



Auditor's Annual Report on Cotswold District Council

2022/23

April 2024



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

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



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

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Executive summary



Value for money arrangements and recommendations

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

| Criteria | 2022/23 Risk assessment | 2022/23 Auditor judgement on arrangements | 2021/22 Auditor judgement on arrangements | Direction of travel |
|---|--|---|---|---------------------|
| Financial sustainability | No risks of significant weakness identified. | A No significant weaknesses in arrangements identified, but two improvement recommendation made to support the Council in improving arrangements for Financial sustainability. | A No significant weaknesses in arrangements identified, but four improvement recommendations made. | ↔ |
| Governance | No risks of significant weakness identified. | A No significant weaknesses in arrangements identified, but two improvement recommendation made to support the Council in improving governance arrangements. | A No significant weaknesses in arrangements identified, but four improvement recommendations made. | ↔ |
| Improving economy, efficiency and effectiveness | No risks of significant weakness identified. | A No significant weaknesses in arrangements identified, but three improvement recommendation made to support the Council in improving arrangements for securing economy, efficiency and effectiveness. | A No significant weaknesses in arrangements identified, but four improvement recommendations made. | ↔ |

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

Executive summary (continued)



Financial sustainability

The local government sector is operating with a significant degree of financial uncertainty, with recent announcements in the governments Autumn Statement 2023, and the local government finance settlement 2024/25 being viewed by the sector, as offering limited support to reduce immediate and ongoing financial pressures. The Council, like others in the sector, continues to face financial challenges in terms of the medium-term financial outlook and has taken proactive steps to address these challenges by the formation of a Cabinet Transformation Working Group to help direct the Council's response to the challenging financial situation. The development of additional saving and efficiencies to reduce reliance on Council reserves, to balance the budget, will become increasingly important to the Council in the medium term to ensure the Council remains financially sustainable. Our work in respect of 2022/23 has not identified evidence of significant weaknesses. However, we have identified areas where the Council could improve arrangements and as such, have raised two improvement recommendations which have been accepted by Management. See pages 17 – 18 for more details.



Governance

During 2022/23 the Council enhanced its governance arrangements through a regular review of the Council's constitution and through the development of a revised members code of conduct. The Council had comprehensive arrangements to support its control environment, during the reporting period, evidenced by the activities of Internal Audit and the Counter Fraud and Enforcement Unit. The Council also sought out opportunities to strengthen its governance arrangement through a corporate peer challenge. Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised two improvement recommendations which have been accepted by Management. See pages 25 to 26 for more details.



Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. During 2022/23 the Council refreshed and reviewed its corporate plan (to align with new post pandemic realities), with the initial plan objective being 'Deliver the highest standard of services'. The Council operates an established performance framework supported by oversight and governance. The Council is alert to changes in procurement frameworks and revised its Procurement and Contract Management Strategy. The Council has more recently reviewed the efficacy of a significant partnership and proposed alternative models of delivery which has been subject to governance and oversight. Our work has not identified evidence of significant weaknesses within the arrangements in place. However, we have identified areas where the Council could improve arrangements and as such, have raised three improvement recommendations which have been accepted by Management. See pages 31 – 33 for more detail.

Publica

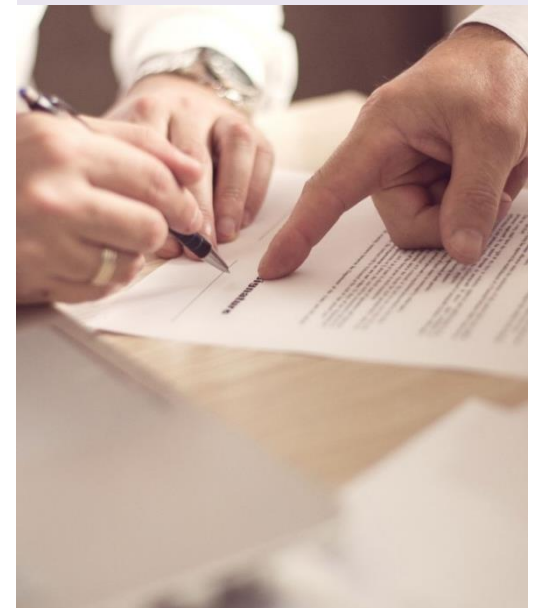
As set out in detail in the Improving economy, efficiency and effectiveness section of this report, the Council has recently considered and decided to proceed with bringing back in much of its outsourced services currently provided by Publica to give it greater control over service provision going forward. Whilst early days, the importance of effectively project managing this transition, whilst working with the other partners, cannot be overstated. This will inevitably necessitate significant time and resource as well as external expertise to ensure the transition is smooth and the expected benefits realised in a timely manner.



Financial Statements opinion

Our accounts audit has been completed and the outcome was reported in our ISA260 Audit Findings Report presented to your Audit & Governance Committee on 25 April 2024.

Further information is set out on pages 37 - 38.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

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 any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

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 make an application to the Court.

Advisory notice

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

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

We did not issue 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 did not make an application for judicial review.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and Committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 33.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on Councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for Council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of Council income such as car parking and the collection rates of Council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of Council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to Councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many Councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of Councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of Councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and Council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

Cotswold District Council (the Council) was created on 1 April 1974 as part of a wider reorganisation of local government in England and is now one of six district Councils in Gloucestershire. The region covered by the Council is 450 square miles which is predominantly rural with 80% of the district located within the renowned Cotswold Area of Outstanding Natural Beauty.

The region has seen significant population growth in recent years. with the population increasing by 9.6%, from 82.9k in 2011 to 90.8k in 2021, with the rate of growth being higher than the overall population increase of the South-West (7.8%), and by a greater percentage than the overall population of England (up 6.6% since the 2011 Census). Despite the sharp rise in population the area remains one of the least densely populated area of the South-West. The region's population is ageing. Between the last two censuses, the median age of residents, within the region, increased by three years, from 46 to 49 years of age resulting in a higher median age than the South-West as a whole in 2021 (44 years) and a higher median age than England (40 years). The region has a diverse economy, is relatively affluent and has low levels of unemployment. Tourism is a major contributor to the regional economy with the natural environment being a defining characteristic throughout the region which includes 144 Conservation Areas (more than any other District in England), 4,991 entries on the statutory list of buildings of special architectural and historic interest (second after City of Westminster), 239 Scheduled ancient monuments and 32 registered historic parks and gardens.

The Council has 34 elected members representing 32 wards, two wards electing two members and the rest electing one each. Elections are held every four years. At the local elections in May 2019 the Liberal Democrats took political control of the Council. The current political balance of the Council following the May 2023 elections is: Liberal Democrats 21, Conservative 9, Green Party 2 and Independent 2.

During 2022/23 the Council refreshed its Corporate Plan 2020-2024, which set out intended actions the Council would take to support six foundational priorities being:

- Deliver the Highest Standards of Services
- Respond to the Climate Crisis
- Provide Socially Rented Homes
- Make our Local Plan Green to the Core
- Support Health and Well-being
- Enable a Vibrant Economy

More recently the Council has reviewed the suitability of a significant partnership arrangement, which is detailed within the Improving economy, efficiency and effectiveness section of this Auditors Annual Report.

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.

2022/23 Outturn

The Council's Financial Performance Report for 2022/23 was considered by the Cabinet on 17 July 2023. This report included the Council's general fund final outturn for the financial year 2022/23. The final outturn was an overspend of £1.27m. The deficit position was in line with Council projections included within earlier financial monitoring reports for 2022/23.

The Financial Performance Report for 2022/23 detailed that the Council had faced significant budget pressures during 2022/23 as a result of higher than expected levels of inflation, rapidly rising energy and fuel costs combined with post Covid-19 disruption to key income streams.

The report also included an annex detailing a full list of all budget variances supported by explanations of significant variances which enhances transparency and is in line with good practice.

Major budget variances included £0.5m underachievement of car parking income due to changing customer behaviour following the Covid-19 pandemic and also due to the ongoing impacts of the cost-of-living crisis. Environment services was overspent by £0.3m due to due to rising waste vehicle hire and fuel costs combined with a higher than budgeted waste staff pay award. The pay award in respect of staff employed by the Council's resourcing partner, Publica, was also £0.3m higher than budgeted. Additionally, during 2022/23 the Council incurred unbudgeted pension costs of £0.2m.

Council income from planning and building control applications was under budget by £0.3m, during 2022/23, due to suppressed market conditions resulting from the ongoing impacts emanating from the Covid-19 pandemic. Rising utility costs also directly impacted the Council with an overspend of £0.1m in respect of utility budgets for the Council's main offices.

The Council investment activities, during 2022/23, exceeded expectations and resulted in £0.5m more income than was originally budgeted, and the Council's borrowing cost were less than expected resulting in a saving of £0.1m.

The overall budget deficit of £1.27m for 2022/23 was funded from general fund unallocated reserves, reducing the overall balance of this reserves to £1.8m. The Council's reserves, unallocated and earmarked, are examined in more detail later within this report.

During 2022/23, the Council, like all others in the sector, faced significant inflationary pressures that outpaced financial assumptions made when the original budget was set. The Council was alert to these increasing pressures, updated members and revised earlier assumptions and made provision for funding resulting overspends. In our judgement the Council managed, reasonably well in 2022/23, a rapidly changing economic environment.

2023/24 Budget

On 15 February 2023, full Council considered the 2023/24 Revenue Budget and Medium-Term Financial Strategy Report (2023/23 budget report). The 2023/24 budget report clearly set out the local government finance settlement for 2023/24 which had been confirmed on 6 February 2023 and included a new one-off funding guarantee payment of £1.9m, rural services delivery grant of £0.7m, new homes bonus payment of £0.3m, revenue support grant of £0.1m, and a services grant of £0.08m.

The 2023/24 budget report was supported by an in-depth assessment of the uncertainty being faced by the Council, and the wider sector, due to the short-term nature of local government finance settlements and the further postponement of local government finance reform, by the government until at least 2025/26. The Council's assessment of current and future government finance settlements and the potential impacts to the Council provided informative context and analysis which represents good practice.

