Auditor's Annual Report Oadby and Wigston Borough Council

2020/21 and 2021/22

January 2023

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the [type of body] 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 [type of body]'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.

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. 2020/21 is the first year that we are reporting our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2020/21 and 2021/22 because of:

- the delays in the completion of the 2020/21 audit of the financial statements; and
- the Council's implementation of improvements during 2021/22 that impact on our value for money assessment.

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	Planning risk assessment	2020/21 Auditor Judgment		2021/22 Auditor Judgment		Direction of travel
Financial sustainability	Risk identified for both 2020/21 and 2021/22 because of weaknesses in the Council's financial planning and savings plans.	Red	Significant weakness in financial planning arrangements identified. We have made one key recommendation covering financial sustainability and governance which was addressed by the Council in 2021/22 (see Appendix B for an explanation of the types of recommendations we can make).	Amber	The Council addressed the significant weakness, but three improvement recommendations made (see Appendix B for an explanation of the types of recommendations we can make).	⬆
Governance	No risks of significant weakness identified.	Red	Significant weakness in financial planning arrangements identified. We have made one key recommendation covering governance and financial sustainability which was addressed by the Council in 2021/22 (see Appendix B for an explanation of the types of recommendations we can make).	Amber	The Council addressed the significant weakness, but six improvement recommendations made (see Appendix B for an explanation of the types of recommendations we can make).	⬆
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	Amber	No significant weaknesses in arrangements identified, but two improvement recommendations made (see appendix B for an explanation of the types of recommendations we can make).	Amber	No significant weaknesses in arrangements identified, but two improvement recommendations made (see Appendix B for an explanation of the types of recommendations we can make).	⬆

Green	No significant weaknesses in arrangements identified or improvement recommendation made.
Amber	No significant weaknesses in arrangements identified, but improvement recommendations made.
Red	Significant weaknesses in arrangements identified.

Executive summary

Financial sustainability

Key Recommendation

There were significant weaknesses with financial planning in 2020/21, including the 2021/22 capital programme approved within the budget. We have made one key recommendation on Page 7. We are satisfied that appropriate action was taken in 2021/22 following the Local Government Association's (LGA) Financial Health-check which addressed the significant weakness. Much of this improvement has been driven by the appointment of a permanent section 151 officer and continued investment in the finance team. This enabled the Council to re-build the foundations for good budgeting. Further improvements are being made in 2022/23 in the lead up to the 2023/24 budget with a more granular line by line review being undertaken and the development of a more comprehensive Medium Term Financial Plan (MTFP). The Council will need to ensure that the improved arrangements become embedded.

Summary and Improvement Recommendations

Action was also taken in both 2020/21 and 2021/22 to close the overall financial gap, but there is a continuing dependence on reserves to close the financial gap. Although the authority implemented some savings actions in 2021/22 there was no authority wide co-ordinated savings plan in place. A 'Sustainability Plan' is included in the latest version of the MTFP. We have noted a review of waste collection services is in progress and a programme of service reviews is being developed but the Council will need clear direction and drive around the identification and delivery of savings, including learning from the past and ensuring there is effective delivery, monitoring and review, to ensure its objectives are met.

It is also important to note that in terms of responsibilities for identifying and delivering savings CIPFA's Financial Management Code (the FM Code) notes (page 17) that It is for the leadership team to ensure that the authority's governance arrangements and style of financial management promote financial sustainability and that good financial management is the responsibility of the whole leadership including the relevant elected members. It is the responsibility of the senior officers within the management team to enact this. The FM Code follows the practice of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government in referring to this collective group of elected member and officers with this collective financial responsibility as the leadership team. In local authorities, therefore, the concept of the 'leadership team' will include executive committees, portfolio holders with delegated powers and other key committees of the authority and senior officers.

The 2021/22 budget and MTFP did not include all relevant costs and did not distinguish between core statutory services and discretionary services. The budget process improved for the 2022/23 budget with all relevant costs were included. There was not, however, a clear distinction between core statutory services and discretionary services. As noted above the Council is currently undertaking a line by line review of the budget and making this distinction would potentially aid in future decision-making processes.

Workforce, capital and investment planning have all developed over the last two years. The specific significant weakness with the 2021/22 capital programme approved with the budget was addressed by re-appraising the capital programme in September 2021. Although there was some evidence of risks being included in financial plans, this was not well developed in the 2021/22 or 2022/23 budget reports. The latest version of the MTFP includes a more detailed analysis of risks but the Council needs to continue to build and refine its approach to risk.

We have made the following three improvement recommendations:

- Ensure that risk based financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.
- Delivering the recently agreed Sustainability Plan will need clear direction and drive. Progress should be reported through the Policy, Finance and Development (PFD) Committee and clearly show the identification, monitoring and delivery of savings.
- Consider distinguishing between core service and discretionary service costs in financial plans.

Executive summary

Governance

Key Recommendation

As reflected within the Financial Sustainability summary on page 4 there were significant weaknesses with the 2021/22 budget setting process (approved in February 2021) which are reflected in the key recommendation on Page 8. We are satisfied that improvements were made to the 2022/23 budget setting process (approved February 2022) to address the significant weakness. The Council will need to continue to build upon these improvements in future budgets such as consideration of trends or risk and sensitivity analysis in budget reports.

Summary and Improvement Recommendations

Overall we are satisfied that:

- appropriate internal control were in place including arrangements to prevent and detect fraud and corruption.
- although the LGA Corporate Peer Challenge (CPC) identified weaknesses in decision making there was no evidence of any major decisions being made in 2020/21 or 2021/22 without sufficient relevant information. There was however evidence of delays in decision making.
- from our regular attendance at Audit Committee, we have concluded that it has continued to develop since its establishment in 2019. We noted, however, that the Audit Committee has not reviewed its effectiveness, and
- there were effective arrangements in place to monitor compliance with legislation and regulatory standards and to communicate to staff what behaviours are expected and not expected of them.

In respect of other governance areas we noted that the timeliness and extent of member engagement in the budget setting process improved for the 2022/23 budget. There was, however, no evidence of external stakeholder engagement in the process. Financial forecasting also fluctuated significantly in both 2020/21 and 2021/22, with large deficits forecast in year and a big swing to an underspend at year end. Lack of financial capacity and the impact of dealing with the Covid pandemic had an adverse impact on financial processes and systems. Improvements were made during 2021/22 and the section 151 officer is leading the further development of the finance team.

Currently non-financial performance is monitored by Service Delivery Committee (SDC) and financial performance by Policy, Finance and Development Committee (PFDC). We found that non-financial information was not included in the financial monitoring reports in 2020/21 but that reports gave more details on variances in 2021/22. Forecasts were included for each service area and there was some consideration of non-financial factors, but service activity and workforce information was not included in the reports. Our view is that to best practice for integrated monitoring and decision-making is achieved when financial information is referenced back or considered alongside non-financial information. The Council's Senior Leadership Team should consider how this might best be achieved within the current governance arrangements i.e. whether that might be through report formats or roles of committees or other arrangements.

