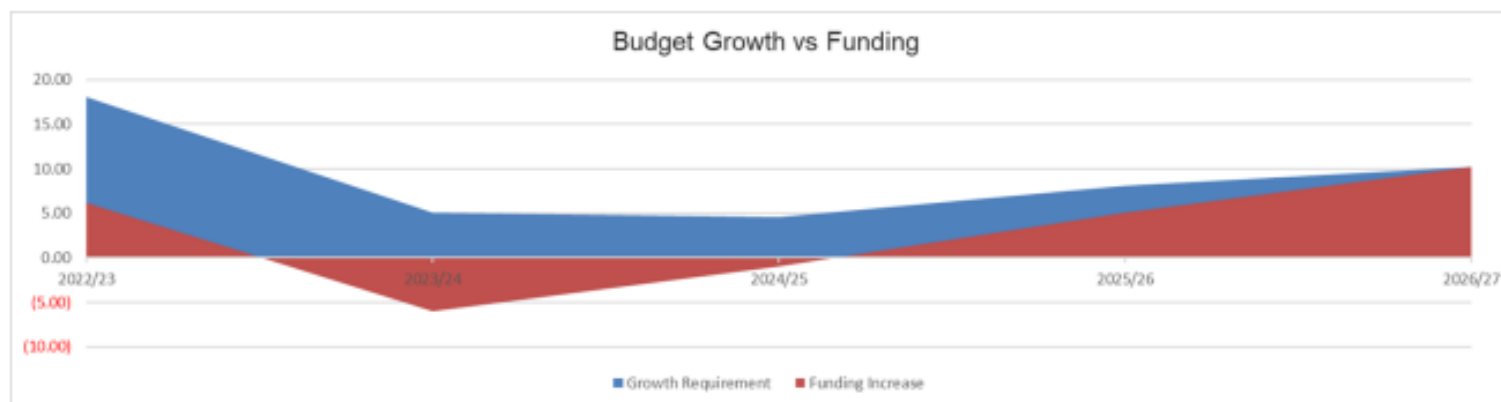
Projecting forward during the 2021/22 budgeting round, a shortfall of £12.5m for 2022/23 was identified, reducing in 2023/24 and beyond to around £3m (Source: Budget and Council Tax 2021/22 and Financial Outlook). The budget proposal highlights that plans will need to be finalised as soon as possible to fund this gap.

The proposed 2022/23 budget, dated February 2022 is predicated on the delivery of £11.8m of savings plans (see below). However, looking ahead to 2023/24 the savings gap forecast has increased to £11.1m, compared with the £3m predicted the previous year. We note that the Medium Term Financial Strategy 2022/23 highlights the ongoing challenging savings targets of around 10% of net budget.

Whilst the Council has a good track record of delivering its savings plans, the continued delivery of this level of savings will become increasingly challenging. The need for effective project management and monitoring of the savings programme combined with effective working with partners to leaver in savings whilst not compromising service delivery will become increasingly important.

Budget Planning	Future years assumptions £m					Total
	2022/23	2023/24	2024/25	2025/26	2026/27	
Growth Requirement	18.01	5.11	4.62	8.07	10.21	46.01
Funding Increase	6.14	(5.99)	(0.93)	5.05	10.17	14.44
<b>Annual Funding gap</b>	<b>11.87</b>	<b>11.10</b>	<b>5.55</b>	<b>3.02</b>	<b>0.04</b>	<b>31.58</b>
Savings Proposals	11.87	2.32	0.23	0.00	0.00	14.42
<b>Remaining Funding Gap</b>	<b>0.00</b>	<b>8.78</b>	<b>5.32</b>	<b>3.02</b>	<b>0.04</b>	<b>17.16</b>

Source: Budget and Medium-Term Financial Outlook 2022/23 (15/16th February 2022 Budget and Council Tax 2021/22 and Financial Outlook)





## Budget development process

Annual budgets are developed with the service areas through a process to review cost pressures and priorities, savings, demographic pressures, inflation, contractual obligations and income generation. The Finance team work with Directors and their staff to plan a balanced budget and to bridge savings gaps and identify feasible savings plans which are then monitored and risk assessed on at least a quarterly basis. An exception reporting process is in place if needed. Contingencies, whose stated purpose is to meet the risks of non-delivery of budget savings, have been included in the 2020/21, 2021/22 and 2022/23 budgets.

Capital budgets are presented and considered alongside the revenue budgets. Capital financing requirements are included in the revenue budget (£2m in 21/22 and £1m per year to 2025/26). The capital strategy, programme, receipts, financing, spending etc. are included throughout the Budget and Council Tax 2021/22 and Financial Outlook document, but it is not straightforward to identify the relationship between the capital and revenue budgets. There is no explicit reference to the impact on revenue for future costs, such as repairs and maintenance.

The Council's Corporate Strategy sets out the 'golden thread' connecting the Council's purpose with a set of components which together are planned to deliver the Council's stated purpose of 'Improving People's Lives'. Two of the key components supporting this are the Medium Term Financial Strategy and the People Strategy. The Council has a Corporate Delivery Programme (CDP) which provides the framework for delivering services up to 2024. Progress is planned to be monitored and communicated publicly via the CDP.

Budget monitoring is completed by the Corporate Management Team, comprising all Directors. The timing of financial monitoring reporting at both a officer and member level has improved significantly over the last 12 months and now ensures decision makers have timely financial information on which to take corrective action, when necessary.

Cabinet have access to this via the Corporate Performance Update and there is also a monthly "exception" reporting mechanism enabling decision makers to focus on the areas of greatest financial risk.

We reviewed an example from Children's Services (April - November) 2020/21. This shows a dashboard which includes:

- Actuals to date and comparison with prior year
- 2020/21 Forecast Outturn Vs Budget
- Covid-19 19 Recovery Plan savings
- Medium Term Financial Strategy savings
- RAG ratings, activity insight and a brief commentary.

We noted that one element of underspend in the budget forecast (Learning and inclusion) is mainly as a result of "holding vacancies across the service". This approach to savings should be considered in the context of the People Strategy and the ongoing viability of staff vacancies.

The Local Government Act 2003 requires that, when a local authority is agreeing its annual budget and precept, the S151 Officer reports on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. No separate s25 report is completed; the requirement is met through a specific section in the report (Budget and Council Tax 2021/22 and Financial Outlook). The report links the corporate strategy and objectives with the revenue budget and medium term financial outlook, cost pressures and assumptions, the Government settlement, business rates, council tax, reserves and balances. The budget is supported by comprehensive documentation which, in our opinion, demonstrates a properly considered and thorough budget planning process. It includes the following:

- Efficiency Strategy, including Flexible Use of Capital Receipts
- Capital Programme and Capital & Investment Strategy
- CIPFA Financial Resilience Indicators
- Risk assessment
- Budget savings and income generation proposals
- Treasury Management Strategy Statement 2022/23
- Evidence of consultation on spending plans

The key expenditure drivers such as demographic growth, pay and pensions, contract inflation, are included as part of the Medium-Term Financial outlook in the budget. However, the formal Medium Term Financial Strategy also recognises the key expenditure drivers as adult and children's social care demand, and the impact of the pandemic on heritage, car parking and commercial estate income.