The 2023/24 budget report set out the Council tax base which had increased by 0.43% compared to the previous year, due new build housing growth. For the financial year 2023/24 district Councils were permitted to increase the Council Tax by a maximum of 3% or £5, whichever is the higher without the need for a local referendum.

Financial sustainability (continued)

2023/24 Budget (Cont'd)

The Council's 2023/24 budget report recommended an annual increase of £5 per band D property, which combined with the tax base growth would result in overall increase of £0.24m in income from Council tax in compared to the previous year.

The Council's income from retained business rates was estimated to be £4.4m for 2023/24, an increase of £0.9m in comparison to the previous financial year, due to significant increases in rateables values for 2023/24, following central government revaluation.

The 2023/24 budget report explained that accurately forecasting business rates income was complex due to the uncertainty around the rate of post Covid-19 economic recovery, the level of mandatory and discretionary reliefs that could be awarded and the need to incorporate provision for bad debts and business rate appeals.

The Council 2023/24 budget report explained the Council would continue to participate within the Gloucestershire Business Rates Pool during the financial year 2023/24 and any windfall gain associated with participation would be added to the Council's financial resilience reserve, held to mitigate the budget gaps identified in the Medium-Term Financial Strategy (MTFS), which represented a practical risk mitigation strategy.

The 2023/24 budget report explained that main budget pressure facing the Council in 2023/24 was inflation and the report included the latest available inflationary outlook report and inflation forecasts from the Office for Budget Responsibility which helped to support the Council's financial planning and enhanced transparency, which represents adequate practice.

The 2023/24 budget included provision for inflation on Council contracts energy costs and pay, with inflation growth of £1.4m built in the 23/24 budget, with a further £0.2m included within the budget to mitigate any additional contract inflation cost over and above the existing provision representing a practical risk management strategy against further inflationary pressures.

The 2023/24 budget report also itemised wider budgetary growth items totalling £0.7m that had been included (due to a clear business or strategic requirement) and included investment in the modernisation of ICT systems and cyber security measures, Publica contract adjustments and additional finance team capacity. Growth items also reflected the post Covid-19 impacts on key income streams including planning and waste services. Additionally, £0.3m of expenditure was built into the 2023/24 budget to support the Council's procurement of a Leisure Services contract.

The 2023/24 budget report set out £1.5m of identified savings that would help mitigate the 2023/24 budget pressures, however this would still require the Council to utilise £0.8m of general fund reserves to balance the 2023/24 budget. The 2023/24 budget report explained the Council's newly formed Cabinet Transform Working Group (CTWG) was developing a revised approach to the Council's savings programme to address the revenue budget gap of £5.8m identified in the MTFS 2023/24 – 2026/27. The Council MTFS and savings strategy is covered later within this section.

The Council's 2023/24 budget report included reference to a public budget consultation which had been conducted during November and December 2022. Cabinet had considered responses to the budget consultation during a meeting on 9 January 2023 and this Cabinet report was included within the suite of 2023/24 budget papers. The Council's budget consultation process and publication of outcomes demonstrates the Council willingness to engage the public in the budget setting process and supports transparency.

The 2023/24 budget report proposed a balanced budget for 2023/24 that included adequate assumptions, including those relating to local taxation, and the 2023/24 budget factored in the projected outturn 2022/23 and anticipated deficit, whilst clearly identifying the impact of inflationary pressures on both the Council and its key partners, which represent reasonable practice.

2022/23 Capital Programme

On 16 February 2022, full Council considered the 2022/23 budget report that included the Council's proposed capital projects for 2022/23 which had an original budget of £39.1m. The report explained the 2022/23 capital programme would be mainly funded by Council borrowing (£37.5m), with the remaining £1.6m being funded by a combination of capital receipts £0.8m, external grants (£0.7m), and revenue contributions of £0.1m.

Planned capital activity for 2022/23 was categorised against the Council's Corporate Plan 2020-2024 priorities demonstrating interconnectivity of the Council financial and strategic planning which is reasonable practice.

Planned capital expenditure included Recovery Investment Strategy investments (£35m), leisure centre upgrade (£1.2m), disabled facilities grants (£0.7m), Rural broadband works (£0.5m), provision of electric vehicle charging points (£0.4m), Council building decarbonisation (£0.3m) and Ubico waste vehicle upgrade (£0.2m).

Financial sustainability (continued)

2022/23 Capital Programme (Cont'd)

On 17 July 2023, Cabinet considered the Financial Performance Report for 2022/23. This report included the Council's capital programme final outturn for the financial year 2022/23. Actual capital expenditure for 2022/23 was reported as £4.5m against a revised capital budget of £5.8m.

The revised capital budget reflected a full Council decision, on 16 November 2022, which recommend the Council's Recovery Investment Strategy should be rescinded and the Council should halt the associated planned capital activity. The recommendation to rescind the Recovery Investment Strategy was based on external economic factors including uncertainty over the impacts of higher inflation, interest rates and affordability of Council borrowing, and was supported by external specialist advice. The Council's decisions in relation to the Recovery Investment Strategy were examined in more detail within our 2021/22 Auditors Annual Report.

The Financial Performance Report for 2022/23 included a full list of capital programme expenditure with explanations for all variances. Significant contributors to the capital project slippage, during 2022/23, included:

- £0.3m - Council building decarbonisation.
- £0.3m - Emergency accommodation acquisition.
- £0.2m - Disabled Facility Grant (DFG) applications.

Slippage in respect of the decarbonisation works was due to the further development of the business case which was also considered by Cabinet on 17 July 2023. The Council has explained that the emergency accommodation acquisition was completed in August 2022 at a cost of £1.1m and the remaining £0.3m would be carried forward to the 2023/24 capital programme to complete require remedial works. Slippage of £0.2m in respect of DFG applications would be carried forward to 2023/24 with an expectation that the budget would be maximised based on the current volume of new applications being received by the Council. We consider the reasons provided by the Council for the slippage in the Council's capital activity during 2022/23 were justifiable.

Within our 2021/22 Auditors Annual Report we recommend the Council identified areas that could be enhanced to support the timely delivery of all capital projects. The Council responded to this recommendation and stated that the Council would review the approach it takes to the capital estimates for schemes included in the Capital Programme.

2022/23 Capital Programme (Cont'd)

However, on 7 December 2023, Cabinet considered the Financial Performance Report 2023/24 Quarter Two, which detailed the forecast capital expenditure for 2023/24 was estimated to be underspent by £7.4m representing 50% of the revised capital budget for 2023/24. The Financial Performance Report 2023/24 Quarter Two explained that a strategic property acquisition (£4.5m) would not proceed during 2023/24, principally due to external economic factors, which represented a significant element of the overall forecast underspend. The Council, during 2022/23, has reviewed the estimation process for capital programmes and updated members in a timely manner however there remains significant underspends in the current capital programme, and this leads to a further improvement recommendation in relation to the Council's capital activities. We recommend the Council places a specific focus on reviewing the current processes, and associated oversight, of the Council's capital programme to further strengthen existing planning, estimation and management to ensure the timely delivery of the Council's capital programme.

Medium Term Financial Strategy 2023/24 – 2026/27 and Savings

On 15 February 2023, full Council considered the Budget Report for 2023/24. The report provided a comprehensive and informative summary of the further postponement of local government finance reform and the resultant uncertainty and risk this created for the Council, and others in the sector, in the development of MTFs estimates which was further compounded by ongoing external inflationary pressures and interest rate rises.

The Council's Budget Report for 2023/24 included a 4-year MTFs 2023/24 – 2026/27 which now assumed the outcome of the governments fair funding review and the business rates baseline reset would negatively impact the Council from 2025/26, with the Council assuming a 30% reduction in the level of retained business rates from 2025/26. The Council however did also include within the MTFs, from 2025/26 to 2026/27, an estimated amount of transitional government funding anticipated to smooth the introduction of a new local government finance methodology. The Council explained this was not based on government announcements, further underlining the uncertainty the Council was operating within, but has been based on specialist external advice and modelling. The use of external specialist advice and modelling data to help inform MTFs estimates represents good practice. The MTFs assumed the impact of local government finance reform would result in overall reduction of £2.3m of government funding received by the Council in comparison to 2024/25 leading to an increased reliance on general fund reserves.

Financial sustainability (continued)

Medium Term Financial Strategy 2023/24 – 2026/27 and Savings (Cont'd)

As already outlined in this report the local government sector is operating with a significant degree of financial uncertainty driven by short term local finance settlements, delays to local government finance reform, potential for a general election and wider economic drivers such as generationally significant inflation changes. In our Auditor's Annual report for 2021/22 we recommended the Council introduces wider financial scenario planning within its MTFS and to include such information in annual budgeting setting reports. The Council has acted on this recommendation. On 2 November 2023, Cabinet considered the 2024/25 Budget Strategy and MTFS Report which referenced a number of scenarios that had been used to model inflationary pressures, cost reduction measures, and income/funding options to support the financial planning process which is reasonable practice.

The MTFS 2023/24 – 2026/27, included within the Council's Budget Report for 2023/24 identified savings and transformation plan items as per Figure 1 below:

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total |
|---|---------|---------|---------|---------|-------|
| Savings and transformation plan items (£m) | 1.51 | 2.35 | 3.32 | 3.35 | 10.53 |

Figure 1. Savings and transformation plan items 2023/24 – 2026/27, shows the Council plans to deliver £10.53m of savings over the MTFS period. The planned savings were itemised and included within an annex to the main budget report which supports financial planning and enhances transparency. However, this level of savings does not balance the revenue budget for the MTFS period. The budget gap within the MTFS 2023/24 – 2026/27 is identified in Figure 2 below:

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | Total |
|------------------------|---------|---------|---------|---------|-------|
| Budget Gap (£m) | 0.86 | 0.21 | 1.82 | 3.02 | 5.91 |

Figure 2 budget gap MTFS 2023/24 – 2026/27 identifies that the Council is required to close a budget gap of £5.91m, after the delivery of £10.54m of savings, over the MTFS period. The MTFS 2023/24 – 2026/27 includes a reliance on Council reserves to close resultant budget gaps with the Council's financial resilience reserve being exhausted during 2026/27, which reduces the Council's ability to manage financial uncertainty. The Council's 2023/24 budget report acknowledged the risks associated with reliance on reserves to manages ongoing budget gaps and referenced the formation of a Cabinet Transform Working Group (CTWG),

Medium Term Financial Strategy 2023/24 – 2026/27 and Savings (Cont'd)

whose membership comprised of Cabinet members (including the Deputy Leader and Cabinet Member for Finance), statutory officers of the Council and senior leaders of Publica and Ubico.