Risk management arrangements were reviewed and improved during 2020/21 and 2021/22. There is, however, scope to further improve the format and content of the Strategic Risk Register.

We have therefore made the following six improvement recommendations:

- Continue to develop the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, better summarise the sources of assurance, and include graphical rather than narrative presentation on the direction of travel of the mitigated risk score.
- Ensure that there is greater transparency in the budget setting process of the consideration of trends and their impact on projected financial outturn, and of alternative proposals and scenarios.
- Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.
- Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter 3 and quarter 4 reports.
- Include relevant service activity and workforce information in the quarterly budget monitoring reports.
- The Audit Committee reviews its effectiveness against CIPFA's best practice guidance.

Executive summary

Improving economy, efficiency and effectiveness

Summary and Improvement Recommendations

Overall we identified that:

- Performance reporting was in place in both 2020/21 and 2021/22. The volume of indicators reported on has been reduced for 2022/23.
- There was limited evidence of benchmarking performance with other local authorities.
- There was a clear focus on customer service and the authority is moving forward with its performance improvement agenda.
- Much of the partnering activity in 2020/21 was inevitably focused on responding to the Covid pandemic. Partnering activities continued to develop in 2021/22 and there has been effective stakeholder engagement.
- Appropriate arrangements are in place to manage procurement and assess expected benefits.
- Arrangements to monitor, control and report on capital project costs are in place but could be improved. The capital programme outturn statements for both 2020/21 and 2021/22 included schemes where spending was incurred but there was no budget. i.e. within the Q4 monitoring reports there was the Heating Ventilation Insulation project within the HRA £29.8k) and within the General fund the Oadby Pool Housing Project, Railway Corridor, Air Monitoring Equipment, Treescape Fund, Electric Charging Point, Home & Mobile Working and PARIS Upgrade (totalling £238k). All schemes should have an allocated budget to ensure that the overall anticipated cost and actual spend is reported.

On the basis of our work we have made the following two improvement recommendations:

- Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results. We have noted that the Council has also recognised this as a required action within its Annual Governance Statement (AGS).
- Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget.

Opinion on the financial statements for 2020/21 and 2021/22

2020/21

We have completed our audit of your financial statements and are planning to issue an unqualified audit opinion in early December, following the Audit Committee meeting on 23 November 2022. Our findings are set out in further detail on page 24.

2021/22

We are currently in the process of auditing the Council's draft financial statements for 2021/22. We intend to report our audit findings to the Audit Committee at the meeting on 4 January 2023.

Key recommendation

Why we are making this recommendation	It is a requirement of the Code of Audit Practice 2020 that where the auditor concludes that there is a significant weakness a key recommendation must be made. As auditors we are still required to still raise a recommendation regarding any significant weaknesses identified, even if we are satisfied that the weakness has since been addressed. We can reflect, however, the status of the recommendation in our commentary on arrangements. This is the case at the Council for 2020/21 where we have identified a significant weakness in respect of financial planning arrangements when setting the 2021/22 budget in February and March 2021. We are satisfied that the Council made good progress during 2021/22 in responding to the significant weakness issues and has continued to make further progress in 2022/23.
Audit year	2020/21
Key recommendation	The Council must ensure that: • it has sufficient financial skills and capacity to deliver effective financial management and financial planning, and to support financial decision making • its annual budget setting process is fit for purpose, is sufficiently detailed and includes appropriate engagement with internal and external stakeholders, and • it has a comprehensive Medium Term Financial Strategy and Capital Strategy in place.
Auditor judgement	There were significant weaknesses in the Council's financial planning, capital programme and budget setting process in 2020/21.
Summary findings	The Council faced a range of issues in 2020/21 which included key vacancies in the Finance Team. In the spring of 2021 at the Council's invitation the Local Government Association (LGA) carried out a financial health-check which found fundamental weaknesses in financial planning, budget setting and capital planning. Action was taken to improve arrangements and mitigate the financial risks identified in 2021/22.
Management Comments	The Council improved its arrangements in respect of financial skills and capacity during 2020/21 through several actions, including the appointment of a permanent Section 151 Officer. These are now embedded with the final appointment which includes the permanent Head of Finance and Deputy S151 Officer. The annual budget process for 2023/24 has been overhauled and now includes public consultation in addition to approaching statutory consultees. The Council now has an up-to-date Capital Strategy as part of its approach and will continue to do so as part of the annual budget cycle. A new MTFS was approved in September 2022.

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

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

All district council's 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.

District 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 Oadby and Wigston Borough Council's arrangements in each of these three areas, is set out on pages 9 to 23.

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.

1. How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans

There were significant weaknesses with financial planning in 2020/21. Action was taken in 2021/22 following the Local Government Association's (LGA) Financial Health-check which addressed these weaknesses. Improvements continue to be made in 2022/23 including the development of a more comprehensive Medium Term Financial Plan (MTFP).

The 2021/22 budget and updated MTFP was approved by Full Council in February 2021. The budget report was a shorter version than in previous years and lacked detail and support. The budget and MTFP as approved had weaknesses that were summarised by the LGA in their Financial Health-check in July 2022. These included:

- a short time horizon, the MTFP only included a two-year period to 2022/23,
- no clear assumptions about local taxation growth over the medium term,
- Covid grants being included in baseline resourcing,
- the omission of the revenue impact of Capital Programme proposals despite the capital programme requiring £10.3m of borrowing,
- the omission of the revenue and capital costs of bringing the ICT service back in-house were not included in the budget and capital programme,
- the lack of a Capital Strategy, although this has been a CIPFA Prudential Code requirement since April 2019, and
- no formal statement from the section 151 officer on the robustness and sustainability of estimates in the budget.

Improvements were made to the 2022/23 budget setting process in response to the recommendations of the LGA Financial Health-check.

There was earlier engagement with Members in the financial planning process. The September 2021 PFD Committee considered a Draft Budget Initiatives 2022/23 report and a draft 2022/23 Budget and MTFP was presented to the December 2021 Full Council meeting. The 2022/23 Budget and MTFP was presented to the February 2022 Policy, Finance and Development (PFD) Committee and Full Council meetings.

The baseline budget was re-assessed, and the revenue implications of capital spending plans included. The final budget report included a Capital Strategy.

Further progress has been made with implementing the health-check recommendations since the approval of the 2022/23 budget.

In September 2022 a much more comprehensive MTFP for the period 2022 to 2027 was presented to the PFD Committee. This provides an analysis of the authority's financial context and outlook, its spending, and its reserves. It also includes a risk assessment and considers the impact of different potential scenarios.