Overall we identified no significant weaknesses in the Council's approach to budgeting.

# Improvement recommendations

## Financial sustainability

<b>1 Recommendation</b>	The Council needs to explore and take appropriate actions to ensure that the DSG deficit is eliminated at the earliest practicable time.
<b>Why/impact</b>	School funding is unsustainable in the medium term.
<b>Summary findings</b>	In common with many local authorities, the schools budget is not balanced, and is carrying forward a deficit of £5.4m.
<b>Management comment</b>	The Council is taking forward discussion with the Education and Skills Funding Agency as part of the “Safety Valve Intervention” programme. A DSG management plan is being developed which will set out plans for moving forward towards a balanced budget.



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

# Improvement recommendations

## Financial sustainability

<b>2 Recommendation</b>	The Council must continue with its range of activities and mechanisms to deliver balanced budgets and ensure that risks to delivery are identified at an early stage so that appropriate, and where possible, timely, action can be taken. In particular to ensure that demand led services, as far as possible, model and plan for future changes.
<b>Why/impact</b>	To continue to ensure the financial sustainability of the Council in the current challenging financial environment against the increasing levels of demand.
<b>Summary findings</b>	We noted that the Medium Term Financial Strategy 2022/23 highlights the ongoing challenging savings targets of around 10% of net budget. Whilst the Council has a good track record of delivering its savings plans, to continue to achieve these levels of savings will be increasingly challenging and, without appropriate planning, could potentially present a risk to the Council's financial sustainability in the medium to longer term.
<b>Management comment</b>	The Councils 2022/23 budget undertook extensive budget rebasing to ensure that current activity and cost has been aligned with budget performance and future budget funding requirements. Detailed demand modelling is in place for many services such as adult social care and is critical to service planning and also savings delivery.



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

# Improvement recommendations

## Financial sustainability

<b>3 Recommendation</b>	Reference to the relationship between capital and revenue budgets should be included in the budget proposal, for example, the impact on revenue for future costs, such as repairs and maintenance.
<b>Why/impact</b>	We believe that this would enhance understanding for readers.
<b>Summary findings</b>	The capital strategy, programme, receipts, financing, spending etc are included throughout the Budget and Council Tax 2021/22 and Financial Outlook document, it is not straightforward to identify the relationship between the capital and revenue budgets.
<b>Management comment</b>	The Council's gateway process for approval of new capital schemes requires estimated annual revenue implication to be defined at the point of approval to inform revenue budget planning. In addition, the annual cost of maintaining the Councils road and building infrastructure is regularly reviewed which has resulted in corporately funded borrowing being added to both Highways and Property capital maintenance budgets.



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

# Improvement recommendations

## Financial sustainability

<b>4 Recommendation</b>	Using vacancies to deliver savings should be kept to a minimum and changes in staffing levels should be supported by service delivery model and workforce planning.
<b>Why/impact</b>	Without a clear link to workforce planning and the People Strategy, using staff vacancies to deliver savings will impact on service delivery and may not be viable in the longer term.
<b>Summary findings</b>	One element of the underspend reported in the budget forecast for Children's Services (April - November) 2020/21 relates to "holding vacancies across the service".
<b>Management comment</b>	The Council, on a temporary basis, put in vacancy control measures during the Covid pandemic to support the Council's financial recovery plan in 2020/21. These controls were lifted in April 2021 to enable timely recruitment across all services.



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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

## Covid-19 arrangements

From the 16th March 2020 the Council put business continuity arrangements into place, including establishing formal links into the region through the Local Resilience Forum (LRF). A major incident was declared by the Council on 23rd March 2020 and delegated all decision making to the CEO, as Head of Paid Service. The Council relied on the emergency processes in Part 4 of the Constitution (up to the Cabinet meeting on 29<sup>th</sup> May 2020), which also requires that the action taken is recorded and reported to the first available meeting of the Council. An appropriate operational decision making structure was implemented using three workstreams reporting into the Strategic Group led by the CEO (and the LRF).

- The Tactical Group (and Business Continuity) - focussed on delivery of business-critical services
- Business Support Workstream - provide support to local businesses, divided into four project areas
- Community Support Workstream - support and help protect the area's most vulnerable residents

Additionally, Cabinet Members were included in various ways.

- Remote informal Cabinet meetings with the SLT were held weekly to discuss key issues
- The CEO provided daily briefings for the Leader, Deputy Leader and Housing, Planning and Economic Development portfolio holder
- Group Leaders met remotely on a weekly basis to be briefed on and discuss key issues.

The Council's response and decision making were reviewed by the Corporate Policy Development & Scrutiny Panel and Cabinet in May 2020 when the Council published a Position Statement explaining the work which had been done and the emergency arrangements used.

The Council refocussed its work in three themes – Reopening, Renewal and Resilience - to support local businesses and services to reopen safely, to tackle long term issues such as climate change and diversifying the local economy and to develop local partnership working with volunteers and charities.

We consider that appropriate governance structures were established with a decision making structure which supported the prioritisation of essential services and the establishment of new services needed to respond to the pandemic (e.g. Wellbeing Hub, with staff redeployed to staff it). Our view is that the Council was also suitably adaptable in its approach to staffing arrangements, IT, service delivery flexibility, online meetings and working, business grant support, etc. This was evident across all the documentation we reviewed and in our discussions with officers. We consider that the Council's approach was a pragmatic and proactive response to the crisis situation.

## How the Council monitors and assesses risk

The Council maintains a Corporate Risk Register (CRR) which evolved during the pandemic, shifting focus to Covid-19 related risks. During 2020/21 the CRR was very actively used and as most strategic risks related to the impact of the pandemic, it was presented as the Covid-19 Risk Register. The Risk Management Steering Group Terms of Reference show that they have oversight of the Council's risk management activities on behalf of the CMT, to which the group reports. The Covid-19 Risk Register (and a more recent version of the CRR) use a Red/Amber/Green scoring methodology and report on key actions and current risk status, with each risk having a sponsor or sponsors. The Covid-19 Risk Register and the more recent CRR do not link explicitly with the Corporate Strategic Policies or Principles.

During 2020/21 the number of Corporate Audit Committee meetings was reduced from four to three and we identified that attendance by Members was good (only one member missed a meeting and a substitute attended instead) and that constructive questions are asked. This is supported by our own observations from attending these meetings. Membership of the Corporate Audit Committee is stable, with only limited changes in membership between 2019 and 2021. However, our review of the minutes does not highlight any specific reporting on risk management, nor formal and public sharing of the Corporate Risk Register.