The CTWG terms of reference states that the group is tasked primarily with receiving regular updates on progress against the Council's Savings and Transformation programme as part of an ongoing strategy to mitigate the Council's forecasted adverse financial position. Additionally, a key objective listed within the groups terms of reference is for the CTWG to 'agree the design of a single, centrally controlled and consistent approach for transformation and savings identification, evaluation, monitoring and reporting and associated governance'.

We understand from the Council that the CTWG met regularly during 2023 and reviewed savings and transformation options to be included within the Council's budget 2024/25. As already referenced on 2 November 2023 Cabinet considered the Draft 2024/25 Budget Strategy and MTFS Report which included a draft MTFS 2023/24 - 2027/28. The budget gap within the draft MTFS 2023/24 – 2027/28 is identified in Figure 3 below:

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|------------------------|---------|---------|---------|---------|---------|-------|
| Budget Gap (£m) | 1.31 | (0.28) | (0.48) | 3.75 | 4.67 | 8.97 |

Figure 3 budget gap draft MTFS 2023/24 – 2027/28 identifies surplus for 2024/25 and 2025/26, which will be transferred to the Council's financial resilience reserve.

However, a budget gap of £8.4m remains for the period 2026/27 – 2027/28, and the Council has stated that the financial resilience reserve is expected to be exhausted by the end of 2026/27, which presents risk to the Council's financial sustainability.

The work of the CTWG is crucial in supporting the Council to maintain financial sustainability through the delivery of additional savings over the medium term. Additionally, the CTWG meetings are informal, however savings proposals identified by the CTWG are included within budget setting papers that are subject to Council governance and oversight, annually.

Considering the vital role of the CTWG more regular updates regarding its activities could enhance existing governance and oversight arrangements and allow for a more frequent assessment of the groups progress in identifying alternatives to the use of reserves, to manage budget gaps, identified in the MTFS 2023/24 – 2027/28.

Financial sustainability (continued)

Medium Term Financial Strategy 2023/24 – 2026/27 and Savings (Cont'd)

These factors lead to an improvement recommendation. We recommend the Council places a significant and immediate focus on developing planned savings and wider alternatives to the use of reserves in the management of budget gaps within the Council MTFS and considers further opportunities that could allow for the activities of the CTWG to be assessed more frequently by those charged with governance, in addition to, the updates included within the Council's annual budget setting papers.

Council Reserves

On 15 February 2023 full Council considered the Budget Report for 2023/24 which included a report of the Deputy Chief Executive and Section 151 Officer on the robustness of the adequacy of the Council's reserves in adherence to the requirement within Section 25 of the Local Government Act 2003. The report explained the Council had recently undertaken a full review of the reserves to consider the adequacy of reserves and the general fund balance (unallocated reserve) had been assessed taking account of the strategic, operational and financial risks facing the Council with the report recommending the general fund balance to be maintained at a minimum of £1.76m. The Council's draft statement of accounts 2022/23 disclose a general fund balance of £1.76m as of 31 March 2023, 12.25% of the 2022/23 net revenue budget. The Council's setting of a minimum level of the general fund balance represents an adequate reserve strategy and demonstrates good practice.

The Council's 2023/24 budget report stated the Council's earmarked general fund reserves were forecast to be £11.78m, as of 31 March 2023. This included a Council priorities revenue reserve, forecast to be £1m, as of 31 March 2023, which was available for investment initiatives which support delivery against the Council's priorities, demonstrating further alignment of the Council's strategic and financial planning which is reasonable practice. Other Council earmarked general fund reserves included a financial resilience reserve, forecast to be £3.29m, as of 31 March 2023, which was intended to support the Council's to manage revenue implications resulting from any future reductions in government funding and also to facilitate profiling of a savings and transformation plans resulting from the work of the CTWG.

The Council's draft statement of accounts 2022/23 disclose a lower level of general fund earmarked reserves (£8.7m) as of 31 March 2023, mainly due to a transfer of £4m from the Council's business rates movement reserve to contribute towards the technical business rate deficit reported in the financial year 2021/22. Despite earmarked reserves falling faster than anticipated at the budget setting stage of 2023/24 we remain of the view that reserves and balances are adequate but that we recognise that further financial pressures exist into the medium term.

The work of the CTWG is critical in identifying alternative to the use of reserves in managing budgets in the medium term and this has already been identified in a wider improvement recommendation in the previous section of this report.

Treasury Management

The Council sets a treasury management strategy annually as part of the budget setting process. The Council's treasury management activities are also supported by external consultants which demonstrates adequate practice.

The Council's constitution states that the Audit and Governance Committee is to consider reports on the Council's treasury management functions including those relating to treasury management performance.

On 25 July 2023 the Audit and Governance Committee considered a report detailing the Council's treasury management performance for 2022/23. The report stated outturn for investment interest income received in 2022/23 was £1.08m representing a 2.63% return on an average investment portfolio of £41.09m with investment returns exceeding the original budget set by £0.5m representing reasonable performance.

The report also explained that during 2022/23 the Council held one short-term external loan of £0.4m with a fixed interest rate of 2.2%, in relation to the Cotswold Climate Investment (CCI). This is a form of debt/loan-based crowdfunding that enable people to invest directly into the Council and receive a return on their investment and allow the Council to use the capital raised to support climate change projects within the district.

The CCI was the only borrowing undertaken by the Council during 2022/23 which was mainly due to the Council's decision to rescind the Recovery Investment Strategy, and associated borrowing, as referenced earlier in this report.

The treasury management performance report for 2022/23 stated that during 2022/23 the Council operated within the treasury limits and complied with prudential indicators as set out in the Treasury Management Strategy approved by full Council on the 16 February 2022.

Matters relating treasury management indicators and oversight of the Council's treasury management activities were further considered by the Audit and Governance Committee on 18 October 2023. The Audit and Governance Committee were advised that from 1 April 2023 that the monitoring of treasury management prudential indicators would be reported quarterly in adherence to new requirements outlined within the Chartered Institute of Public Finance and Accountancy's (Cipfa) Treasury Management in the Public Services: Code of Practice (the Code). The Council's adoption of the Code and its regular review of the Codes requirements demonstrates good practice.

Financial sustainability (continued) and Financial governance

Alignment of Financial and other Corporate Plans

In 2019, the government passed legislation to bring all greenhouse gas emissions to Net Zero by 2050. This was to align with the commitments in the Paris Agreement to limit global warming to 1.5 degrees.

The Council declared a Climate Emergency in 2019 (and an ecological emergency in July 2020) and pledged to be Carbon Neutral by as soon as possible, aiming for an 80% reduction against a 1990 baseline by 2030, and a 100% reduction by 2045.

Subsequently a Climate Emergency Strategy 2020 – 2030 was adopted by full Council on 23 September 2020 with the purpose of the strategy being to:

- Justify why the climate emergency is a top Council priority.
- Formalise a high level of ambition in taking action on climate, commensurate with the Council's declaration of a climate emergency in July 2019 and an ecological emergency in July 2020.
- Set out the high-level principles that underpin the development and execution of the strategy.
- Identify the scale and sources of emissions from the district and from Council operations.
- Identify the points of greatest leverage in bringing about carbon reductions in the district.
- Set direction and identify priority action areas.

On 9 May 2022 Cabinet endorsed an updated Corporate Plan 2020 – 2024 which included six strategic priorities one of which included 'Respond to the climate crisis' supported by the following aims:

- Achieve a reduction in carbon emissions for the District.
- Increase renewable energy generation within the District.
- Reduce carbon emissions from our own operations.
- Influence and encourage residents, businesses and partners to reduce their carbon emissions.
- Take a leadership role on the ecological emergency and nature recovery in the Cotswolds.
- Reduce the carbon footprint of our waste and recycling service.

The Council's Climate Emergency Strategy 2020 – 2030 and revised Corporate Plan 2020 – 2024 can demonstrate direct alignment and interconnectivity.

Additionally, the Council's Capital Strategy 2023/24, adopted by full Council on 15 February 2023, included £2.9m of planned capital activity that relating the Council's response to the climate crisis including providing electric vehicle charging points, securing investments in renewable energy and support for local community led and community owned renewable energy projects demonstrating further alignment of the Council's Climate Emergency Strategy 2020 – 2030, revised Corporate Plan 2020 – 2024 and the Council financial plans which demonstrates good practice.

Financial Governance - Annual budget setting process

The Council has provided evidence of a comprehensive multilayered budget setting process which is project managed by the section 151 officer and the Council's finance team and is supported by comprehensive by a step-by-step project plan which sets out actions, timelines and responsibilities of members, officers and key partners.

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

During July, an away day event is held between the Cabinet and statutory officers of the Council to discuss the emerging MTFs and budget challenge for the financial year ahead.

Concurrently the finance team hold meetings with all budget managers, including Publica and Ubico (the Council's resource and environmental services delivery partners), to capture relevant financial information to inform the budget setting process including the following:

- Financial Implications from implementation of the Corporate Plan 2020 – 2024.
- Service changes which may have financial or resourcing impact
- Identification of wider growth items.
- Review of reserves.
- Opportunities for savings or income generation.
- Capital programme proposals.
- Discretionary spend assessment.