The authority has comparatively low income from fees and charges compared to other district councils. The 2021/22 budget included the proposal to introduce charges for car parking. This was a contentious issue, despite the authority being one of the last to do this. The introduction of car parking charges was delayed, which resulted in a £109k shortfall in budgeted income for the year. Another key source of fees and charges income was the Selective Licensing scheme. The income budget for this was overstated which resulted in a shortfall against budget of £302k. The combined shortfall of £411k was 8.75 percent of the 2021/22 net revenue budget.

Since the agreement of the 2022/23 budget the authority has reviewed its income generation activity. Reports were considered by PFD in June and September 2022 and a new Corporate Charging Policy was approved. This includes proposals for a community lottery and events management.

OWBC also has a low level of reserves compared to both its nearest neighbour group and district councils generally. Despite this the Council's financial plans were dependent on using reserves to balance both the 2021/22 and 2022/23 financial positions.

The use of reserves was not as significant as planned in 2021/22 due to a budget underspend. The 2022/23 budget includes the planned application of £125k of earmarked reserves to balance the financial position. The budget report notes that although the level of reserves is above the minimum level set by the authority there is a need to look for alternative ways to close the budget gap in the medium term. This is clearly a priority for the authority as the MTFP approved with the 2022/23 budget included a £336k budget gap in 2023/24.

The authority needs to develop financial plans that are not dependent on the use of reserves to balance its financial position [Improvement Recommendation 1].

Financial sustainability

2. How the body plans to bridge its funding gaps and identifies achievable savings

Action was taken in both 2020/21 and 2021/22 to close the overall financial gap, but there was no authority wide co-ordinated savings plan.

The 2020/21 budget included an ambitious multi-year savings programme. This was the first time that the Authority had developed such a programme. It identified savings schemes forecast to deliver £736k in 2020/21 and cumulative savings totalling £1,384k over the five-year period to 2024/25.

The pressures generated by Covid and staff vacancies in Finance resulted in this programme stalling and it was not implemented. The Council is relatively small and the loss of key staff can impact upon delivery. However, in respect of building resilience and successful delivery of savings plans best practice shows that this cannot be the sole responsibility of a Finance team. Savings plans need to de developed corporately and 'owned' by service directors and directorates. Finance will have a key role in monitoring and reporting on savings delivery (and delivering those in its area of work) but successful delivery will require an integrated corporate response overseen by the Senior Leadership Team and Members.

The Selective Licensing scheme introduced in 2020/21 and the introduction of car parking charges in 2021/22 were not sufficient to close the budget gap and as noted, there was a planned use of reserves to balance the 2021/22 budget. Projections for 2022/23 included the further use of balances and relied heavily on budget re-basing and the release of provisions to balance the position. . Further improvements are being made in 2022/23 in the lead up to the 2023/24 budget with a more granular line by line review being undertaken and the development of a more comprehensive Medium Term Financial Plan (MTFP). The Council will need to ensure that the improved arrangements become embedded.

Although there was no evidence of a co-ordinated savings plan for 2021/22 action was taken to address the authority's financial sustainability. The management restructure was implemented during the year, one aim of which was to improve cost efficiency. We would expect the Council to review the effectiveness of this in 2022/23 and will assess this in our next review. The authority also reviewed its Minimum Revenue Provision and changed it in December 2021. This reduced capital charges included in the revenue budget by £383k in 2021/22 and £403k for 2022/23. There was however a need to develop a savings programme to address medium term financial risk and reduce the call on reserves to balance annual budgets.

Although it was recognised in the 2022/23 draft budget report that a savings programme was needed there was no discussion in the final budget report about this. The draft 2022/23 budget report discussed 'Options for Closing the Gap' and outlined a potential savings programme, however this was not developed. The MTFP was extensively updated and in September 2022 and includes a 'Sustainability Plan'.

It is also important to note that in terms of responsibilities for identifying and delivering savings CIPFA's Financial Management Code (the FM Code) notes (page 17) that It is for the leadership team to ensure that the authority's governance arrangements and style of financial management promote financial sustainability and that good financial management is the responsibility of the whole leadership including the relevant elected members. It is the responsibility of the senior officers within the management team to enact this. The FM Code follows the practice of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government in referring to this collective group of elected member and officers with this collective financial responsibility as the leadership team. In local authorities, therefore, the concept of the 'leadership team' will include executive committees, portfolio holders with delegated powers and other key committees of the authority and senior officers.

The authority needs to further develop this Sustainability Plan and ensure its delivery is tracked and reported on [Improvement Recommendation 2].

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

There were significant weaknesses with the 2021/22 capital programme approved with the budget. The authority addressed these weaknesses by re-appraising the capital programme. A review of waste collection services is in progress and a programme of reviews is being developed.

The capital budget increased from £969k in 2020/21 to £12,229k in 2021/22. This was due to the inclusion of £10,215k of General Fund housing investment in the capital programme. There was no evidence that the financial context had been appropriately considered and the LGA Financial Health Check concluded that the 2021/22 capital programme and its funding was flawed and high risk.

The authority reviewed its capital programme in September 2021. Two high risk housing schemes (Oadby Pool site and Modular Homes) with a total estimated cost of £10.2million were removed from the programme, and three schemes were added (IT service transfer, new Council Offices and affordable homes) with a total estimated cost of £3.1million. The 2021/22 capital programme reduced from £12.2m to £5.1m. The reappraisal of the 2021/22 capital programme reduced the authority's risk exposure and was consistent with corporate strategic priorities. The 2022/23 capital programme was also consistent with corporate strategic priorities.

The need to review service delivery was identified in the 2021/22 budget report. The review of waste collection services started in 2021. It has resulted in some service changes and is still in progress with an anticipated completion in early 2023.

The 2022/23 Budget and MTFP did not include long term plans on service provision, however the Strategic Director of Transformation and Customer Services is currently developing a programme of service reviews.

Financial sustainability

The 2021/22 budget and MTFP did not include all relevant costs and did not distinguish between core statutory services and discretionary services. The budget process improved for the 2022/23 budget and all relevant costs were included. There was not however a clear distinction between core statutory services and discretionary services. Discussion with the section 151 officer indicated that there is an awareness of the distinction between core statutory services and discretionary services. The ending of pest control services in 2021 was an example of disinvestment in discretionary services.

The authority should consider distinguishing between core statutory services and discretionary services in its financial plans [Improvement Recommendation 3].

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Workforce, capital and investment planning have all developed over the last two years. Weaknesses in capital and investment planning in 2020/21 have been addressed.

The Council has a relatively small workforce and the recent management restructure included a re-basing of workforce posts and costs. We understand that following the LGA Corporate Peer Challenge (CPC) in January 2022 a vacancy management plan has been developed. The Council is still in the early stages of operating and embedding this.

