

Auditor's Annual Report on West Devon Borough Council

2020-21

21 October 2021



Contents



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.



Section	Page
Executive Summary	3
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	5
Improving economy, efficiency and effectiveness	6
Governance	12
Financial sustainability	18
Covid-19 arrangements	22
Opinion on the financial statements	24
Appendices	
A – The responsibilities of the Council	
B – Risks of significant weaknesses – our procedures and conclusions	
C – Use of formal auditor's powers	
D – An explanatory note on recommendations	

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

Executive summary




Value for money arrangements

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. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council has operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. The Council has issued £25.3m in business and community grants and had effective governance arrangements in place to monitor the operational impact of Covid-19 on services which enabled timely and responsive actions to be taken.

Criteria	Risk assessment	Finding
Improving economy, efficiency and effectiveness	Risk identified because of limited performance reporting to elected members.	No significant weaknesses in arrangements identified, but improvement recommendations made.
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but improvement recommendations made.
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but an improvement recommendation made.

Key

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



Improving economy, efficiency and effectiveness

In our initial planning we identified that the Council had not formally reported its service performance to elected members in 2020/21. Due to this lack of formal performance reporting, we reported this risk of significant weakness to the Council's Audit Committee in our Audit Plan on 29 June 2021.

We have undertaken further work in this area and in our view we do not consider this to be a significant weakness as the Council has reported performance on an ad hoc basis to the Hub Committee, maintained an overview of its operational performance through its Incident Management Team and held informal member briefings throughout the year. Whilst we recognise that the Council is in the process of developing a performance management framework which will be linked to its new corporate plan we have issued an improvement recommendation to ensure arrangements continue to progress in 2021/22.



Governance

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. The Council introduced an Incident Management Team which enabled it to effectively manage and respond to issues as they arose. We have identified opportunities for improvement recommending that the Council should improve its performance reporting on slippage of its capital programme project by project.



Financial sustainability

The Council has a good track record of sound financial management and delivered an underspend of £75,000, after taking into account central government funding and the Council agreeing to amend its 2020/21 budget. The Council understood the financial risks which it faced and managed these risks by maintaining an appropriate level of reserves. Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in respect of its financial resilience. We have not identified any risks of significant weakness, but have identified an opportunity for improvement and recommend that the Council should re-instate reporting progress against its savings plans to the Hub Committee within the quarterly budget monitoring reports.

Opinion on the financial statements

We propose to give an unqualified opinion on the Council's financial statements following the Audit Committee on 2 November 2021 and their subsequent approval.



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

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

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

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

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



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.



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.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 22. Further detail on how we approached our work is included in Appendix B. The range of recommendations that external auditors can make is explained in Appendix D.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement;
- evaluates the services it provides to assess performance and identify areas for improvement;
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve; and
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council agreed its current corporate plan in 2018, based on a number of themes and strategic objectives to be achieved by 2023. During the early phases of the pandemic the Council focussed on responding and aligning its resources to the immediate and emerging needs of its communities. In recognition of the wide-ranging and long lasting impacts of the pandemic the Council then began to look at the process of recovery and renewal. The Council developed and adopted a 'Recovery and Renewal' plan to address short and medium term issues. This recovering planning, and the changing landscape within which the Council was now operating, this led to a commitment to develop a new corporate strategy, 'A Plan for West Devon', that focussed on the needs of our communities post pandemic. The Council is in the process of agreeing this new corporate plan and the performance management framework in which it will operate

We identified that for 2020/21 the Council did not have strategic objectives linked to its 2018 Corporate Plan or have milestones to enable progress against its strategic objectives to be measured on an annual basis. In previous years it had reported progress to its Overview and Scrutiny Committee on a quarterly basis, although this was suspended in 2020/21 as staff and resources were deployed elsewhere (such as administration of business grants). The Council made the decision to focus on operational delivery and meeting the needs of its local business and residential community during the Covid-19 pandemic.

The Council's Overview and Scrutiny Committee has responsibility for scrutinising performance across all services, except for planning service which is the responsibility of the Development Management Committee. Although the Overview and Scrutiny Committee did not receive any overarching corporate performance monitoring reports in 2020/21, it did receive the following performance reports on an ad hoc basis:

- Future Information Technology project update
- Ombudsman annual review letter
- Annual report from the Community Safety Partnership; and
- Leisure.

Performance for the planning service was reported on three occasions to the Development Management Committee in 2020/21.

Informal meetings with lead elected members have occurred since April 2020. These meetings have been led by the Business Managers and the Service Performance Manager, with the focus on the Council's performance management system (Pentana) and other relevant performance issues. Joint meetings have also been held with elected members from South Hams where joint issues/service provision lends itself to such meetings. Members also have access to a variety of portals which enable direct access to performance information in real time.