Financial governance (continued)

Financial Governance - Annual budget setting process (Cont'd)

The output of the meetings was captured and assessed by the finance team who then produce budget working papers that were assessed further by the Portfolio Holder for Finance, Chief Executive Officer, Deputy Chief Executive and Section 151 Officer. During September further meetings are held between the Council, Publica and Ubico with a specific focus on agreement of growth and savings items. Once agreed final budget papers formed.

The Cabinet, on 4 October 2021, considered the draft 2022/23 budget report and MTFS 2022/23 – 2025/26. The report referenced a public consultation, based on the draft budget proposals, that would run until 19 November 2021.

On 30 November 2021 the Council's Overview and Scrutiny Committee were provided with an update report on the developing draft budget for 2022/23 and MTFS 2022 – 2025/26 and members were requested to provide feedback on the budget proposals to the Cabinet

On 10 January 2022 Cabinet considered a budget consultation report detailing the feedback received from the public consultation on the 2021/22 budget proposals, that had taken place between 5 October to 19 November 2021. The report explained the Council had used a wide range of communications channels to share the key budget messages, which had resulted in 432 responses representing an increase of 32% from the prior year. Responses to the public consultation were published in full which supports transparency and is in line with good practice.

Audit and Governance Committee, on 27 January 2022, also considered the draft 2022/23 budget report and MTFS 2022/23 – 2025/26 alongside the Council's draft Capital, Investment and Treasury Management Strategies for 2022/23. Overview and Scrutiny assessed the latest iteration of the 2022/23 budget report and MTFS 2022/23 – 2025/26 on 1 February 2022. Minutes of both the Audit and Governance Committee meeting of 27 January 2022 and the Overview and meeting of 1 February 2022 were included in final draft budget papers which supports transparency and oversight of the budget setting process and is reasonable practice.

Cabinet, on 7 February 2022 considered, for the final time and ahead of full Council, the draft 2022/23 budget report and MTFS 2022/23 – 2025/26 which included a comprehensive suite of relevant appendices and supporting documents. On 16 February 2022 full Council approved a balanced budget based on the recommendations from Cabinet.

The Council's budget setting process is well established, structured and carefully planned. Comprehensive and informative budget reports are shaped and informed by extensive internal and external engagement and then assessed through several layers of members oversight which is good practice.

Financial Governance - Budget Monitoring and Oversight

During 2022/23 quarterly meetings were held between the finance team and budget holders to complete a budget forecast and identify variances against the original budget set, and the reasons for them which were then recorded by the finance team in a central system. The finance team then produced quarterly budget monitoring reports for the financial year 2022/23 which were assessed by the Cabinet on 3 October 2022, 5 December 2022, 21 March 2023 and 17 July 2023 with each report detailing and explaining the Council's revenue and capital expenditure with a supporting narrative explaining significant variances.

Additionally, the Council's Overview and Scrutiny Committee provided additional oversight to the Council's financial performance through the assessment of quarterly financial monitoring reports. The Audit and Governance Committee provided oversight to the Council's treasury management functions. The Audit and Governance Committee considered the Treasury Management Mid Term Report 2022/23 on 26 January 2023 and the full year Treasury Management Outturn Report 2022/23 on 25 July 2023.

We also note that on 17 July 2023 Cabinet considered an update report of the emerging financial challenges being faced by the Council in relation to the 2023/24 financial year. The purpose of the report was to highlight to members the risks, uncertainties and external economic factors that could influence financial performance during 2023/24, ahead of formal quarter one financial monitoring report, scheduled for later in the year. This additional financial monitoring report provided members with important information on how inflationary pressures, rising energy costs and interest rate rises could impact the Council's financial planning in 2023/24 and beyond.

During 2022/23 the Council monitored financial performance frequently and provided those charged with governance informative and transparent financial monitoring reports which supported oversight and represents good practice.

Finance Function Capacity

In our Auditor Annual Report for 2021/22 we recommend that the Council strengthens its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting. The Council has acted on this recommendation. During 2023 interim finance team resource has been secured to provide additional capacity to the team and the Council is currently recruiting another senior accountant further strengthening its finance functions.

Financial governance (continued)

Conclusion

Overall, we found no evidence of significant weaknesses in arrangements, for 2022/23, in how the Council manages risks to its financial sustainability.

However, the Council, like others in the sector, is faced with several significant financial challenges that has led to a deficit budget outturn for 2022/23 and a reliance on savings and reserves to balance projected budget gaps. These factors will require the Council to carefully navigate a challenging financial environment in the short to medium term and necessitate the Council to identify further alternatives to the use of reserves, principally through the activities of the CTWG, as a priority.

We have made two improvement recommendations set out on pages 17 to 18.



Improvement recommendations

Improvement Recommendation 1

We recommend the Council places a specific focus on reviewing the current processes, and associated oversight, of the Council's capital programme to further strengthen existing planning, estimation and management to ensure the timely delivery of the Council's capital programme.


Improvement opportunity identified

The recommendation seeks to enhance the Council's existing arrangements relating to capital programme activities to help minimise underspends and slippage and to support wider financial planning.

Summary findings

The Council's current capital programme is current forecast to be underspent.

Criteria impacted

 Financial sustainability

Auditor judgement

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

Management comments

The Council has reviewed the capital programme estimates for 2023/24 to 2027/28 to ensure expenditure profiles are robust and reflect delivery timescales. The Council will continue to review the capital programme as part of the quarterly financial reporting to Cabinet and recommend adjustments as appropriate to minimise underspends and slippage.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 2

We recommend the Council places a significant and immediate focus on developing planned savings and wider alternatives to the use of reserves in the management of budget gaps within the Council MTFS and considers further opportunities that could allow for the activities of the CTWG to be assessed more frequently by those charged with governance, in addition to, the updates included within the Council's annual budget setting papers.

Improvement opportunity identified

The Council has put in place arrangements to identify alternatives to the use of reserves to support budget gaps in the Council MTFS. However, the current lack of identified savings and alternative to the use of reserves presents risk to the Council's financial sustainability.

The CTWG is performing a vital role in supporting the Council maintain financial sustainability and more frequent progress updates would enhance existing oversight and governance arrangements and support transparency.

Summary findings

The Council's MTFS 2023/24 to 2027/28 identifies that significant financial challenges are impacting the Council in the medium term. The CTWG is tasked with identifying savings and efficiencies, to address revenue budget gaps of £8m. Outcomes of the CTWG activities are included in budget setting papers annually however more frequent updates regarding the work of the CTWG could strengthen oversight and governance arrangements.

Criteria impacted



Financial sustainability

Auditor judgement

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

Management comments

Cabinet Transform Working Group (CTWG) have provided support to Cabinet in developing a planned savings programme for 2023/24 and over the MTFS period. CTWG have also provided challenge to key delivery partners to address the adverse variation on the revenue budget forecast in Q1 2023/24. This can be evidenced in the emerging Q3 monitoring which indicates a balanced budget position will be achieved for the financial year.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Governance



We considered how the Council:

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

Risk management

The Council has a current Risk and Opportunity Management Strategy which clearly sets out the Council's approach to risk and opportunity management and includes reference to the level of risk the Council is prepared to accept in pursuit of its corporate objectives which is categorised as follows:

Council's Risk Appetite - Creative and Aware

- Willing to consider all potential options that are most likely to result in success
- Well evaluated risk taking
- Learns from experience

The Council's publication of its risk appetite supports transparency and provides clarity to officers in the strategic and operational management of risk which is adequate practice.

The Council's Risk and Opportunity Management Strategy also describes the tools, techniques, advice, training, and support in place at the Council to support risk and opportunity management activity and sets out specific roles and responsibilities including a requirement for the Audit and Governance Committee to oversee the Council's risk management activities. We also note the Audit and Governance Committee is scheduled to consider an updated Risk and Opportunity Management Strategy on 25 January 2024 in accordance with a biennial review cycle.

The Council's constitution states that the Audit and Governance Committee is responsible for the monitoring the arrangements for the identification, monitoring and control of strategic and operational risks within the Council. During 2022/23 the Council maintained and updated a strategic risk register which was presented to Audit and Governance Committee on 28 April 2022, 21 July 2022 and 29 September 2022. However, a strategic risk register was not presented to or assessed by the Audit and Governance Committee within subsequent Committee meetings of 26 January 2023, 27 April 2023, 25 July 2023 and 18 October 2023.

On 30 November 2023, the Audit and Governance Committee was presented with an updated strategic risk register with the report stating a new risk register template had been developed and introduced. The strategic risk register which included a series of 20 risks categorised within one of five risk categories being - internal, external, strategic, partnership, or major project. The strategic risk register included:

- A description of each risk.
- The risk owner, the responsible officer and date the risk was last reviewed.
- Initial risk assessment.
- Existing control, mitigation or contingency
- The residual and current risk score, overall change and direction of travel indicator.
- Further actions require to mitigation the risk, target delivery date and risk acceptance level.

The highest graded risks were, the financial stability of the Council, review of Publica and Publica partnership deliverables, staff resource capacity, impacts of a major civil emergency, failure of key supplier and the risk associated with the failure to delivery major Council projects.

The Council's strategic risk register carried a proportionate level information and described a series of key strategic and operational risks that could impact the Council.

However, there has been infrequent oversight of the strategic risk register. The Council's constitution does state the Audit and Governance Committee should assess the strategic risk register quarterly.

Oversight of the Council's strategic risk register is an important element of the Council's control environment and adherence to quarterly oversight of risk management activities by the Audit and Governance Committee would enhance existing arrangements and this leads to an improvement recommendation.

Governance (continued)

Risk management (Cont'd)

We recommend the Council ensures that the strategic risk register is presented to the Audit and Governance Committee quarterly.

Internal Audit

The Council's Internal Audit service is provided by South West Audit Partnership (SWAP) a not-for-profit organisation wholly owned by 22 public sector partners. SWAP can demonstrate SWAP compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having been conducted in May 2020 in line with the PSIA requirement that an external assessment should take place at least once every 5 years.

Ahead of each financial year SWAP develops a detailed audit plan for the Council, which is informed by a risk assessment, conducted by SWAP, consultation with senior management and in consideration of the Council's own strategic risk register.