A Risk Management Strategy 2019-2024 is in place and due to be refreshed and updated during 2022/23, once other risk management priorities have been completed.

#### Internal Audit

The Council's Internal Audit service is delivered by One West, a trading arm of Bath and North East Somerset Council. A revised Internal Audit Plan for 2020/21 was agreed by the Corporate Audit Committee in November 2020 (reducing coverage from 35 to 26 audits) as part of the response to the pandemic. The Audit and Assurance Annual Report 2020/21 (as at 31st March 2021) reports that 80% of the revised audit plan had been delivered. Of the Audit Assurance Reports issued as at the end of March 2021 the opinions given were:

- 82% Excellent or Good
- 9% Satisfactory
- 9% Weak.

However, Internal Audit subsequently revised the final position for 2020/21 to the following:

- 55% Excellent or Good
- 25% Satisfactory
- 20% Weak

This suggests an appropriate focus on areas of greatest risk given the final mix of audit outcomes.

The nature of the audit work which was able to be done was impacted due to Covid-19 restrictions and changes were made in the plans to adapt and be flexible to respond to the current risks and to accommodate these new challenges.

The implementation rate of 92% for high risk Internal Audit recommendations is excellent. We note the good practice that when serious weaknesses were identified in Property Services, the Chief Operating Officer as the senior manager responsible, presented to the Corporate Audit Committee on the report findings and actions taken in response. Further updates to Committee on progress are also planned going forward.

The final Head of Internal Audit Opinion for 2020/21 was 'reasonable assurance' indicating generally satisfactory internal controls in place.

For planning purposes corporate risk is factored into the organisational context under the reasonable assurance model being used and a risk scoring methodology has been applied

The Audit and Assurance Annual Report refers to Whistleblowing and Investigations. Although it detailed numbers of incidents, it does not provide details on trends, learning and subsequent action, if appropriate, taken by the Council in response to concerns raised by stakeholders.

The last Internal Audit External Quality Assessment was completed five years ago, so will be due again in 2022 and is expected to be completed late in the calendar year.

Overall, we have concluded that Internal Audit is discharging its role effectively and provides management with independence assurance over the risk, governance and internal control arrangements operating within the Council.

#### Budget setting and management

We have reviewed the Council's processes and procedures for monitoring the 2020/21 budget, noting the following elements of good practice.

The Council subjected its budget proposals to appropriate risk and sensitivity analysis through a process of review meetings. Revenue and capital budgets were presented together and capital financing was included alongside other budget pressures and funding requirements such as pay and inflation, demographic growth, etc. The capital programme and its financing looks ahead to 2025/26. The budget is supported in its development by the Medium Term Financial Strategy (MTFS), which is considered by Members during the autumn, and which is used as reference throughout the budget planning process. The budget process also includes the following consultation activities:

- Scrutiny meetings, with feedback to Cabinet and consideration as part of the budget preparation for Council
- Public webinars
- Consultation web page

Cabinet Members also have the opportunity to challenge the budget proposals during fortnightly 'informal' meetings with senior managers.

The Council monitored and reported on trends during the 2020/21 financial year, particularly with regard to the impact of Covid-19. BANES faced a very high risk due to the extent of the reliance on commercial income from heritage sites (such as the Roman Baths and museums), the commercial estate and parking. In response, the Council developed scenario planning in May 2020 based on varying assumptions about the level of funding anticipated from Government and the financial impact to FY 2024/25. The forecasts and pressures were revised during the course of the year as the situation became clearer and government support better understood.

The budget was monitored on a quarterly basis by Senior Leadership Team, the Corporate Management Team (CMT) which includes all Council Directors, and Cabinet. Cabinet reporting was completed on a timely basis after the quarter end, with outturn reporting presented to Cabinet between three and six weeks after quarter end. This is much more timely than we observe in other similar sized councils.

Financial monitoring reports presented to Cabinet demonstrate that in year forecast variances are being picked up promptly and budget holders are held to account for delivering their budget or developing mitigating action.

As the year progressed forecasts moved from a potential £50m overspend to a balanced position by Q3 reporting to achieve a £5.7m underspend at year end. In addition, the Council transferred £5.42m to the corporate earmarked reserves used to support the Medium Term Financial Strategy smoothed savings approach and £4.85m of Covid-19 Grant support received in 2020/21 was transferred to Covid-19 Reserves to be used in 2021/22. The 2020/21 Capital Programme outturn was £62.2m, a variance of £36m compared with budget (£98.2m). This is mainly as a result of work being re-phased or rolled forward into future years.

The Treasury Management Strategy Statement is considered annually by the Corporate Audit Committee, Cabinet and full Council. Treasury management performance is reported to Corporate Audit Committee and Cabinet. Cabinet reporting for 2020/21 took place in October 2020, November 2020, February 2021 and July 2021. The reports include narrative on both borrowing and investment and confirms that activity is within policy limits and prudential indicators. Investments are compared with the previous quarter and rates of return over the year to date are included.

The quarterly reports also include an extract from Treasury Management Risk Register. We noted that the reports forecast an underspend and that it is unlikely that further borrowing will be required during the year. However, these comments are included in the narrative of the report and not quick and easy to identify and we believe that a small change in the presentation of the information could be helpful for readers.

### Decision making

Formal decision making structures and arrangements are set out in the Council's Constitution (available on the Council's website) and supported by a fortnightly 'informal' Cabinet meeting, attended by the CEO and Director of Finance plus any other senior officers relevant to the topics being reviewed. The meeting is used to brief Members and for discussions prior to any formal decision making at Cabinet. This seems an appropriate arrangement, in common with other local authorities.

There are three Policy Development and Scrutiny Panels, two Joint Health Scrutiny Committees (with other local authorities) and a Scrutiny Inquiry Day. The three Policy Development and Scrutiny Panels review the performance and decision making of the Council, including the Policy Development and Scrutiny Panel, which looks at the Council's financial plans, both revenue and capital, and met 8 times during 20-21.

We noted that the Constitution is being refreshed in 2021/22 to improve accessibility, ease of use, digital compatibility, links to other Council information, and to remove duplication and clarify responsibility for decision making. We noted that the Constitution can be complicated to navigate and we endorse these proposed improvements.

There is evidence that the Council seeks out feedback through public consultations and surveys. For example, a residents' survey was completed in November 2020 and reported to Cabinet in May 2021 which aimed to identify residents' satisfaction with Council services and their local area.

The Council makes links between its plans and priorities through its Vision, Corporate Strategy 2020-2024, Covid-19 recovery, budget and treasury management plans, the People Strategy and the Medium Term Financial Strategy. The Vision sets out a Roadmap to 2024. Priorities over the next 12 months are identified, together with the medium term vision including a balanced budget with no unplanned use of reserves. These, in our view, provide an appropriate framework for strategic decision making.