The 2022/23 budget report included a summary of capital funding, and a capital strategy was included. There was no evidence of major capital investment being postponed or cancelled without a sound rationale.

The Treasury Management Strategy approved in 2020/21 was flawed as it did not include the investment costs of the capital programme. These weaknesses were addressed in 2021/22. The authority approved a revised and comprehensive Treasury Management Policy and Strategy in February 2022. The Budget report, considered at the same meeting as the Treasury Management Policy and Strategy, included a capital strategy.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Although there was some evidence of risks being included in financial plans, this was not well developed in the 2021/22 or 2022/23 budget reports.

There was no evidence that uncertainty, volatility, and other financial risks were considered in developing the 2021/22 budget and MTFP. Although there was no explicit narrative on financial risks in the 2022/23 budget reports the issues raised related to this, for example risk and volatility due to the one-year financial settlement and lack of clarity about future funding streams.

The 2022/23 Budget and MTFP included a proposal to use capital receipt flexibility to fund transformation projects. The Budget report acknowledges that there are 'promising' projects and there is a need to focus on medium term resilience. However, it is noted that the one-year settlement and delays to the Fair Funding Review, Business Rates reset and New Homes Bonus increases uncertainty. There is no explicit narrative on scenario planning and risk mitigation. The recently updated MTFP includes an explicit consideration of financial risks and scenario planning.

Improvement recommendations

Financial sustainability

Improvement recommendation 1	**Ensure that financial plans are developed and implemented to close the funding gap that are not dependent on the use of reserves.**
Audit year	2020/21 and 2021/22
Why/impact	Both the 2021/22 budget, approved in February 2021 and the 2022/23 budget, approved in February 2022 are dependent on the use of reserves to balance the financial position. The authority has a low level of reserves compared to other district councils and is at risk of having an unsustainably low level of reserves, particularly as the MTFP approved with the 2022/23 budget indicated a £336k budget gap in 2023/24.
Management Comments	The Council has developed a Sustainability Plan and Programme as part of its Medium-Term Financial Strategy and approach to managing budget gaps and reducing the reliance on reserves. The Programme is currently being mobilised, with the first one-off savings planned in-year (2022/23) achieved and initiatives to achieve targets for additional income generation in 2023/24 approved.

Improvement recommendation 2	**Progress with delivering the recently agreed Sustainability Plan which needs to be monitored and reported to the Policy, Finance and Development (PFD) Committee.**
Audit year	2021/22
Why/impact	Although the authority implemented some savings actions in 2021/22 it did not have a clear savings programme in place. The revised MTFP approved in September 2022 includes a Sustainability Plan. This plan will need to be reviewed and developed as the financial outlook becomes clearer and PFD committee will need to oversee its delivery.
Management Comments	The Medium-Term Financial Strategy sets out the monitoring and reporting cycle for the achievement of savings within the Sustainability Plan and Programme. This cycle will commence in full, from the Q4/provisional outturn report in June 2023. Summary updates will be provided as the scheme continues to mobilise, in the Q3 Budget Monitoring report due in February 2023.

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

Improvement recommendations

Financial sustainability

Improvement recommendation 3	**Consider distinguishing between core statutory services service and discretionary service costs in financial plans.**
Audit year	2020/21 and 2021/22
Why/impact	Budget reports do not distinguish between core statutory services service costs and discretionary service costs. This means that it is difficult to identify which services which are mandatory and therefore have limited funding flexibility and those services where there is the potential for more funding flexibility.
Management Comments	Agreed – this will be implemented as part of the final 2023/24 budget presented to members for approval in February 2023.

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

Governance

We considered how the Council:

- 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.

1. How the body assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

Risk management arrangements were reviewed and improved during 2020/21 and 2021/22. Appropriate internal controls were in place including arrangements to prevent and detect fraud and corruption.

Strategic and operational risk registers were in place during 2020/21 and the Strategic Risk Register was monitored by Senior Leadership Team (SLT). However, weaknesses in risk management were recognised, particularly the lack of visibility of corporate risks at Member level. Action was taken during 2020/21 and improvements were implemented in 2021/22.

At its July 2021 meeting, the Audit Committee approved the Council's Opportunity Risk Management Policy and received, for the first time, the Operational and Strategic Risk Registers for consideration.

From July 2021 both the quarterly corporate and strategic risk registers were presented to the Audit Committee. The new arrangements included reporting risks to Members, focusing on key corporate risks. In April 2022 the Council established a cross organisational Risk Management Group and from July 2022 it was agreed that only the strategic risk register would be presented to Audit Committee with the Operational Risk Registers remaining under quarterly review by officers and any risks with a risk rating or 10 or above being escalated to the Senior Leadership Team for consideration and inclusion on the strategic risk register as necessary. This is not inconsistent with other Councils.

From our review of the register we have noted that:

- each risk is RAG (Red, Amber, Green) rated based on its inherent and mitigated risk score, and
- all risks are allocated to named senior officers.

However, we believe it can be developed further {:Improvement Recommendation 4]:

- strategic risks could be aligned to a primary objective rather than documented as "all objectives",
- existing controls are summarised, but sources of assurance are not clearly set out,
- a short update commentary is provided for each risk, but this could be improved by graphically representing the direction of travel of the mitigated risk score in the Appendix or summary report.

An adequate and effective internal audit function was in place throughout 2020/21 and 2021/22 and there was no evidence of pervasive and significant weaknesses in internal controls. In both years the Head of Internal Audit gave "significant assurance" that there was a generally sound system of internal control designed to meet the authority's objectives, and that controls were generally being applied consistently.

Arrangements were in place to prevent and detect fraud. The authority has a clear anti-fraud and corruption policy in place dating from 2014 which is regularly reviewed.

2. How the body approaches and carries out its annual budget setting process

There were significant weaknesses with the 2021/22 budget setting process (approved in February 2021), but improvements were made to the 2022/23 process (approved February 2022).

Financial plans were reviewed and approved by the Senior Leadership Team for both the 2021/22 and 2022/23 budgets. There were however capacity issues in the Finance Team for both year's budget processes. These issues have now largely been addressed.

The 2021/22 and 2022/23 budget setting processes did not include consideration of trends including analysis and extrapolation and their impact on the projected final out-turn or show that forecasts were subject to risk and sensitivity analysis.

Following feedback from the LGA financial health-check improvements were made to the budget setting process. This included consideration of budget initiatives in September 2021 and a draft budget in December 2021 by members before approval of the final budget in February 2022. There was however no consideration of trends or risk and sensitivity analysis in these reports.

The authority's budget setting process needs greater transparency of the consideration of trends and their impact on projected financial outturn, and of alternative proposals and scenarios [Improvement Recommendation 5].