The Council's constitution states the Audit and Governance Committee is to 'monitor the adequacy and effectiveness of the Internal Audit service' and in adherence to this requirement the proposed internal audit plan for 2022/23 considered by the Audit and Governance Committee on 28 April 2022. During 2022/23 an internal audit progress report was considered by Audit and Governance Committee, on 28 April 2022, 29 September 2022 and 26 January 2023, summarising the internal audit work concluded in the proceeding period allowing members to assess progress but also to consider finalised audit findings, which supports timely reporting and assessment, and is good practice.

The Internal Audit Annual Report for 2022/23 was considered by the Audit and Governance Committee on 25 July 2023 and included a summary of the work undertaken by internal audit during 2022/23 and an overall opinion on levels of assurance resulting from this internal audit activity. The Internal Audit Annual Report for 2022/23 detailed outturn performance results for 2022/23 year as per Figure 4 below:

| Performance Target | Performance (%) |
|-----------------------------|-----------------|
| Overall client satisfaction | 100 |
| Value to the organisation | 100 |

Figure 4 shows that the audit plan performance statistics for 2022/23 were reported using qualitative measures only.

The Internal Audit Annual Report for 2022/23 did include an ancillary table of activity that detailed 39 reviews that had been delivered as part of the 2022/23. This exceeded the original plan of 27 reviews, and this represents effective performance and demonstrates the agile nature of the internal plan.

However, the representation of internal audit performance statistics could be enhanced by the inclusion of quantitative performance measures to support oversight. This has not been raised as an improvement recommendation for 2022/23 as we have been informed by SWAP that the Internal Audit performance reporting framework is currently under review and SWAP will seek to agree with the Council, during 2023/24, performance measures that include both quantitative and qualitative measures, that support ease of assessment, oversight and reflect the agile nature of the internal audit plan.

The Internal Audit Annual Report for 2022/23 included the Head of the Internal Audit opinion on the overall adequacy and effectiveness of the system of internal control in operation at the Council. The opinion's conclusion was: 'On the balance of our 2022/23 audit work for the Council, enhanced by the work of external agencies, I am able to offer a Low Reasonable Assurance opinion in respect of the areas reviewed during the year'

Prevention and Detection of Fraud

In our Auditor Annual Report for 2021/22 we detailed the suite of policies the Council, and the Council's resourcing partner Publica, has in place which describe the measures taken to minimise fraud, bribery and corruption.

Additionally, an improvement recommendation was included in the Auditor Annual Report for 2021/22 for the Council to update the Code of Conduct for Council (retained) employees (2007) during 2023 as this is a key document supporting the Council's approach and controls in the prevention and detection of fraud. We have been informed by the Council that a revised Code of Conduct is currently being considered by the Council's Constitutional Working Group. We also note that on 21 September 2022 full Council resolved that an Overview and Scrutiny Task and Finish Group would be set to oversee the progress and completion of updating and renewing the Council's employment policies. Subsequently on 12 September 2023 Cabinet considered a report outlining that recommended the adoption of 26 updated employment policies which further supports the Council's control environment.

The Council also sought to strengthen its whistleblowing arrangements during 2022/23. On 6 June 2022, Cabinet considered a new Whistleblowing Policy that highlight key legislation and the roles and responsibilities of members, officers, and Publica staff.

Governance (continued)

Prevention and Detection of Fraud (Cont'd)

We have been informed by the Council that during 2022/23 Council officers and Publica staff were required to complete mandatory whistleblowing training and that further information on how to report a whistleblowing concern was issued to all officers and staff on 2 April 2023 which represents reasonable practice.

During 2022/23 the Council continued its participation within a shared service agreement between the Council, Forest of Dean District Council, West Oxfordshire District Council, Tewkesbury Borough Council, Cheltenham Borough Council and Publica, to operate a Counter Fraud and Enforcement Unit to investigate allegations of internal and external fraud and to conduct proactive campaign and interventions to minimise fraud, bribery and corruption.

The Council's constitution states the Audit and Governance Committee is responsible for monitoring the adequacy and effectiveness of the (Council's) arrangements in place for combating fraud and corruption and in accordance with this requirement a proposed Counter Fraud and Enforcement Unit work plan for 2022/23 was considered by the Audit and Governance Committee on 28 April 2022.

The Counter Fraud and Enforcement Unit work plan for 2022/23 detailed 34 proposed areas of planned counter fraud activity that was allocated across eight works streams being governance, policy, procedure, bribery and corruption, serious and organised crime, statutory investigations, strategic detection and prevention of fraud.

On 29 September 2022, the Audit and Governance Committee considered a report recommending the adoption of a new Fraud Risk Strategy, that had been developed by the Counter Fraud and Enforcement Unit on behalf of the Council. The Fraud Risk Strategy described high risk areas of fraud that the Council could be exposed to and set recommended response methods. The strategy also stated it had been developed to comply with Government Functional Standards relating to counter fraud activities and included checklists intended to inform areas to be included within the Counter Fraud and Enforcement Unit work plans.

During the same meeting of the Audit and Governance Committee considered an updated Counter Fraud and Anti-Corruption Policy, reviewed to ensure compliance with current legislation and also an progress report summarising activity taken to date, in accordance with the Counter Fraud and Enforcement Unit work plan for 2022/23.

On 27 April 2023, the Audit and Governance Committee considered a report of the Counter Fraud and Enforcement Unit activities during 2022/23 which provided a further comprehensive summary of the Council's Counter Fraud activity that had been conducted throughout the financial year 2022/23.

The report also referenced that during 2022/23 the Counter Fraud and Enforcement Unit became a partner of the multi-agency approach to fraud group (MAAF). This partnership group consists of attendees from Gloucestershire Constabulary Economic Crime Team, Trading Standards, Victim Support, the NHS and representative from other regional Councils. The purpose of the group is to collaborate on anti-fraud initiatives, raises awareness of fraud prevention within communities and to disrupt fraudulent activities within the region.

The Council's adoption of a Fraud Risk Strategy, supported by the activities of the Council's Counter Fraud and Enforcement Unit, and its participation within the MAAF partnership, demonstrates the importance the Council places on the prevention and detection of fraud and this represents good practice.

Local Government Association (LGA) Peer Review

The Council invited the LGA to conduct a corporate peer challenge in October 2022. A corporate peer challenge is conducted by a group of external sector professionals who evaluate core areas of Council activity and provide feedback, within a written report, on areas of strength and potential improvement. The LGA peer review team made the following key recommendations to the Council:

- The Council needs to reassure itself that its governance arrangements are robust.
- Refine and adapt the leadership approach in engaging local authority partners in order to ensure shared objectives can be achieved.
- Determine what Overview and Scrutiny is there to do and provide the appropriate support to it.
- Establish a training and development programme for elected members and ensure good induction arrangements are in place for after the election.
- Cabinet continue to be cognisant of the financial challenge that exists and demonstrate the required leadership and collective responsibility for addressing it.
- Take stock of the Recovery Investment Strategy and what it can deliver.
- Ensure all necessary due diligence is undertaken in relation to the budget proposals and that the proposals are realisable.
- Address the concerns of staff about the way they are treated by some senior leaders within the Council and the Publica organisation.

Governance (continued)

Local Government Association (LGA) Peer Review (Cont'd)

Undertake more direct dialogue between the senior leadership of the Council and Publica in order to address the following issues:

- The continued appropriateness of some functions remaining with Publica.
- Where direction is set from, clarity of roles and where accountability sits.
- How increased strategic capacity is provided to support the Council.
- Translating the political objectives into manageable deliverables.
- Developing a focus on organisational culture and behaviours and staff well-being.

The Council responded the LGA peer review and on 18 January 2023 full Council considered a Corporate Peer Challenge – Feedback Report which was supported by a comprehensive Council action plan that set out how the Council will respond to the recommendations.

The Council's willingness to seek external evaluation to further strengthen its arrangements and its thorough response to suggested recommendations represents good practice.

Due to the timing of our 2021/22 value for money findings matters relating to the LGA peer review were substantially addressed within our 2021/22 Auditor Annual Report. However, further references to the peer review are included within following sections of this report.

Council Decision Making

Council Constitution

The Council publishes its constitution on its website. The constitution is a written legal document that guides the Council on its decision-making processes. It provides a basis and framework for the members and officers to work within and sets out how decisions are taken, who has the power to take which decisions and sets out the procedures, codes and protocols to be followed to ensure decisions are made efficiently, transparently and with accountability to local people.

The Council has a duty to review the constitution annually with any necessary changes being considered by full Council. The Council operates a cross part Constitution Working Group to regularly review the constitution and on 5 October 2022, 16 November 2022, 18 January 2023 and 15 March 2023 full Council considered reports that summarised the work of the Constitution Working Group with each report recommending various amendments and updates to the constitution.

The Council's publication of its constitution on its website and the regular review of the constitution during 2022/23 enhances transparency, fulfils the Council's legal responsibilities and demonstrates good practice.

Model of Governance – Cabinet

During 2022/23 the Council continued to operate a Cabinet and Council leader model of governance. The Cabinet is the Council's main executive decision-making body. Cabinet is responsible for taking key decisions and recommending the Budget and Policy Framework to Council. The work of the Cabinet falls into three main areas: advising the Council on future policy (in consultation with the Overview and Scrutiny Committees); taking decisions, providing they are in line with existing policy and not covered by the non-executive Committees; and appointing representatives on outside bodies and organisations.

The Council's Cabinet consists of eight members, with each member assigned a portfolio responsibilities including the Leader of the Council, Deputy Leader and Cabinet Member for Finance, Cabinet Member for Climate Change and Sustainability, Cabinet Member for the Economy and Council Transformation, Cabinet Member for Planning and Regulatory Services, Cabinet Member for Communities and Public Safety, Cabinet Member for Health, Leisure and Culture and Cabinet Member for Cost of Living and Inclusion. Individual Cabinet Members are empowered by the Leader to make all executive decisions in respect of their own portfolio area of responsibility.