We noted that there is no specific corporate risk reporting in any of the public documentation at either Council or Scrutiny Committee (in addition to our comments on the Corporate Audit Committee above on page 15).

Complaint rates are monitored and the Council's 'stage 2' and Ombudsman complainants are included for standard review at the quarterly meetings of the Risk Management Group which reports to the Corporate Management Team. Although retrospective, this demonstrates a willingness to be open and to learn from third party feedback and any mistakes. Support for transparency and openness is evidenced through our discussions with Council staff and in the information provided.

We consider that the Council has sound decision making processes in place, which allow for both challenge and transparency.

### Monitoring standards

The Council has a range of policies to ensure that standards are upheld, including a whistleblowing policy with a reporting link available on the website, a complaints and feedback policy and an Anti Bribery Policy (which applies to both staff and Members) with links to the Code of Conduct (published online and is an adoption of the Local Government Association's Model Code 2020), the Counter Fraud Strategy, the Register of Gifts and Hospitality and a declaration of interest form for staff.

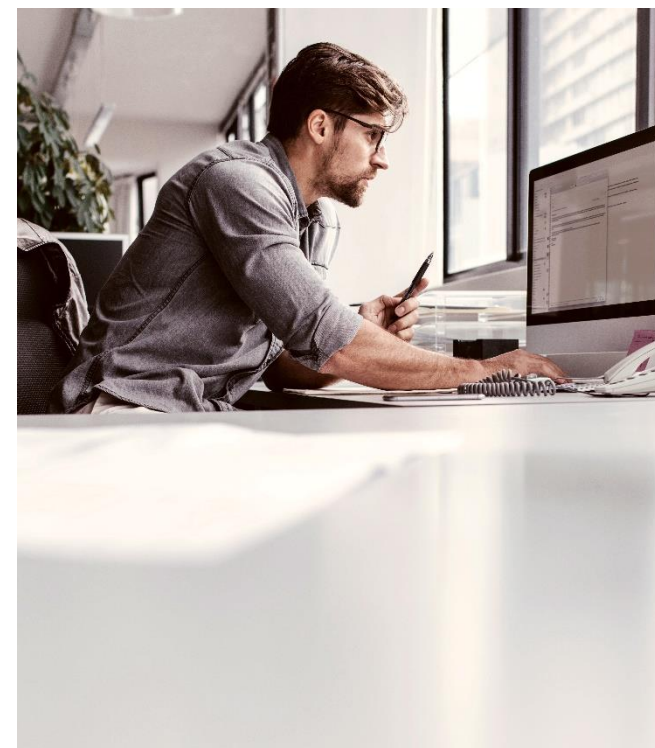
We noted that the complaints and feedback policy is rather long and complex, running to 16 pages, which may be suitable for a significant complaint but does not appear to be very customer friendly. For example, the information about how to make a complaint is found on page 9. The complexity of the policy is mitigated by the availability of a "Have your say" button on the Council website home page. This also offers the possibility for local residents to make a suggestion, give a compliment or nominate an employee for an award, all of which demonstrate good practice. However, there is no button for whistleblowing on this page (as this is included under the "Report it" button)

The Members' Registers of Interests are published on line and accessible from individual Member profiles. We reviewed some examples (from Members on the Standards Committee, Cabinet and Corporate Policy Development and Scrutiny Committee) and found that there is some variation in the timing of the most recent updates, with most dated 2019, one dated 2018. Updates are required only within 28 days of a change requiring an update to be made but good practice would be to update these as a matter of routine on a periodic basis, such as annually. The register shows that Members record "None" when a section or question does not apply and this is good practice. Overall we consider that the Council has appropriate arrangements in place to monitor standards.

# Improvement recommendations

## Governance

<b>5 Recommendation</b>	The highest ranked corporate risks should be included annually in the Corporate Audit Committee agenda and include links to the Council's Corporate Strategic Policies and Principles.
<b>Why/impact</b>	This would enhance Members and local residents understanding of the nature of the risks, the control environment, and the coverage of internal audit.
<b>Summary findings</b>	Our review of the Corporate Audit Committee minutes did not highlight any specific reporting on risk management. We noted, however, that the Head of Internal Audit's Annual report refers to the Council's decision-making risk management guidance and corporate risks are factored into the internal audit planning.
<b>Management comment</b>	An annual report on risk management arrangements will be presented to the Audit Committee as part of its ongoing agenda.



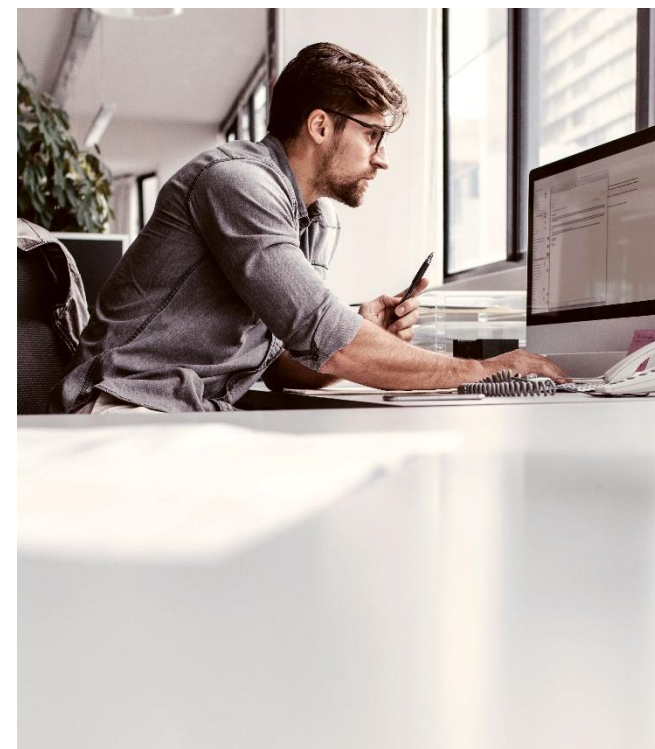
The range of recommendations that external auditors can make is explained in Appendix C.