Governance

The timeliness and extent of member engagement in the budget setting process also improved for the 2022/23 budget. There was however no evidence of external stakeholder engagement in the process.

The authority needs to engage with external and well as internal stakeholders as part of its budget setting process [Improvement Recommendation 6]

The section 151 officer noted positive developments in the financial culture including a "Dragon's Den" for income generation schemes as part of 2022/23 budget development. This engaged mid-tier managers who were very positive and keen to engage on financial issues. The LGA Corporate Peer Challenge (CPC) noted the high level of awareness of the authority's financial challenges from both members and officers. In their report they said:

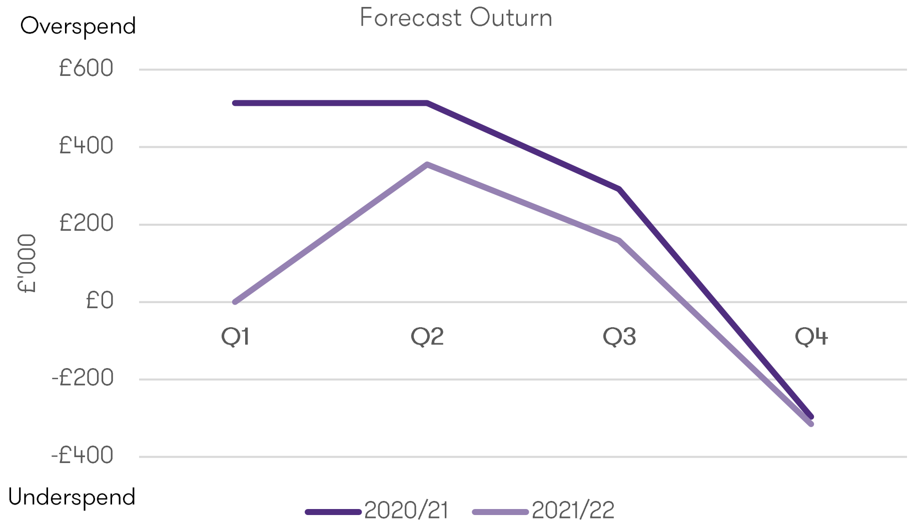
"Members and officers recognise that difficult financial decisions may need making at any time and it was made absolutely clear to the peer team that nothing is off limits. Staff are encouraged as part of this to put forward ideas that could for example generate income, save money and make services more efficient. These ideas will not only enhance the council's budget but help ensure everyone at the council owns it."

3. How the body ensures processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships

Lack of financial capacity and the impact of dealing with the Covid pandemic had an adverse impact on financial processes and systems. Improvements were made during 2021/22 and the section 151 officer is leading the further development of the finance team.

Budget monitoring and delivery in 2020/21 was challenging as it was an unusual year due to the impact of Covid and the associated funding. The Finance Team was also carrying vacancies. Three financial monitoring reports were presented to PFD Committee (Q1, Q3 and Q4). Q1 and Q3 reports forecast net overspends after Covid funding (Q1 £514k and Q3 £292k). Q4 (outturn) reported a net underspend on £296k. There was a movement of £588k between Q3 and Q4. This was due in part to Covid funding (£310k) but included unexpected service underspends of £278k.

The forecast financial outturn again fluctuated significantly during the 2021/22. Four financial monitoring reports were presented to PFD Committee, initially forecasting breakeven, then an overspend and finally a £315k underspend. The overspend was anticipated due to an over optimistic car park income budget and an overstatement of the selective licensing income budget. The final underspend was in part due to the release of £386k Covid provision. There was, however, an unanticipated swing of £474k in the forecast outturn between Q3 and Q4.



The chart indicates that the forecasting of outturn was inaccurate in both 2020/21 and 2021/22.

The authority needs to improve the accuracy of in-year forecasting of the financial outturn **[Improvement Recommendation 7].**

Non-financial information was not included in the financial monitoring reports in 2020/21. The explanation of budget variances included in the reports was high level and did not provide a drill down to which services had the most significant budget variances. Reports gave more details on variances in 2021/22. Forecasts were included for each service area and there was some consideration of non-financial factors, such as increases in planning application and homeliness activity, vacancies, and agency costs.

The authority should include relevant service activity and workforce information in the quarterly budget monitoring reports **[Improvement Recommendation 8]**.

There was insufficient reporting on treasury management activity to PFD Committee during 2020/21. In 2021/22 reporting improved and was sufficient. Three treasury management reports were presented to PFD covering 2020/21 full year activity, 2021/22 mid-year update and 2022/23 treasury management policies and strategy.

There were significant delays in the production of the 2020/21 accounts. There has been an improvement in the timeliness and accuracy of supporting working papers for the 2021/22 accounts, and the audit is expected to be substantially complete by the end of November 2022.

Governance

There was a lack of financial capacity in 2020/21. The financial health-check noted that long-standing senior officers had left the authority and that there were challenging issues to deal with, including the Covid pandemic, budgeting and capital programming, and the closure of the accounts. The LGA CPC noted that the authority was addressing its financial capacity issues and further progress has been made since they issued their report. Most notably the appointment of the new section 151 officer and the building of a Finance Team with a clear vision. Good progress continues to be made but the team is not yet fully up to strength as the Deputy section 151 officer has not yet started.

4. How the body 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 (the Audit Committee).

Although the LGA CPC identified weaknesses in decision making there was no evidence of any major decisions being made in 2020/21 or 2021/22 without sufficient relevant information. There was however evidence of delays in decision making.

The authority is relatively small and has adopted the Committee and Council governance model. The LGA CPC concluded that officers and members need to work more effectively together. They noted that:

"…there is a lack of clarity between members and officers about who makes what decisions, including no clear distinction between political/strategic decisions made by members, operational decisions made by officers, and who accordingly communicates and actions each decision."

One of the most significant decisions impacting on service users was the introduction of car parking charges. Although proposed as part of 2021/22 budget setting in February 2021, the decision was delayed until later in 2021 and was not implemented until January 2022. Consideration was taken of service users' feedback. There was a public consultation exercise and representations from the public were considered by PFD Committee in June 2021.

There is evidence of an appropriate 'tone from the top' in respect of decision making. The LGA CPC report also noted that:

"The council's Senior Leadership Team, especially the Chief Executive, understands, is accessible and responds to the needs of council staff. The peer team heard this throughout its visit, it is much appreciated by officers and forms a supportive basis on which the council is delivering its services. Examples include increasing staff resources where services require them, and staff able to approach senior managers."

The Audit Committee was established in September 2019 and took over the role of those charged with governance from the PFD committee. We noted in our 2019/20 Annual Audit Letter that the Committee was developing well and challenging the reports presented to them. From our regular attendance at Audit Committee, we can conclude that it has continued to develop. We have noted however that the Audit Committee has not yet reviewed its own effectiveness.