The Council's Cabinet is supported by several Committees. The Council publishes on its website details of all Cabinet, Committee and full Council meetings, and this includes the agendas, minutes and decisions made. The Council also has enabled live broadcasting of Council meetings, which enhances transparency and demonstrates good practice.

Model of Governance – Overview and Scrutiny Committee

Oversight of decisions proposed and made, by the Cabinet during 2022/23 was provided by the Council's Overview and Scrutiny Committee. The Council's Overview and Scrutiny Committee have the power to investigate Cabinet decisions and any other matters relevant to their remit, making recommendations to the Council, Cabinet or any other Committee or Sub-Committee of the Council. The Overview and Scrutiny Committee has the right to require the attendance of any Officer and/or members in order to respond directly to any issue under consideration, to review any issues referred to it by any Statutory Officer or any other Council body; and, has the power to call expert witnesses from outside the Council to give advice on matters under review or discussion.

Governance (continued)

Council Decision Making (Cont'd)

Model of Governance – Overview and Scrutiny Committee

The Council's Overview and Scrutiny Committee has 10 members and is chaired by a member of the opposition, which represents reasonable practice. The Overview and Scrutiny Committees met a total of 8 times during 2022/23 and minutes of these individual meetings show active participation of members in the examination of a wide range of Council activity.

On 16 November 2022 full Council adopted within the Council's constitution an Executive/Scrutiny Protocol which set out several procedures and practices to be followed, by both members of the Cabinet and Overview and Scrutiny, to further strengthen the interactions between these two central Council Committees. An Executive/Scrutiny Protocol is not a mandatory requirement but the adoption and incorporation of the such a protocol is adequate practice.

On 1 February 2023 Overview and Scrutiny Committee considered a report regarding the LGA Corporate Peer Review recommendations that related specifically referred to the Council's Overview and Scrutiny Committee. The report summarised how the recommendations relating to the responsibilities of the Overview and Scrutiny Committee will be implemented in accordance with the Council's Corporate Peer Challenge Action Plan. The Council's ongoing review of opportunities to further optimise the operation of the Overview and Scrutiny Committee is reasonable practice.

Model of Governance – Audit and Governance Committee

The Council operates an Audit and Governance Committee, which is responsible for monitoring the adequacy and effectiveness of the Council's control, governance and accountability environment. The Council's Audit and Governance Committee has eight members and met four times during 2022/23 with minutes of these meetings demonstrating a range of topics being assessed within the Audit and Governance Committees remit.

On 26 January 2023, the Audit and Governance Committee also considered a report regarding the LGA Corporate Peer Review recommendations. The report summarised how the recommendations relating to the Audit and Governance Committee would be introduced and this included the recruitment of two independent members to the Audit and Governance Committee. Subsequently on 20 September 2023 full Council approved the appointment of two independent members to the Audit and Governance Committee in accordance with guidance within the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Audit and Governance Committees: Practical Guidance for Local Authorities and Police 2022'. This specific CIPFA guidance was also referenced in an improvement recommendation within our 2021/22 Auditors Annual Report.

We recommended the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate its impact and identify areas for improvement. The Council has partially responded to this recommendation. On 25 July 2023, the Audit and Governance Committee considered a report outlining the self-assessment and evaluation tool kit that forms part of the CIPFA guidance with the report recommending that members undertake a self-assessment, in readiness for the next meeting of the Committee.

Minutes of this meeting reflect that the Audit and Governance Committee agreed with the principle of self-assessment and evaluation, but no specific date was agreed for this to take place, additionally in our review of the Audit and Governance Committees forward plan there is no scheduled completion date.

The Council has taken steps to enhance further the Audit and Governance Committee arrangements by the recruitment of independent members. There is an opportunity for the Committee to assess additional development needs through the completion of the self-assessment and evaluation tool kit that forms part of the CIPFA guidance, and this leads to the improvement recommendation, included within our 2021/22 Auditors Annual Report to be restated.

We recommended the Council's conducts a self-assessment exercise during 2024, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate its impact and identify areas for improvement.

Standards and Behaviours

On 25 July 2023, the Audit and Governance Committee considered the Council's draft Annual Governance Statement for 2022/23 which explained activities undertaken by the Council's, during 2022/23, that supported an effective governance framework.

The Annual Governance Statement for 2022/23 also included an action plan of activity to be undertaken during 2023/24 to further develop the Council's governance arrangements which represents good practice.

The Annual Governance Statement referenced the Council's members code of conduct which sets out general principles of conduct expected of all members and specific obligations in relation to standards of conduct. The Council took steps to review and update its members Code of Conduct during 2022/23.

Governance (continued)

Standards and Behaviours (Cont'd)

On 15 March 2023, full Council considered a report which recommended the adoption of a Gloucestershire wide member code of conduct taking into account the Local Government Association model code with the report explaining the benefits of having a common code of conduct included:

- A single set of standards apply.
- It will provide greater clarity and consistency for members of the public about what behaviour they should expect from their representatives.
- Where complaints are brought against a member at both county and district level the same considerations will apply, reducing duplication and allowing a single investigation of the complaint to be undertaken.
- It will enable training resources to be shared across and between Councils.

Matters relating to the members code of conduct were further considered by the Audit and Governance Committee on 27 April 2023, with the Committee recommending that training on the members Code of Conduct was made mandatory for all members and that the Audit and Governance Committee would receive an annual report on member training courses undertaken.

The Council's introduction of a revised members code of conduct and associated mandatory training programme further enhances the Council's governance arrangements and is reasonable practice.

The Council's members code of conduct includes gift and hospitality/register of interests guidelines for members. Member gifts and hospitality declarations are published under each member's profile on the Council's website, in addition to a register of interest, which supports transparency. Publica, the Council's resourcing partner, also maintains a gifts and hospitality/register of interests declaration process for officers and staff which is managed and overseen by the Human Resources team with requirements clearly outlined with the Publica Business Conduct Policy 2021.

The Council has a register of Data Breaches that is updated regularly, and we have reviewed the register and can find no evidence of significant data breaches during 2022/23. We also note that a Cyber Security update has been included within the Audit and Governance Committee forward work plan in adherence the constitutional requirement for the Audit and Governance Committee to monitor the adequacy and effectiveness of cyber security arrangements.

In completion of the Auditor's Annual Report for 2022/23 we have found no evidence of breaches of legislation or regulatory standards during the financial year nor is there evidence of significant or repeated departure from regulatory or statutory requirements or professional standards during this period.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. We have made two improvement recommendations which are set out on pages 25 to 26.



Improvement recommendations

Improvement Recommendation 3

We recommend the Council ensures that the strategic risk register is presented to the Audit and Governance Committee quarterly.

Improvement opportunity identified

Oversight of the Council's strategic risk register is an important element of the Council's control environment. This recommendation seeks to enhance existing arrangements.

Summary findings

The Audit and Governance Committee did not assess the Council's strategic risk register between 29 September 2022 and 30 November 2023, despite meetings being held within this period.

Criteria impacted



Governance

Auditor judgement

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

Management comments

Audit and Governance committee reviewed the Strategic Risk Register at their meeting on 30 November 2023. The Council is currently considering improvements to the reporting of risk management including frequency updates to Cabinet and Audit and Governance Committee to align with sector best practice.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 4

We recommended the Council's conducts a self-assessment exercise during 2024, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate its impact and identify areas for improvement.

Improvement opportunity identified

During 2023 the Council has taken steps to enhance further the Audit and Governance Committee arrangements by the recruitment of independent members. There is an opportunity for the Committee to assess additional development needs through the completion of the self-assessment and evaluation tool kit that forms part of the CIPFA guidance.

Summary findings

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

Criteria impacted



Governance

Auditor judgement

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

Management comments

A self-assessment exercise is currently underway and is due to be reported in July 2024.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. 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.

Managing Performance

The Council's Corporate Plan 2020 – 2024 was adopted in September 2020. During 2022/23, the Council conducted a review of its Corporate Plan and priorities, considering the major impacts and ramifications of the Covid-19 pandemic. On 9 May 2022, Cabinet considered an updated and refreshed Corporate Plan 2020 – 2024 which included 6 objectives with the first being 'Deliver the highest standard of service' indicating the importance, value and strategic emphasis the Council places on service delivery and quality standards.

Our work has also identified that the Council is further reviewing its Corporate Plan with a further updates to be considered by Cabinet on 11 January 2024. The Council's regular review of the appropriateness of its Corporate Plan 2020 – 2024 demonstrates reasonable practice.

During 2022/23 the Council continued to operate an established quarterly performance monitoring framework supported by oversight and governance.

Each quarter, the Council's Overview and Scrutiny Committee, and Cabinet, assessed a Council Priority and Service Performance Report. On 17 July 2023, Cabinet considered the Council's Priority and Service Performance Report – Quarter Four 2022/23. The report provided a detailed assessment of the Council's strategic and operational performance and was supported by a:

- Corporate Plan 2020 – 2024 action tracker and priorities report – this provided an in-depth appraisal of activity undertaken by the Council in support of its strategic objectives, as outlined within the Corporate Plan 2020 – 2024.
- Performance indicator report – this included a suite of key service metrics tracking the Council's performance across key service delivery areas.

The Council's Priority and Service Performance Report – Quarter Four 2022/23 included a narrative summary of strategic and operation performance which provided helpful context.

The report also included reference to the Council's intention to develop its performance reporting further, during 2023/24, by the inclusion of broader benchmarking data in order for the Council to gain a more robust and insightful evaluation of performance. The Council regularly monitors and appraises both strategic and operational performance and this process is supported by the production of comprehensive information which is then subject to oversight and governance, and this represents adequate practice.

Benchmarking Performance

As part of our work, we have assessed indicators from the Grant Thornton and CIPFA financial benchmarking tool CFO Insights. This compares unit costs for a range of services, using revenue outturn data for 2022/23, and then benchmarks the Council's unit costs with its statistical nearest neighbours.