# Improvement recommendations

## Governance

<b>6 Recommendation</b>	The Audit and Assurance Annual Report refers to Whistleblowing and Investigations. Although it detailed numbers of incidents, it does not provide details on trends, learning and subsequent action, if appropriate, taken by the Council in response to concerns raised by stakeholders.
<b>Why/impact</b>	This would enable local residents and Members to more easily identify and monitor the numbers and types of cases.
<b>Summary findings</b>	The Audit and Assurance Annual Report refers to Whistleblowing and Investigations but it is not straightforward to understand the number of investigations and whistleblowing cases, nor what the outcomes have been.
<b>Management comment</b>	An annual report on Counter Fraud & Corruption, including Whistleblowing will be included with the Corporate Audit Committee agenda

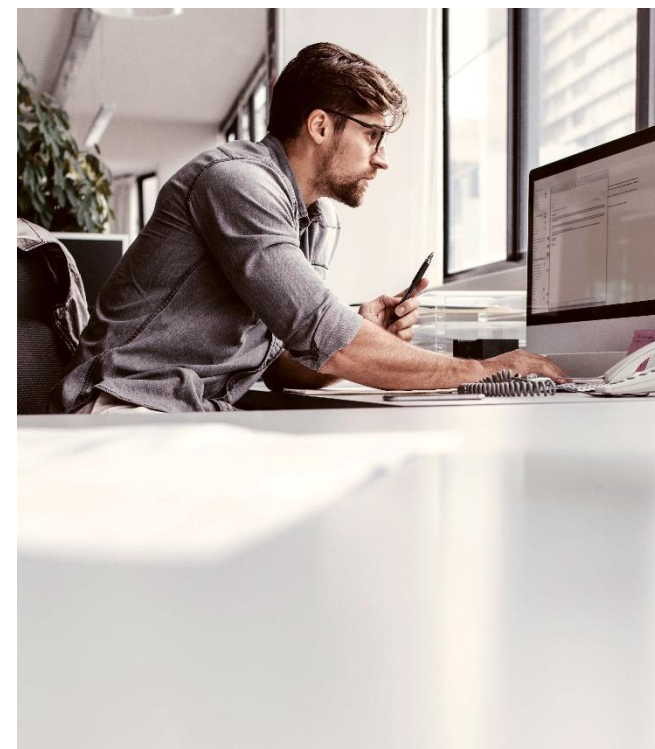


The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations

## Governance

<b>7 Recommendation</b>	During the next review of the complaints and feedback policy, consider making some small presentational changes. For example, the initial Stage One process and what is expected from the complainant could be described with links provided to next steps and the commentary about how to give feedback or make a complaint could be included at the start of the document.
<b>Why/impact</b>	We believe that these small changes could help make the policy and process more user friendly and help encourage feedback from local residents.
<b>Summary findings</b>	The current published policy is rather complex. Whilst this may be suitable for a significant complaint, we consider that there is a risk that 16 pages of policy may hinder residents providing useful feedback or deter service users from raising legitimate issues. This is however mitigated by the availability of the “Have your say” and “Report it” buttons on the Council’s website.
<b>Management comment</b>	This will be part of the next periodic review of the Complaints policy



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

# Improvement recommendations

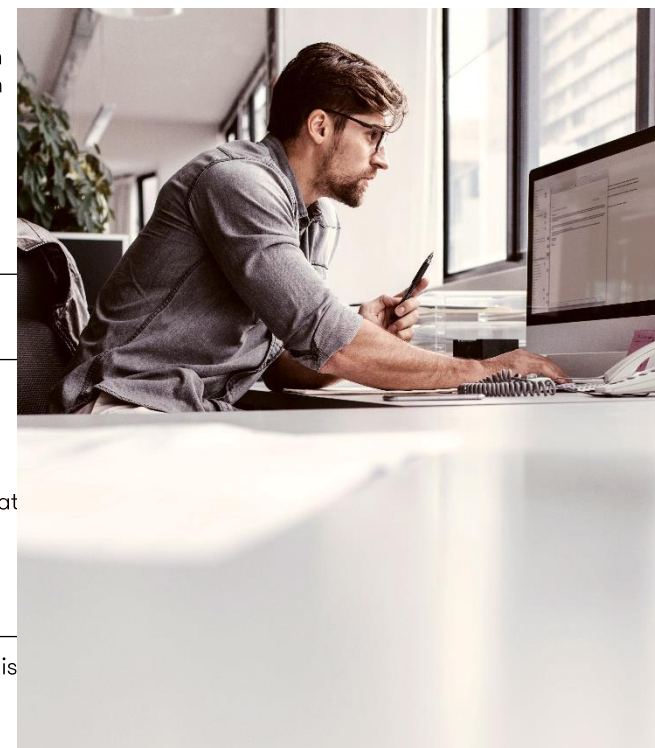
## Governance

### 8 Recommendation

Treasury management performance reporting could be enhanced by

- 1) bringing together the information on the overall impact (i.e. no further borrowing forecast in year, the budget implications with more detail about the "re-phasing of capital spend") with the existing summary
- 2) including the overall score (RAG rated) and some trend information in the Risk Register extract.

The Council should also consider whether some further trend information on investment returns and borrowing would provide some context and further improve reporting.



#### Why/impact

We believe that this would enhance transparency and understanding for Members and local residents.

#### Summary findings

Investment totals are compared with prior quarter (using 2 pie charts) and rates of return over the year are included in a table. No comparison with earlier periods, nor trends are given. A snapshot of the current external borrowing value and portfolio is given but no changes or repayments are highlighted.

In the narrative of the reports we reviewed reference is made to the fact that that it is unlikely that further borrowing will be required during the year and a separate paragraph covers budget implications with the detail contained in an Appendix and forecasting an underspend.

The quarterly reports include an extract from Treasury Management Risk Register with Impact and Likelihood scored from 1 – 5 and mitigating actions.

#### Management comment

The overall impact is covered in the "Budget Implications" section of the performance reports, this can also be added to the "summary section" of the report. The focus on changes to total investments is linked to the previous quarter because the report is providing a quarterly update. Changes in borrowing are already covered in the narrative of the report, but the borrowing Appendix can be expanded to also include changes or repayments.

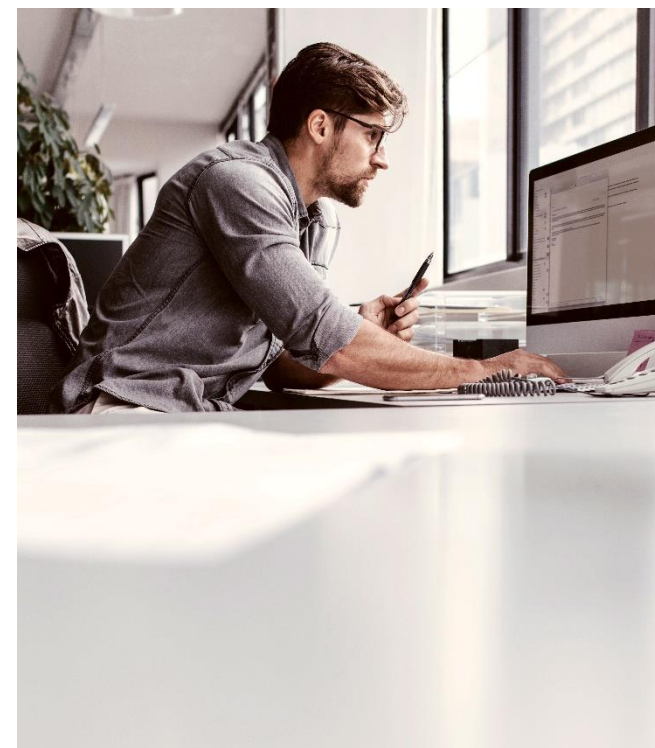
The highlighting of movements in the Risk Register will be incorporated in future reports.