The Audit Committee should review its effectiveness against CIPFA's best practice guidance **[Improvement Recommendation 9]**.

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

There were effective arrangements in place to monitor compliance with legislation and regulatory standards and to communicate to staff what behaviours are expected and not expected of them.

The authority's constitution includes Codes of Conduct for Members and Officers and the LGA CPC report commented on the positive culture at the authority. The Monitoring Officer reports quarterly to PFD Committee on a range of ethical and regulatory indicators.

There was no evidence of significant non-compliance with the Constitution during 2020/21 or 2021/22 or of any legislative or regulatory breaches leading to investigations. There were departures from regulations and professional standards as follows:

- the CIPFA Financial Management Code was not fully adopted. A self-assessment was completed and reported to Senior Leadership Team in July 2022
- the Prudential Code was not fully complied with in 2020/21, but was in 2021/22
- there was no section 25 statement from the s151 officer in the 2021/22 budget report, but this was included in the 2022/23 budget report.

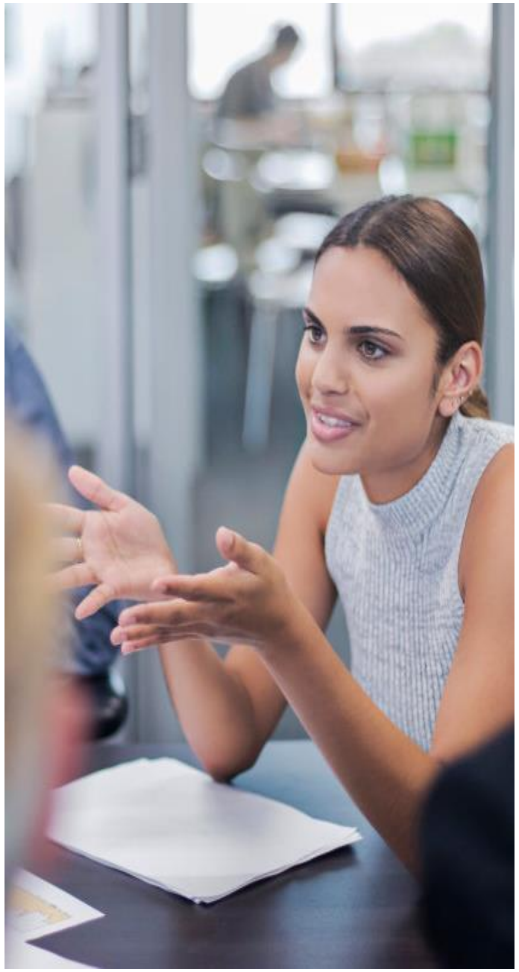
A gifts and hospitality policy and register was in place and there were clear declaration of interest requirements on all committee meeting agendas.

Improvement recommendations

Governance

Improvement recommendation 4	**Improve the format of the Strategic Risk Register by identifying each risk against a primary corporate objective, summarise the sources of assurance and include a graphical representation the direction of travel of the mitigated risk score.**
Audit year	2020/21 and 2021/22
Why/impact	This will help improve the linkage with the corporate plan and ensure that members of the Audit Committee are aware of both how assurance is obtained and what is happening to each risk over time.
Management Comments	These improvements will be reviewed and incorporated into our risk management policy and approach.

Improvement recommendation 5	**Ensure that there is greater transparency in the budget setting process of the consideration of trends and risks and their impact on projected financial outturn, and of alternative proposals and scenarios.**
Audit year	2020/21 and 2021/22
Why/impact	There is a high level of volatility and financial uncertainty in the economic environment. The Council needs to demonstrate that it has taken into account relevant factors when developing and approving its budget
Management Comments	The 2023/24 budget process has provided for enhanced transparency through engagement with members on the principles for setting the budget, discussion on early proposals and presentation of a draft budget that will now be used for consultation with the public and local businesses and other stakeholders. Additionally, the development of the budget to date has included the presentation of alternative proposals in key areas and a scenario analysis of the key financial risks. This new approach will be developed further to ensure there is demonstrable consideration of all relevant factors.



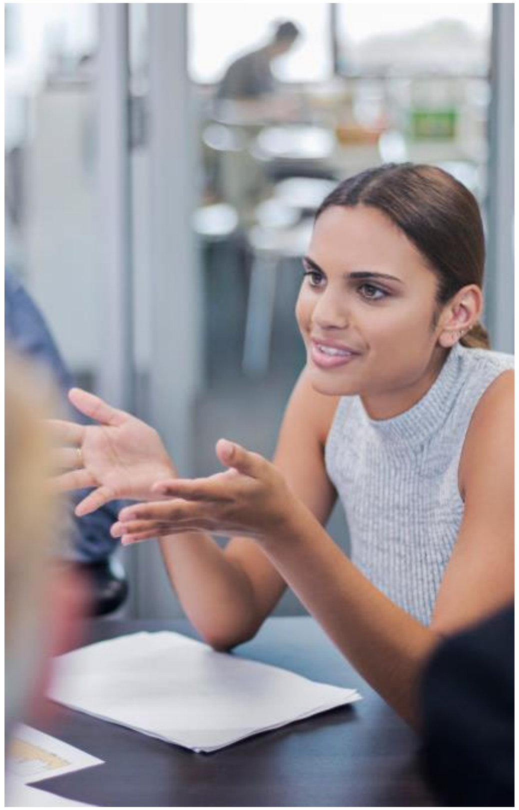
The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations

Governance

Improvement recommendation 6	**Engage with external stakeholders on options and considerations as part of the 2023/24 budget setting process.**
Audit year	2020/21 and 2021/22
Why/impact	The Council needs to ensure that it takes into account residents and local taxpayers views when considering its budget options.
Management Comments	The 2023/24 budget process includes public and relevant stakeholder consultation on the draft budget and core proposals.

Improvement recommendation 7	**Improve the accuracy of in-year forecasting of the financial outturn to prevent unexpected significant swings in the forecast position during the year and particularly between the quarter 3 and quarter 4 reports.**
Audit year	2020/21 and 2021/22
Why/impact	Members and senior management need a clear line of sight on the likely financial outturn so that appropriate plans can be made to deal with emerging issues. It is important that forecasts can be trusted to be reasonably accurate when they are presented.
Management Comments	Working with budget holders, finance will facilitate a more thorough review of forecast outturn at Quarter3. This will include the identification and inclusion into forecasts, values for the supplementary grant funding (such as New Burdens funding) that is typically paid by central government at the end of the year.