Of the six main revenue outturn service groupings the Council's cost of provision was very low for housing services, planning and development, highways and transport and cultural and related services. Environmental and regulatory services and central services identified as very high in comparison to statistical neighbours, specifically in relation to:

- Climate change costs.
- Cemetery services.
- Flood defence.
- Central Service to the public.
- Street cleansing.

These areas require further investigation by the Council to establish the reasons for unit costs being very high in comparison to other districts and this could support the Council to identify options that may help address the budget gaps identified in the MTFS 2023/24 – 2027/28 as already referenced within the financial sustainability section of this report. The Council has already committed to the use of benchmarking data in its appraisal of service performance and delivery.

Improving economy, efficiency and effectiveness (continued)

Benchmarking Performance (Cont'd)

The Council specifically referenced benchmarking activity as part of the corporate peer challenge 2023 action plan report, that was considered by full Council on 18 January 2023, with the Council stating it will initiate an internal value for money review to enable further benchmarking and analysis to take place which such output being assessed by the Council's CTWG to determine the lines of enquiry that will be followed.

Our work has also established that the Council utilised benchmarking data in the formation of the 2023/24 budget. On 15 February 2023, full Council considered the Budget Report for 2023/24 which included a report of the Deputy Chief Executive and Section 151 Officer on the robustness of the adequacy of the Council's reserves. This report referenced data secured from CIPFA's Financial Resilience Index which is a comparative analytical tool that supports financial management. The Council's current use of benchmarking data and willingness to explore further opportunities to use such data, to develop performance and delivery, represents reasonable practice.

Partnership Working

Ubico

Ubico provides environmental services to the Council. Ubico is wholly owned by eight shareholders being the Council, West Oxfordshire District Council, Forest of Dean District Council, Cheltenham Borough Council, Tewkesbury Borough Council, Gloucester City Council, Stroud District Council and Gloucestershire County Council and operates as a not-for-profit Teckal company.

The Council reviews annually the activities of Ubico and on 1 February 2023 Overview and Scrutiny received a presentation by senior leaders of Ubico in respect of the current Ubico business plan and performance. However, the content of the presentation was not published within the Committee papers. We also understand, from the Council, Ubico is working in partnership with Publica and the Council as part of an Environmental Services Innovation Program (ESIP) to identify opportunities to deliver better services to residents and capture efficiency and financial savings. The projected financial impact of ESIP activity is referenced within the Council's 2023/24 budget report which identifies ESIP activity will deliver £2.4m of Ubico contract savings between 2023/24 and 2026/27 which represents 29% of the total Ubico contract costs for 2023/24 however specific proposals emanating from ESIP activity were not identified in the report. The Council have informed us that option appraisals and potential material changes regarding services provided by Ubico are also considered by the CTWG due to their financial planning responsibilities leading to an inherent interconnectivity between the CTWG and ESIP.

The activities of ESIP/CTWG could have implications for the type and level of service delivery commissioned and have subsequent consequences to the Council's financial planning and financial sustainability. Greater clarity to the activities of ESIP/CTWG would support oversight and transparency and this leads to an improvement recommendation. We recommend the Council provides an update report, to those charged with governance, in respect of the environmental services innovation programme (ESIP), and related CTWG activity, and how this will:

- Shape service delivery and impact future environmental services procurement
- Impact the Council's financial planning

We also recommend the report includes a road map of ESIP/CTWG activities and milestones including a proposed model of governance to ensure effective oversight and to support transparency.

Partnership Working

Publica

Publica was formed in 2017 and is wholly owned by the Council, West Oxfordshire District Council, Forest of Dean District Council and Cheltenham Borough Council. It is a not-for-profit Teckal company that is responsible for delivery of almost all services under contract on behalf of the member Councils. While Publica works closely with the Council, the company has its own board of Directors, its own Management team, and operates independently from the Council.

On 4 April 2022, the Cabinet considered a report detailing the Publica Business Plan 2022-25. The report explained the business plan sets out the high level, strategic objectives and ambition for Publica over the next three years and how it will deliver both day-to-day services and the key priorities for each shareholder Council. Additionally, the report referred to the increasingly challenging financial circumstances of the member Councils which will be a major driver for the focus of Publica's work.

As already referenced in the Governance section of this report the Council invited the LGA to conduct a corporate peer challenge in October 2022. The LGA peer challenge feedback report directly referenced the Council's partnership arrangement with Publica and included a recommendation 'Give consideration to reviewing service delivery options,' namely the continued appropriateness of some services remaining within Publica.'

Improving economy, efficiency and effectiveness (continued)

Partnership Working (Cont'd)

Publica

This recommendation was accepted by the Council and incorporated within a corporate peer challenge 2023 action plan report, that was considered by full Council on 18 January 2023. Subsequently, the Council and other Publica shareholder, commissioned external consultants to review the Publica partnership with findings of this review being detailed with a Publica Review report, considered by Cabinet on 2 November 2023.

The report recommended most of the services current provided by Publica should be returned to the Council, adopting a phased approach between 2023/24 and 2024/25, with a select few services remaining in Publica, with the report explaining that the recommendation could have the following potential benefits:

- Providing greater flexibility for Councils in their approach to delivering individual strategic objectives and greater responsibility in doing so.
- The return of a critical mass of strategic oversight to Councils, enabling Councils to better manage the strategic direction of the organisation; increasing capacity within each Council's core operating teams.
- Greater ownership to deliver and 'own' savings plans, through a range of different service arrangements that best align to each Council's priorities.
- Reducing the risk of recruitment challenges for local government specific roles.
- A reduction in corporate overheads of services retained in the Publica model.

The Publica Review report stated the exact costs associated with the proposed change were yet to be fully established however initial analysis indicated that the new proposed model has a net additional cost of £0.15m per annum and the report also recommended the Council set aside £0.2m from the Council Priorities reserve to help fund preparatory and transitional costs during the financial year 2024/25.

In consideration of the significance of the Publica Review report recommendations a special meeting of the Council's Overview and Scrutiny Committee was held on 16 November 2023 to consider the Publica Review report, allowing for additional governance and input ahead of a final decision.

On 22 November full Council considered the Publica Review report, which included feedback from Overview and Scrutiny Committee, and the recommendation within the report were adopted without amendment.

We have been informed by the Council that they are also actively considering the resource requirements need to manage the repatriation of services and are alert to the need to source additional resource to support the programme of work and to reflect the complexity of the repatriation.

We recognise that the Council's decisions in relation to Publica relate to the financial year 2023/24 whereas our Value for Money assessments principally relate to arrangement during 2022/23. However, the Publica Review Report represents a significant development in the Council's partnership arrangements taken at the time of our assessments and therefore has been included within this Auditor Annual Report.

For the Council to realise the potential benefits of repatriation as outlined in the Publica Review report, the Council will need to place a significant focus on a wide range of complex requirements and dependencies, and this leads to an improvement recommendation.

We recommend the Council incorporates the following measures and considerations within its planning of the repatriation of Publica services:

- Careful alignment of governance and transition arrangements across the four respective Council's including reaching consensus on new operating models and services that are to be retained within Publica to ensure decision making and the pace of change is appropriate and measured.
- Ensure appropriate ongoing oversight is provided to each stage of repatriation plan.
- Putting in place the required skills and capacity to ensure the repatriation programme is adequately resourced.
- Supporting the existing workforce, and maintaining sufficient workforce capacity, during the transition period.
- Monitoring and maintaining agreed levels of service performance during the transition period.
- Identifying and reporting the actual impacts of repatriation to the Council's MTFS and longer-term financial sustainability.

Improving economy, efficiency and effectiveness (continued)

Partnership Working

Strategic planning

The Council has significant partnership arrangements and can demonstrate it regularly reviews and assesses the effectiveness of partnerships and is prepared to consider alternatives that will better support the Council in the achievement of its objectives.

However, the Council has not yet clearly articulated its overall strategy in relation to partnerships and how partnership working will support the achievement of the Council corporate objectives, and this leads to an improvement recommendation.

We recommend that the Council develops and approves a partnership strategy and association partnership register, to include:

- A central record of Council's partnership activity, including partnership governance arrangements.
- An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register.
- Best practice information for officers in respect of partnership management.

The introduction of a partnership strategy and register would help ensure partnership working is considered in decision-making process, help support partnership management within the Council, enhance transparency of partnership arrangements, and further strengthen the Council's wider governance arrangements.

Procurement and Contract Management

The rules governing public procurement are changing following the government's introduction of the new Procurement Act 2023. The government states the Procurement Act 2023 will bring a range of benefits, including:

- A simpler and more flexible commercial system that better meets our country's needs while remaining compliant with our international obligations.
- Opening up public procurement to new entrants such as small businesses and social enterprises so that they can compete for and win more public contracts.
- Taking tougher action on underperforming suppliers and excluding suppliers who pose unacceptable risks.
- Embedding transparency throughout the commercial lifecycle so that the spending of taxpayers' money can be properly scrutinised.

The changing legislative framework has required the Council to regularly review its procurement and contract management strategy and on 17 July 2023 Cabinet considered an updated Procurement and Contract Management Strategy 2023 which the Council stated had been revised to ensure adherence to the changing legislative frameworks and best practice, and that further updates would be provided when new government legislation is finalised, which is expected to be in October 2024.

We also understand from the Council that a programme of staff training is being planned to ensure staff are fully aware of the requirements of the Procurement Act 2023. The Council's frequent review of its procurement and contract management strategy, and staff training needs, within a changing legislative environment, represents good practice.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness. We have made three improvement recommendations which are set out on pages 31 to 33.



Improvement recommendations

Improvement Recommendation 5

We recommend the Council provides an update report, to those charged with governance, in respect of the environmental services innovation programme (ESIP), and related CTWG activity, and how this will:

- Shape service delivery and impact future environmental services procurement
- Impact the Council's financial planning

We also recommend the report includes a road map of ESIP/CTWG activities and milestones including a proposed model of governance to ensure effective oversight and to support transparency.

Improvement opportunity identified

This improvement recommendation seeks to enhance further the existing oversight and transparency arrangements relating to a significant stream of activity relating to the Council's environmental service.