The establishment of the Incident Management Team (IMT) to manage the operational pressures of the Council has ensured that operational service performance was monitored and reported on a daily basis to begin with, then on a bi-weekly basis throughout the year. This approach ensured that any service performance would have been detected and reported to the IMT, then the Senior Leadership Team and finally the Leader of the Council on almost a real time basis. This approach enabled any issues to be identified and addressed in a very short time frame. This governance framework is explained in more detail on page 22.

Although corporate performance reporting was not operating as it had in previous years, the remaining mechanisms did enable under performance to be identified and acted upon as necessary.

A number of service areas have struggled to maintain previous performance levels, such as the planning and delivery of the IT project. This has been as a result of a range of factors, such as increased demand (planning) and a lack of capacity as staff are deployed elsewhere, but due to the operational performance management arrangements in place the Council has been aware of these issues.

Financial performance monitoring (revenue) was enhanced during the year and was reported at month two, three, seven and ten to the Hub Committee. The Council is unusual in that it does not report the year end/outturn position in a standalone report to the Hub Committee. Instead the Council provided a detailed forecast outturn at month ten and the full year financial position is confirmed and provided to all members in the draft statement of accounts, which is presented to the Audit Committee. In our view, although this is unusual it still enables elected members to scrutinise and challenge the Council's financial performance which is the purpose of these reports.

Performance for the capital programme was monitored and reported for quarter one, two and three to the Hub Committee. The outturn position was not reported to the Hub Committee, instead this is reported in the Statement of Accounts to the Audit Committee.

Auditor judgement

In our initial planning we identified that the Council had not formally reported its service performance to elected members in 2020/21. Due to this lack of formal performance reporting, we reported this risk of significant weakness to the Council's Audit Committee on 29 June 2021.

We have undertaken further work in this area and in our view we do not consider this to be a significant weakness as the Council has reported performance on an ad hoc basis to the Hub Committee, maintained an overview of its operational performance through its IMT and held informal elected member briefings. Whilst we recognise that the Council is in the process of developing a performance management framework which will be linked to its new corporate plan, we have issued an improvement recommendation to ensure arrangements are improved in 2021/22.



Benchmarking

In previous years the Council has used benchmarking to compare itself to others and to identify areas for improvement. However, due to a lack of capacity in 2020/21, limited benchmarking has been undertaken, although the Council did use LG Inform. As part of our review we discussed a range of indicators produced by our management tool 'CFO Insights'. The indicators compared the units costs for a range of services and identified two areas where the unit costs were high in comparison to other district Councils:

- Environmental and regulatory services per head of population (waste services); and
- Total housing services per head of population.

The high unit cost of providing the environmental health service is attributable to the high cost of providing a waste services in a rural setting which was understood by the Council.

The reason why the unit cost for the housing services is high is unclear to the Council. The chart opposite suggests that it may be attributable to housing benefit administration and housing benefit discretionary payments, although the chart is only able to provide an indication of where costs are high and further exploration of these costs should be beneficial to the Council. The Council has subsequently confirmed that this is attributable to the Council using all its allowance for housing benefit discretionally payments.

Comparison of housing unit costs with all district councils.

On the spider chart below the 50 line represents the group median. The group in this case is all district councils. If a measure is closer to the outside of the chart it would be classed as 'very high cost', whereas if the line is closer to zero, then it would be classed as 'very low cost' in comparison to the group. The chart identified housing benefits administration and discretionary payments as very high cost in comparison to other district councils.



Data quality

We considered how the Council gained assurance over the accuracy of the information reported to elected members. A review undertaken by the Council's Internal Audit team identified that the Council does not have an agreed and consistent approach to ensuring the reliability and consistency of data quality. The decisions as to whether data should be validated was left to the discretion of the individual and / or their manager. This review also identified data quality issues in the Council's draft 2019/20 Annual report which was produced during 2020/21.

A range of recommendations have been raised by the internal audit team and as a result we have not raised any improvement recommendations within this report. . The recommendations raised by internal audit were reported to the Council's Audit Committee in February 2021. We do not consider these issues to be a significant weakness, as we have raised an improvement recommendation on the Council's performance management arrangements and although data quality is an area of improvement we consider that this is being addressed through the recommendations raised by internal audit.

Strategic partnerships

A key strategic partner for the Council is South Hams District Council as it shares a joint management team and delivers the majority of its services through a shared service. A number of outsourced services are also provided by some providers to provide greater efficiency, such as the Council's waste and leisure services. The cost share of the councils' shared service is reviewed annually by the Council's Audit Committee and amended to take into account any changes in service delivery. The shared service continues to deliver efficient benefits to both Councils, with well established and appropriate ways of working having been developed over the years since its inception.