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

# Improvement recommendations

## Governance

<b>9 Recommendation</b>	The register of interests and declarations of gifts and hospitality completed by Members should be routinely updated annually.
<b>Why/impact</b>	To demonstrate that the Council operates to the highest levels of integrity in line with the Nolan principles.
<b>Summary findings</b>	There is some variation in the timing of updates to the Registers of Interest. Updates are required only within 28 days of a change requiring an update to be made but good practice would be to update these as a matter of routine on a periodic basis, such as annually.
<b>Management comment</b>	The Monitoring Officer will continue to keep this under consideration as part of their annual review and update routines with regard to gifts and hospitality.



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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Covid-19 arrangements

The Council's Corporate Strategy and the Delivery Programme were impacted by the pandemic and progress was hindered by the need to divert staff and resources.

The Council adopted a new four-year Corporate Strategy in February 2020. The document sets out the overriding purpose "to improve people's lives", two core policies "tackling the climate and nature emergency and giving people a bigger say" and three principles "to prepare for the future, deliver for residents and focus on prevention". The Strategy was adopted alongside the Corporate Delivery Programme, which set out the detailed actions to be taken in service areas during 2020/21, and the budget with the aim of ensuring that the links between strategy, delivery and financial plans are clear and comprehensive. However, the events of 2020 required a change of focus to manage the pandemic response and subsequent impacts so delivery of the strategy was revisited in July 2020 and an update outlined the impacts of Covid-19 and provided narrative case studies on how the strategy had been "kickstarted" during the period. It also set out how three external workstreams (Re-opening, Renewal and Resilience) were set up to focus on delivery of the Strategy, but through the lens of the pandemic. The next formal update to Cabinet took place in May 2021 and reports "successes and achievements" against the two core policies and the three Corporate Principles.

## Performance management

The Council's Roadmap 2020-2024 clearly identifies an outcomes focused performance management framework as a key element of the organisational framework.

At officer level the Council has a range of performance assessment mechanisms in place. These include budgetary planning, quarterly

SLT and CMT budget monitoring (with exception reporting as needed), monthly CMT monitoring of savings schemes, risk management processes and regular, informal meetings with Cabinet although detailed performance reporting to Members is still under development. It has improved since 2020/21.

More recently a Corporate Performance Update has been provided quarterly to Cabinet (since September 2021) and includes a selection of indicators from the Council's Integrated Reporting Framework. This takes information mainly from business systems across the Council and reports values against targets (where these are set, such as % of household waste recycled) or activity levels (e.g. average speed on roads). They are grouped to follow the three key principles in the Corporate Strategy, but it is not possible to identify if there is a direct link between the indicators and the Council's plans and objectives. The indicators appear to be interactive but the reports we saw did not have this functionality. There is no trend or risk analysis and the commentary is focussed on interpreting the indicator and future plans. We consider that the information is sufficient to enable Members to raise questions and explore issues further. However, the Council would benefit from further development of KPIs to provide a more sophisticated and joined up performance management framework. We noted for example that an Internal Audit report dated December 2021 on Property Compliance refers to inadequate reporting to management and oversight groups; this is noted as being addressed through measures to ensure that senior management and the HSWB Steering Committee are well sighted on current gaps in compliance, whilst steps are being taken to develop a dashboard from a "multitude of data sets".



## Benchmarking and learning from others

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

Benchmarking was undertaken as part of our VfM work. We used our management tool 'CFO Insights' and compared the units costs for a range of services. The tool uses information from the 'RO' returns to central government and population data to determine the number of people using the service to calculate a unit cost. The unit cost is assigned a score which ranges from 'very high' (in the top 20% of comparable authorities) to 'very low' (in the bottom 20%). Individual service line unit costs are in the range from very low to very high in cultural and related services and environmental and regulatory services, in line with expectations in an authority with such significant commercial activity related to tourism and culture. High waste disposal costs identified in the tool are a known issue.

We also reviewed the recently published CIPFA Resilience Index 2022. In the CIPFA Index the highest risk indicator for BANES is shown as the "Reserves Sustainability Measure". However, the Council is in line with 15 of the 16 authorities in the comparator group. We noted that earmarked reserves have increased from £37.8m in 19/20 to £46m in 20/21 (back in 2015/16 earmarked reserves were £57m). BANES ranks 35th out of 89 comparator authorities for the level of earmarked reserves as a % of annual net expenditure. Reserves level as a percentage of annual net expenditure was 17.49% for 20/21 which is broadly consistent with prior years where levels have fluctuated between 15% and 21%. Unallocated reserves have remained broadly static at c.£12m. Overall we consider that reserves levels are in line with expectations, but in common with other local authorities, a sustained focus on the measured and planned use of reserves should continue.

Borrowing increased significantly between 2016/17 and 2018/19 (from £80m to £196m) but the Treasury Management Outturn Report 2020/21 shows that borrowing remains well within the prudential indicators set out in the Council's Treasury Management Strategy Statement under the CIPFA Treasury Management Code.

We have seen evidence that BANES uses comparative information, from its CIPFA nearest neighbours and south west authorities, to benchmark its performance against other organisations. For example, council tax levels are benchmarked against other unitary authorities in the south west as part of 2021/22 budgeting and the Covid-19 Recovery Plan included a comparison of unearmarked reserves with other unitary authorities. Comprehensive benchmarking was also observed in the procurement process of mental health care and support for adults. The Head of Corporate Governance and Business Insight leads a small team of two analysts who provide a corporate benchmarking function using CIPFA, Local Government Association, NHS Digital and the Local Authority Interactive Tool (LAIT) benchmarking tools.

Annual VfM reports with heatmaps are generated and sent to Directors to support the annual budget and savings process. However, it is not clear to what extent systematic benchmarking is undertaken across the Council, as the Council's new Integrated Reporting Framework does not provide any benchmarked comparisons in the reports we have reviewed.

Another opportunity to identify improvement opportunities is to use reports from external regulators, such as Ofsted and the Care Quality Commission. The pandemic has necessarily impacted such reports but we observed that such reports and learning are handled at Service levels and by one of the (relevant) Scrutiny Panels (for example, Children, Adults, Health & Wellbeing Policy Development & Scrutiny Panel) which have the authority to refer matters to either Council or Cabinet if required. This can make it tricky to identify the reports and the Council's responses.

Overall we consider that the Council has sound arrangements in place to make good use of the opportunities to learn from benchmarking and external reports.