Summary findings

The activities of the ESIP could have implications for the type and level of service delivery commissioned through Ubico and have subsequent consequences to the Council's financial planning and financial sustainability.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

The Council will ensure members are updated on Environmental Service Improvement activities through the quarterly financial reporting to Cabinet which will includes updates from CTWG.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

We recommend the Council incorporates the following measures and considerations within its planning of the repatriation of Publica services:

- Careful alignment of governance and transition arrangements across the four respective Council's including reaching consensus on new operating models and services that are to be retained within Publica to ensure decision making and the pace of change is appropriate and measured.
- Ensure appropriate ongoing oversight is provided to each stage of repatriation plan.
- Putting in place the required skills and capacity to ensure the repatriation programme is adequately resourced.
- Supporting the existing workforce, and maintaining sufficient workforce capacity, during the transition period.
- Monitoring and maintaining agreed levels of service performance during the transition period.
- Identifying and reporting the actual impacts of repatriation to the Council's MTFS and longer-term financial sustainability.

Improvement Recommendation 6

Improvement opportunity identified

This improvement recommendation seeks to highlight important factors that the Council will be required to manage in the repatriation of services from Publica back to within direct control of the Council.

Summary findings

The Publica Review report, considered by the Cabinet on 2 November 2023, recommended most of the services current provided by Publica should be returned to the Council. This decision will necessitate the Council to place a significant focus on a wide range of complex requirements and dependencies.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

An outline Transition Plan will be presented to Cabinet and Council in March 2024 with further detailed plans for the transition of services following as the due diligence is completed in April/May 2024. The Transition Plan will provide a clear roadmap on the transition process and will address the measures and considerations outlined above.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations

Improvement Recommendation 7

We recommend that the Council develops and approves a partnership strategy and association partnership register, to include:

- A central record of Council's partnership activity, including partnership governance arrangements.
- An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register.
- Best practice information for officers in respect of partnership management.

Improvement opportunity identified

The introduction of a partnership strategy and register would help ensure partnership working is considered in decision-making process, help support partnership management within the Council, enhance transparency of partnership arrangements, and further strengthen the Council's wider governance arrangements.

Summary findings

The Council has significant partnership arrangements which it regularly monitors and reviews. This recommendation seeks to enhance existing arrangements.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

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

Management comments

The Council will develop a Partnership strategy to improve existing Governance arrangements and in view of changes arising from the transfer of services from Publica.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|---|------------------------|-------------|--|------------|---|
| <p>1 We recommend the Council widens the scope of its planned review of capital project activities, during 2023/2024, to identify areas that could be enhanced to support the timely delivery of all capital projects. This should include a review to:</p> <ul style="list-style-type: none"> ensure effectiveness of the Council's current capital project planning, approval, and prioritisation process review the appropriateness of the profile of each existing capital project spend assess the resources, internally and externally, which are needed to manage the Council's capital projects, including finance and project management resource assess the adequacy of current risk management, monitoring and oversight of the Council's capital projects | Improvement | June 2023 | <p>The Council will review the approach it takes to the capital estimates for schemes included in the Capital Programme. This will cover robustness of the proposed expenditure profiles.</p> | Not fully. | <p>Yes. A further improvement recommendation in relation to the Council's capital programme is included in this report.</p> |
| <p>2 We recommend the Council introduces wider financial scenario planning within its MTFS and to include such information in annual budgeting setting reports.</p> | Improvement | June 2023 | <p>The MTFS review and preparation process already includes the use of scenarios to model the impact of decisions and the external economic environment. The published MTFS should be viewed as the most credible view of the Council's financial position.</p> <p>It is recognised that providing the scenario planning as part of the MTFS would assist members in understanding the financial risks inherent in longer-term financial planning. We will include as an Annex to the MTFS report.</p> | Yes. | No. |

Follow-up of previous recommendations

| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|--|------------------------|-------------|---|------------|---|
| <p>3 We recommend the Council develops and agrees the following:</p> <ul style="list-style-type: none"> A Publica workforce strategy, and aligned Council workforce strategy, that supports the delivery of the Council's corporate priorities and medium term financial strategy and assists the Council to address the relevant workforce recommendations made as part of the corporate peer challenge An asset management strategy that is aligned to the Council's corporate plan 2020 - 2024 and Climate Emergency Strategy 2020-2030 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's medium term financial strategy | Improvement | June 2023 | <p>The Council will develop a workforce strategy in response to the broad recommendations arising from the corporate peer challenge report. The strategy will assess the workforce requirements of service delivery, Council priorities and MTFS. The Council will work in partnership with Publica and other shareholders to agree a Publica workforce strategy.</p> <p>The Council is preparing a new Asset Management Strategy that will support the Council's MTFS and wider objectives. This is anticipated to be considered by Cabinet in October 2023.</p> | Yes. | No. We note Publica Review Report considered by Cabinet on 2 November 2023. Additionally, we note an Asset Management Plan is to be considered by Cabinet on 1 February 2024. |
| <p>4 We recommend the Council agrees and adopts a liquidity indicator to monitor the amount of cash available to meet unexpected payments within a defined period, without the need for additional borrowing.</p> | Improvement | June 2023 | The Council will work with the Council's Treasury Management advisors, Arlingclose, in defining and adopting an appropriate liquidity indicator for the 2024/24 Treasury Management Strategy. | Yes. | No. |
| <p>5 We recommend the Code of Conduct for Council (retained) employees (2007) is updated and agreed during 2023 as this is a key document supporting the Council's approach and controls in the prevention and detection of fraud.</p> | Improvement | June 2023 | Publica employed staff 'fall under' their Code of Conduct (2021). Following consultation with the trade unions, an updated code of conduct for Council (retained) employee's will be adopted by March 2024. | Yes. | No. |

Follow-up of previous recommendations

| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|--|------------------------|-------------|--|------------|---|
| 6 We recommend that the finance system is optimised to remove the need for forecasting to be recorded outside of the core finance system. We also recommend, as part of the system optimisation, collaborative planning is also considered, allowing budget holders to have greater system access. | Improvement | June 2023 | Council and Publica are working in partnership on an improvement plan/roadmap for Agresso financial system. This will focus on improving the financial reporting and forecasting processes. The Council will agree a roadmap and investment requirement over coming months and consider as part of budget setting process for 2024/25. | Yes. | No. |
| 7 We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate its impact and identify areas for improvement. | Improvement | June 2023 | The Council will include a self-assessment exercise and report as part of the Audit and Governance Committee's workplan for the 2023/24 municipal year. | No. | Yes. The self-assessment exercise has not been completed and is not included on the forward plan. The improvement recommendation has been restated. |
| 8 We recommend that the Council strengthens its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting. | Improvement | June 2023 | The Council is in discussions with Publica on how the Finance Service can be strengthened including consideration of structures, staffing levels, skills and experience. | Yes. | No. |
| 9 We recommend the Council develops the corporate peer challenge 2023 action plan report to introduce a delivery timeline for the significant actions proposed under the performance and value for money section. | Improvement | June 2023 | The Council will include a delivery timeline for the significant actions arising from the corporate peer challenge. This will be included in an update on the action plan due to be considered by members in September 2023. | Yes. | No. |
| 10 We recommend the Council and Publica implements a framework to disseminate information, regarding the Cabinet Transform Working Group, to staff in order that updates can be provided in respect of any proposed areas of transformation. | Improvement | June 2023 | Cabinet Transform Working Group meetings will include a standing item on communications as part of its Agenda but conscious that some of the discussions will remain sensitive. The Council accepts the recommendation that a protocol should be in place around what/when/how to communicate. | Yes. | No. |
| 11 We recommend the Council reviews its contract procedure rules to ensure they fully align with the Council's procurement and contract management process. | Improvement | June 2023 | Agreed. Contract Procedure Rules are to be reviewed by the Constitution Working Group no later than December 2023. Cabinet will consider the Procurement Strategy in July 2023. | Yes. | No. |

Opinion on the financial statements



Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

Our accounts audit has been completed and the outcome was reported in our ISA260 Audit Findings Report presented to your Audit & Governance Committee on 25 April 2024.



Opinion on the financial statements



Timescale for the audit of the financial statements

Our accounts audit has been completed and the outcome was reported in our ISA260 Audit Findings Report presented to your Audit & Governance Committee on 25 April 2024.



Appendices

Appendix A: Responsibilities of the Council

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

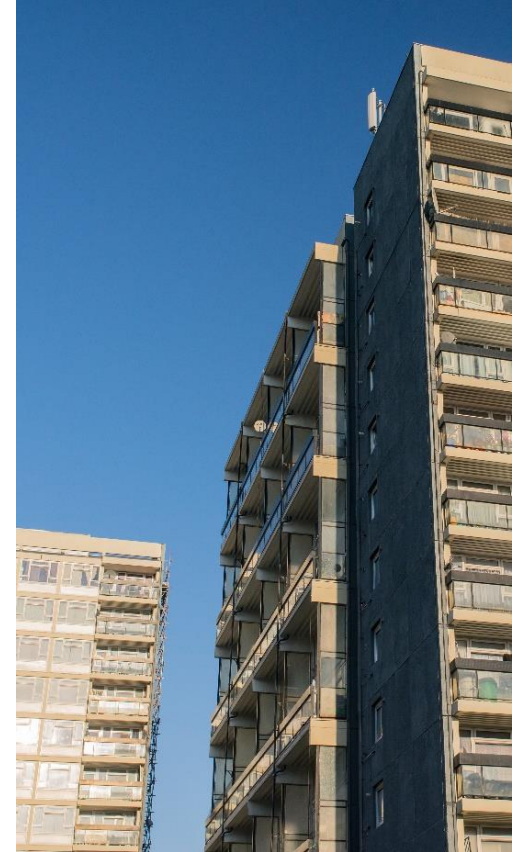
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) 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:

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 references |
|------------------------|---|---------------------------|--------------------------------|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. | No. | Not applicable. |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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. | Not applicable. |
| 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. | 17 - 18 25 - 26 31 - 33. |