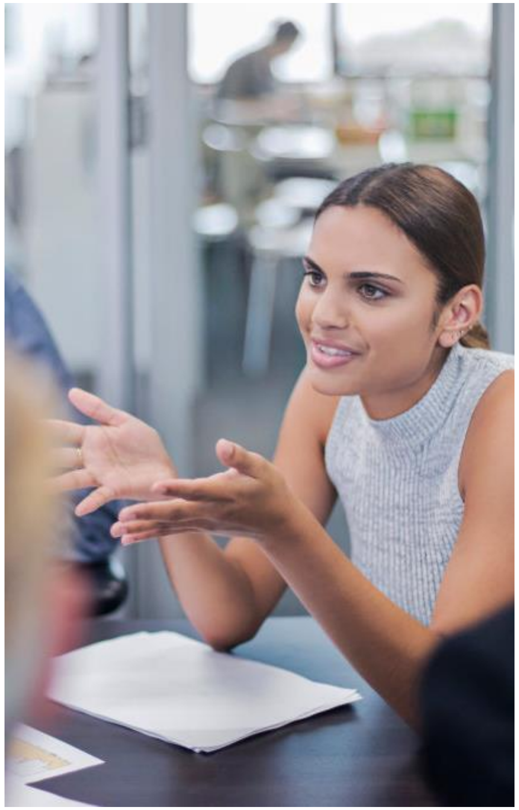
The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations

Governance

Improvement recommendation 8	**Incorporate relevant service activity and workforce information in the quarterly budget monitoring reports.**
Audit year	2020/21 and 2021/22
Why/impact	Members need to be able to understand how spending patterns fluctuate with service activity and staffing. This is particularly relevant where there are significant budget variations, or budgets are being delivered by service levels are not achieved.
Management Comments	Due to the implications for the existing Committee structure and the separate committee functions in monitoring financial and non-financial performance, this recommendation will be reviewed and taken forward post May 2023 once a new administration has been elected.

Improvement recommendation 9	**The Audit Committee reviews its effectiveness against CIPFA's best practice guidance (see CIPFA's Audit Committees: Practical Guidance For Local Authorities And Police (2022 edition)).**
Audit year	2020/21 and 2021/22
Why/impact	Audit Committee need to review themselves against best practice to ensure that they are discharging their governance responsibilities effectively.
Management Comments	Review of effectiveness to be undertaken with Audit Committee.



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

Improving economy, efficiency and effectiveness

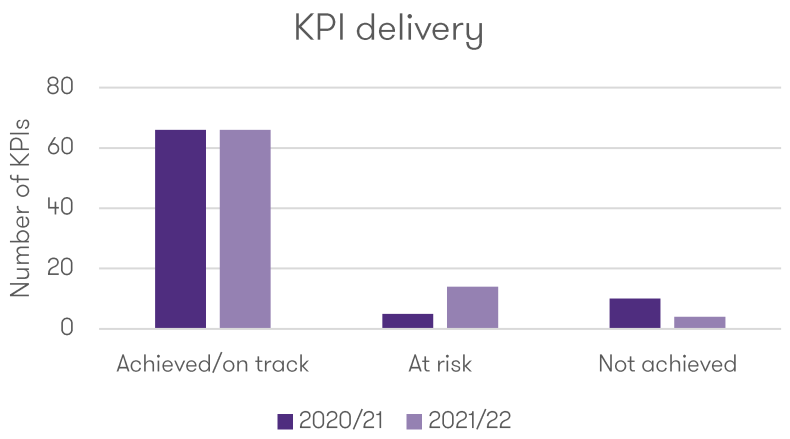
We considered how the Council:

- 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.

1. How financial and performance information has been used to assess performance to identify areas for improvement

Performance reporting was in place in both 2020/21 and 2021/22. The volume of indicators reported on has been reduced for 2022/23. There was limited evidence of benchmarking performance with other local authorities.

Key performance indicators (KPIs) were reported to Service Delivery Committee on a quarterly basis in both 2020/21 and 2021/22. There was clear evidence that these reports were scrutinised and challenged by Members. In 2020/21 81 KPIs were reported on and at the year-end 10 were not achieved. In 2021/22 there were 84 KPIs reported on and at the year-end four were not achieved.



The chart indicates that overall performance was similar in each year with 66 KPIs achieved or on track and a reduction in not achieved KPIs in 2021/22.

The LGA CPC report noted that there were too many KPIs and that service teams were reviewing them to refine and reduced them. It was pointed out that Members needed to be involved in this process. The report stated that:

"A careful eye should be kept on the review process to ensure KPIs measure the right things; outcomes and the impact on the community should not be over-looked by applying too great a focus on operational process targets."

For 2022/23 44 continuous improvement indicators and 19 statutory indicators are being reported on.

Assurance arrangements over the accuracy of performance indicators have been put in place following an Internal Audit of performance management arrangements. Internal Audit gave "significant assurance" overall but noted that their sample testing indicated that there was insufficient supporting evidence for some KPIs. It was agreed that a rolling sample of five KPIs per quarter would be checked back to supporting evidence by the Customer Service and Transformation team.

Improving economy, efficiency and effectiveness

We found little evidence of the authority actively benchmarking its cost and performance with other similar authorities. A local customer service benchmarking exercise was carried out during 2020/21 as part of the Customer Service Excellence accreditation process. This was initiated by the Council and compared key attributes of customer service with the six other Leicestershire districts. Although the authority is engaged in a range of joint working arrangements with the other Leicestershire authorities there are no on-going benchmarking arrangements in place and the Council is not a member of any benchmarking groups.

We recognise that within its 2021/22 Annual Governance Statement actions (AGS8 on organisational approach to benchmarking) the Council recognises this as an improvement area and is aligned to our own recommendation that the **authority should periodically benchmark cost and performance indicators with other similar authorities [Improvement Recommendation 10].**

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

There was a clear focus on customer service and the authority is moving forward with its performance improvement agenda.

There was no evidence of a failure to meet minimum service standards in core statutory services service areas. The authority has taken a focused approach to improving its customer service. It received a national Customer Excellence award in December 2020 and has maintained its accreditation.

A key issue has been the sufficiency of staffing with the appropriate skills to enable efficient service delivery. During 2020/21 and 2021/22 the authority recruited staff to key posts which strengthened its capacity to manage, although there continues to be resourcing pressure points. Efficiency improvements were also progressed in 2021/22 including the transfer of IT services in-house, the review waste collection services and starting the project to move the council offices.

There is some evidence of slow progress on implementing improvement recommendations. This is largely due to a lack of capacity, the impact of Covid and the loss of staff in key areas. It does not in our view indicate a failing in the responsiveness of the authority to improvement recommendations made by external reviewers. The LGA CPC report noted that:

"The council should also pick up pace on key areas outlined throughout this report, notably around delivering its communications strategy, business support and engagement."

3. How the body 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.

Much of the partnering activity in 2020/21 was inevitably focused on responding to the Covid pandemic. Partnering activities continued to develop in 2021/22 and there has been effective stakeholder engagement.