## Partnership and stakeholder working

The Council works and engages with significant partners across multiple service areas including homelessness prevention, drug and alcohol services and other local public bodies such as Parish Councils. The Council has developed a Roadmap 2020–2024 to support the Corporate Strategy and partnerships are identified as a key element of this. Work with partner organisations is also identified within the Procurement and Commissioning Strategy.

Whilst there is no formal definition of a significant partner, the Roadmap identifies six key partnerships (CCG, Virgin, WECA – transport, Western Gateway, Universities, RUH). As expected, the Council's Constitution also sets out the arrangements for Members to sit as part of the governing bodies of various partner organisations. The officers and Members we interviewed were consistent in their confirmation of the importance of partnership working as key to achieving and delivering objectives. In particular, the strength of and improvements to partnership working relationships were commented on, as a result of the response to the pandemic. We identified multiple examples during our work of the Council working effectively with partners, the most notable of which is the Adult Social Care contract with Virgin Care (now HCRG Care Group) and we consider that the formal shared governance arrangements in place are strong.

ADL (Aequus Developments Ltd) is the Council's Local Authority Controlled Company and parent company of ACL (Aequus Construction Ltd). The Business Plan 2020 to 2023 states that "The current governance arrangements include a Council Client Group which oversees the performance and delivery of the company, together with provisions for regular Council Scrutiny Panel updates." The Council appoints the Board of Directors and commissioned a review of governance arrangements which was completed by KPMG in 2020/21. The report makes seven recommendations to improve the governance arrangements, clarity of roles and responsibilities and to ensure that the Council is able to drive the maximum benefit from ADL in achieving its strategic objectives.

In response to this report the Council, in March 2022, has already approved changes to the structure and governance arrangements in place for oversight of ADL/ACL.

Other examples which demonstrate that the Council considers the impacts on partners include the Covid-19 Recovery Plan and the consultation work around the Clear Air Zone.

The arrangements appear appropriate and operate across different service areas, using a variety of engagement methods i.e. panels, public consultations, residents survey, etc. However, oversight of contract delivery is considered to be a service area role. Whilst local teams are often best placed to manage those relationships on a day to day basis, this also creates a risk of variability in relationships and a need for assurance that the Council is engaging appropriately and effectively with significant partners and key stakeholders.

### Procurement

The Council has an up to date Procurement and Commissioning Strategy, published on its website. Its update in October 21 was delayed by Covid-19 but we consider that this is reasonable. The policy refers to the new public procurement rules which are to be adopted in 2022 (published in June 2021) and is structured around the Corporate Strategy policies and principles. Six key considerations and challenges are set out:

- Brexit
- the Covid-19 pandemic
- Costs vs Sustainability
- Culture change
- Modern slavery and
- Social Value (To consider how the services being commissioned and procured might improve the economic, social and environmental well-being of the area.)

We identified no procurement issues in online searches of local media and our review of the contracts register for contracts awarded during 2020/21 showed no repeated commissioning or unusual patterns of activity, nor any extensive or unexplained use of consultants.

The procurement of services through partners continues to be increasingly important for local authorities and therefore managing contractual relationships is a key competence to ensure that quality, service and cost outcomes are met or exceeded. Oversight of contract delivery at BANES is a service area role and is based on management reporting lines, the skills and experience of individual managers (who may be subject specialists, but without training or expertise in contract management), the nature of working relationships and the service being delivered. As a result there is a risk of inconsistencies in the effectiveness of contract monitoring and management. We understand that for significant suppliers service areas have established special oversight/management groups and we have confirmed that this is in place for the Virgin Care contract. However, there is no formal definition of a significant partner (see above page 25) and the robustness of contract management for other service providers is less clear and is reflected in the Maturity Model Report dated October 2021, which identified some weaknesses in contract and relationship management. The Council's Strategic Procurement Team are available to support service area staff with procurement activities and Contract Standing Orders are made available to businesses wishing to sell to the Council. Significant procurements are reviewed by the Contracts Panel. In the event of the Council entering into any complex or unusual activities appropriate advice is available through a consultancy or neutral vendor arrangement.

Overall we conclude that appropriate procurement arrangements are in place but there is an opportunity to further support and strengthen contract management across the service areas. This would help to ensure that service delivery is in line with expectations and provide a framework to support managers in cases where delivery falls below requirements. (We note that a plan to introduce a contract management framework was paused by the pandemic).

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>10 Recommendation</b>	The Integrated Reporting Framework should continue to be developed to provide a more sophisticated and joined up performance management framework. The Key Performance Indicators (KPIs) should be better aligned to objectives.
<b>Why/impact</b>	This will assist the Council in assessing and demonstrating progress towards a objectives and enable resources to be more effectively targeted. It will help to ensure that resource planning and service delivery are aligned with policy and increase transparency for elected Members and local residents.
<b>Summary findings</b>	The Council Roadmap 2020 – 2024 includes a performance framework as part of the organisational framework required going forward. The Council would benefit from further development of KPIs. For example, the internal audit report on Property Compliance refers to developing a dashboard from a "multitude of data sets". The Council's Integrated Reporting Framework takes information mainly from existing business systems across the Council and reports values against targets (where these are set, such as % of household waste recycled) or activity levels (e.g. average speed on roads). They are grouped to follow the three key principles in the Corporate Strategy, but it is not possible to identify if there is a direct link between the indicators and the Council's plans and objectives. There is no trend or risk analysis and the commentary is limited and focussed on interpreting the indicator and future plans.
<b>Management comment</b>	The Council is undertaking a longer-term programme of work to improve its strategic performance management. This is to be delivered through the Council's Data Strategy (2021) and includes greater alignment of performance data with service plan and personal objectives for officer leadership to provide member and public scrutiny; planned for the 2022/23 financial year.



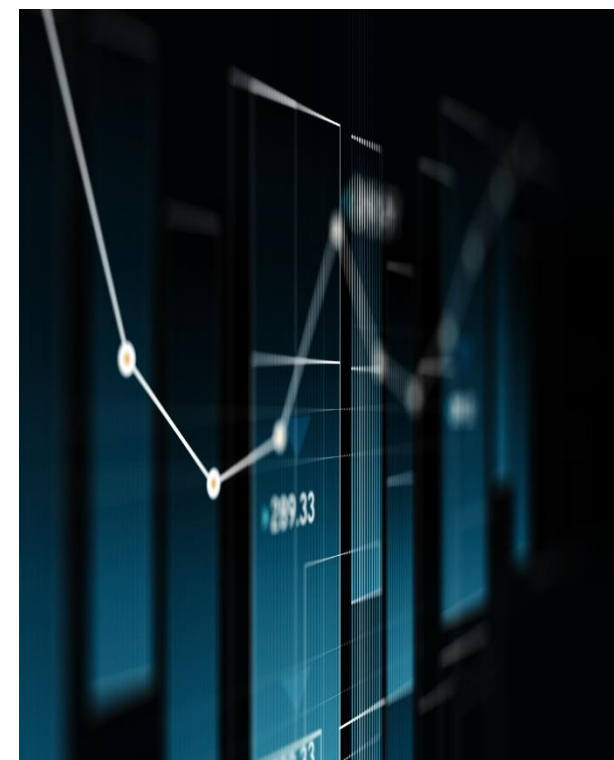
The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>11 Recommendation</b>	Strengthen the existing benchmarking processes by developing and formalising a structured framework to ensure that the information in the annual VFM heatmaps is acted on and that benchmarks are incorporated into the Integrated Reporting Framework.
<b>Why/impact</b>	Systematic benchmarking may identify areas for improvement and provide targets to work towards.
<b>Summary findings</b>	Annual VFM reports with heatmaps are generated and sent to Directors to support the annual budget and savings process. However, it is not clear to what extent systematic benchmarking is undertaken across the Council, as the Council's new Integrated Reporting Framework does not provide any benchmarked comparisons in the reports we have reviewed.
<b>Management comment</b>	The Council is subscribed to LG inform plus, providing a range of benchmarking data and in-built reports that are used on a case-by-case basis as part of performance management processes where benchmarking data is relevant to business need.