The authority is clear who its key partners are and there is evidence that partnering arrangements deliver meaningful action. Our discussions with the Chief Executive indicated that the authority is an active participant in partnering. This was confirmed by the LGA CPC report which noted that external partners are positive about working with the authority. Three examples of effective partnership working were quoted - the Lightbulb project, shared officers and the Leicestershire southern alliance.

Partnership working outcomes are fed-back to the relevant committee for Members to make strategic decisions. However, partnership arrangements are more typically for joint service provision, for example building control. Terms of reference for joint services are approved by Members.

Feedback from partners is positive and indicates that the authority is transparent, collaborative and open with significant partners about performance. The LGA CPC report noted that:

"External partners throughout the peer team's visit also spoke very positively about their work with OWBC, and the council's honest and open relationships with them, especially through the Leader and senior officers. Even when the council has different views to partners, council representatives remain professional and constructive. This enables the council to further its work with others, making the most of what each partner can offer to enhance the borough and ways of working."

However, the report also noted that local businesses, community groups and residents raised issues about poor communication and lack of capacity for working together. The CPC recommended the earlier involvement of the communications team in projects to improve engagement with external stakeholders. A revised Communications Strategy and Action Plan was approved by the Council in April 2022.

Improving economy, efficiency and effectiveness

4. Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Appropriate arrangements are in place to manage procurement and assess expected benefits. Arrangements to monitor, control and report on capital project costs are in place but could be improved.

A procurement strategy was in place in 2020/21 and 2021/22 and there was no evidence of a failure to operate a fair procurement exercise for significant contracts. During 2020/21 the authority engaged Welland Procurement to provide support and skills in its procurement processes. Internal audit reported on their Contracts Register audit in the first quarter of 2020-21 and gave a "limited assurance" rating. However, by the end of 2020/21 Internal Audit's recommendations had been implemented.

The transfer of IT services inhouse delivered the expected benefits. These were to ensure that the authority has greater control of IT costs and more flexibility in developing its digital channel shift and agile working agendas. We have noted that at its meeting on 15 November 2022 the PFDC approved a supplementary budget estimate and exemption from council procurement rules to enter into a new contract with Capita for provision of its Academy system and an additional budgetary provision will be requested by officers as part of the 2023/24 budget. The Council will need to monitor the effectiveness of the strategy and we reflect this in our work on 2022/23.

Although there was slippage in the capital programme there was no evidence of a failure to manage projects effectively. The capital programme spend was £2,460k in 2020/21 and £3,451k in 2021/22. The 2021/22 programme had significant slippage as budgeted spend was £3,839k more than actual spend. Two schemes, the New Council Offices and Housing Development accounted for £2,166k (55 percent) of this slippage. The Housing Development Scheme had a £500k budget but nil spend.

We noted that the capital programme outturn statements for both 2020/21 and 2021/22 included schemes where spending was incurred but there was no budget.

All schemes should have an allocated budget to ensure that the overall anticipated cost and actual spend is reported [Improvement Recommendation 11].

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement recommendation 10	**Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.**
Audit year	2020/21 and 2021/22
Why/impact	Although the authority has a low level of service expenditure overall, there are areas where it is not achieving the same level of cost efficiency as other similar authorities. The authority needs to ensure that it is learning from its peer group.
Management Comments	The Council has already identified a self-improvement action within its 2021/22 Annual Governance Statement on the benchmarking of service areas, which will be implemented by March 2023.

Improvement recommendation 11	**Ensure quarterly capital programme monitoring reports include the re-allocation of budgets to alternative schemes. All schemes incurring expenditure should have a budget.**
Audit year	2020/21 and 2021/22
Why/impact	Members need assurance that all capital projects are being monitored against realistic and achievable annual budgets.
Management Comments	All alternative schemes in the current financial year (2022/23) have been approved via supplementary capital bids via the Policy, Finance and Development Committee and Full Council. This is a requirement of the Council's budget and policy framework and is now embedded into the financial management practices and approach.

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

Opinion on the financial statements

2020/21

Audit opinion on the financial statements

We are planning to give an unqualified opinion on the Council's financial statements in early December 2022 following the Audit Committee on 23 November 2022.

Other opinion/key findings

We are intending to issue unmodified opinions in respect of other information.

We are not intending to report any matters by exception

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee in September 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.

The Council is below the threshold requiring audit procedures.

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.

Issues arising from the accounts:

The key issues were:

- The incorrect acreage used in the valuation of land at Flude's Lane, which resulted in a Prior Period Adjustment
- Discrepancies in the source data used the revaluation of assets in Other Land and Buildings
- Correction of balances in Debtors and Creditors relating to the collection fund
- Incorrect classification of Covid grants received that had been included in reserves rather than creditors.

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

2021/22

We are currently in the process of auditing the Council's draft financial statements for 2021/22. We intend to report our audit findings to the Audit Committee at the meeting on 4 January 2023.

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.

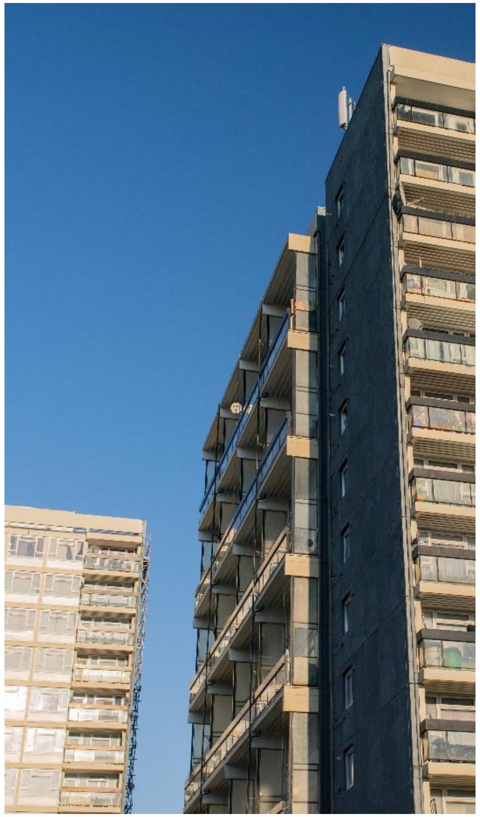
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Strategic Director – S151 Officer 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 Strategic Director – S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director – S151 Officer 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 Strategic Director – S151 Officer 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 – 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 [type of body] under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Page 7
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	• Financial sustainability pages 12 and 13 • Governance pages 17 to 19 • Improving economy, effectiveness and efficiency page 23.

Appendix C:
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 did not make a statutory recommendation.
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 Council or an officer of the Council: • is about to make or has made a decision which involves or would involve the Council 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 Council, or of a failure by an Council to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for judicial review.