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

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>12 Recommendation</b>	Consider raising the profile of action planning and lessons learned from external inspection reports, such as Ofsted and the CQC by including an annual summary report to Council or Cabinet.
<b>Why/impact</b>	We believe that this would enhance transparency for both local residents and Members, and would publicly demonstrate the Council's commitment to development and improvement.
<b>Summary findings</b>	We observed that reports from external regulators, such as Ofsted and the Care Quality Commission are handled at Service levels and by one of the (relevant) Scrutiny Panels (for example, Children, Adults, Health & Wellbeing Policy Development & Scrutiny Panel) which have the authority to refer matters to either Council or Cabinet if required.
<b>Management comment</b>	Issues would be included as part of the Council's Annual Governance statement processes and where necessary broader statements would included as part of the new Annual Report to Cabinet



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



# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>13 Recommendation</b>	Ensure that an appropriate response and action plan to the Aequus governance review is delivered on a timely basis.
<b>Why/impact</b>	We believe that this would help to ensure that the Council is able to make the most effective use of the skills and resources available in its subsidiary.
<b>Summary findings</b>	The Aequus report makes seven recommendations to improve the governance arrangements, clarity of roles and responsibilities and to ensure that the Council is able to drive the maximum benefit from ADL in achieving its strategic objectives. Changes to the structure and governance arrangements were approved by the Council in March 2022
<b>Management comment</b>	THIS ACTION IS COMPLETED, SEE RECENT COUNCIL REPORTS



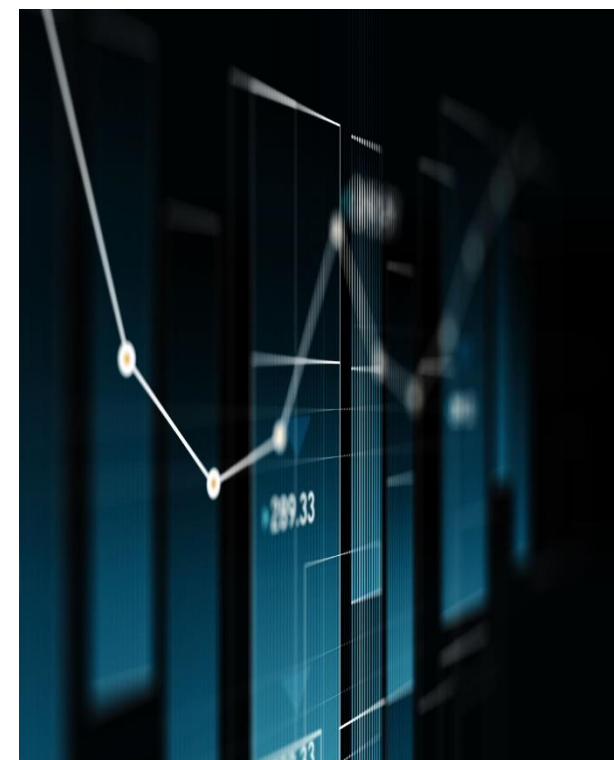
The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

<b>14 Recommendation</b>	<p>The Council should develop its contract management arrangements further.</p> <ol style="list-style-type: none"> <li>It should ensure that staff have the appropriate skills and knowledge to manage contractual relationships with partners appropriately and consistently, using an agreed contract management framework.</li> <li>The approach to monitoring, reporting and challenging service delivery, should be proportionate in line with the nature of the contract and the importance of the partner (perhaps through clearly identifying its key/significant partners).</li> </ol>
<b>Why/impact</b>	To ensure that all partnership working arrangements are managed to appropriate standards, in line with Council policies.
<b>Summary findings</b>	Oversight of contract delivery is a service area role and is based on management reporting lines, the skills and experience of individual managers (who may be subject specialists, but without training or expertise in contract management), the nature of working relationships and the service being delivered. As a result there is a risk of inconsistencies in the effectiveness of contract monitoring and management. However, there is no formal definition of a significant partner and the robustness of contract management for other service providers is less clear, as identified in the Maturity Model Report dated October 2021.
<b>Management comment</b>	The Council has established a Procurement Steering Group and this will feature as part of their ongoing agenda



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

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 16 December 2021.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Corporate Audit Committee on 15 December 2021.

## Whole of Government Accounts

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

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

## Issues arising from the accounts:

Our audit identified no individually material errors or adjustments to the financial statements but identified errors that cumulatively materially impacted on the draft statements presented to audit. Officers agreed to correct these, the most significant of which are:

- Improper componentisation of seven assets
- Two assets included in the valuation report for which valuations were not performed

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

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



# Appendices

# Appendix A - Responsibilities of the Council



## Role of the Chief Financial Officer (or equivalent):

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

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

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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.





# Appendix B - Risks of significant weaknesses - our procedures and findings

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

<b>Risk of significant weakness</b>	<b>Procedures undertaken</b>	<b>Findings</b>	<b>Outcome</b>
Financial sustainability was not identified as a potential significant weakness, see pages 7- 9 for more details.	As part of our review we reviewed the processes in place relating to savings planning, budget delivery, and the impact of Covid-19 19.	No significant weaknesses identified	Appropriate arrangements were in place, four improvement recommendations raised.
Governance was not identified as a potential significant weakness, see pages 14-17 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements were in place, five improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a significant weakness, a more detailed review was undertaken see pages 23-25 for further information	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements were in place, five improvement recommendations raised.

# Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	-
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	10 – 13, 18 – 23, 26 - 30

# Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

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

We have not issued any statutory recommendations.

## Public interest report

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

We have not issued a public interest report.

## Application to the Court

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

We have not made an application to the Courts.

## Advisory notice

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

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

We have not issued any advisory notices.

## Judicial review

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

We have not applied for a judicial review.