The Joint Local Plan is an example of a strategic partnership in which the Council is represented and ensures agreed actions are delivered. Arrangements are in place to monitor progress through the Authorities Monitoring Report (AMR) which provides an annual update in the February after the preceding financial year.

However, progress has not been reported to elected members during 2020/21. As noted earlier, the Council is in the process of developing a new corporate plan and performance management framework, and this should include those partnerships which contribute and are key to delivering the Council's new strategic objectives.

Procurement

The Council agreed its 'Devon Districts Procurement Strategy 2019-2022' which came into effect in November 2019. It is a shared corporate procurement strategy with all of Devon's district councils and Exeter City Council. South Hams District Council, West Devon Borough Council and Teignbridge District Council also have a shared procurement service.

The Strategy includes an action plan which covers:

- contract management;
- sustainable procurement;
- engagement with SMEs and Local Businesses; and
- behaving commercially.

Progress according to the strategy should be reviewed quarterly by the Devon District Procurement Group (DDPG). However, this has not taken place and the approach adopted has been to review progress as the strategy is updated. As a result progress against these actions will not have been reviewed for three years. Consequently, progress has not been reported to elected members, as members are only updated when the Strategy is reviewed and updated. We have raised an improvement recommendation in respect of this.

As far as we are aware the Council has not made any procurement decisions using its emergency powers and has not retendered or extended any significant contracts during the year.



Improvement recommendations



Improving economy, efficiency and effectiveness

1 Recommendation	The Council should introduce a performance management framework based upon SMART strategic objectives to ensure delivery of its new corporate plan. This should include monitoring the performance of its strategic partnerships.
Why/impact	Existing arrangements did not enable the Council to evaluate progress against its strategic objectives.
Summary findings	The Council did not have strategic objectives linked to its 2018 Corporate Plan in place for 2020/21 to enable it to report progress to its elected members. The Council has not developed milestones to enable progress against its strategic objectives to be measured on an annual basis. In previous years, the Council has reported service performance to its Overview and Scrutiny Committee on a quarterly basis, however this was suspended in 2020/21 as staff and resources were deployed elsewhere as the Council made the decision to focus on operational delivery and meeting the needs of its local business and residential community during the Covid-19 pandemic.
Management comment	The Council was in the process of developing thematic delivery plans and objectives for each of the Councils six strategic themes under the 2018 Corporate Plan in January 2020. The onset of the pandemic necessitated the reprioritisation of resources to support response and recovery as detailed on page 6. However, throughout 2020/21 the Council continued to deliver all key services which remained aligned to the 2018 Corporate Plan.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

2 Recommendation	The Council should review progress against the actions set out in the Devon Districts Procurement Strategy on a more regular basis, and at least annually. Progress should also be reported to SLT and elected members, for example either via Overview and Scrutiny Committee or Hub Committee.
Why/impact	Existing arrangements did not enable the Council to evaluate progress against its strategic objectives.
Summary findings	Progress according to the strategy should be reviewed quarterly by the Devon District Procurement Group (DDPG). However, this has not taken place and the approach adopted has been to review progress as the strategy is updated. Progress against these actions has not been reviewed for three years. Consequently, progress has not been reported to elected members, as members are only updated when the Strategy is reviewed and updated.
Management comment	The Corporate Procurement Officer will meet with the Devon Districts Procurement Group on a bi-annual basis to share best practice. The corporate procurement officer will review and report performance against these objectives on a bi-annual basis. The new strategy will be released in 2022.



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

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effectiveness processes and systems are in place to ensure budgetary control;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council has arrangements in place to ensure its risks are identified, scored and regularly reviewed. The Council has a Risk and Opportunity Register which was adopted in December 2018 and risks are logged centrally and recorded on its risk register.

SLT reviewed the corporate risk log quarterly. It was reviewed once by the Audit Committee in June 2020, due to meetings being cancelled at the start of the pandemic. In a normal year the strategic risk register would have been reviewed twice by the Audit Committee and we deem these arrangements to be appropriate.

The internal audit function at the Council is provided by Devon Audit Partnership, and in year only 70% of its planned audits were completed. This completion rate was significantly lower than previous years and was a direct result of staff being deployed to other areas as a result of Covid-19. We understand that this did not result in any conflicts of interest during the year. Despite this Internal Audit were able to complete sufficient work across a range of areas and provide a “Reasonable Assurance” opinion on the adequacy and effectiveness of the Authority’s internal control framework.

Whilst no significant weaknesses from a VFM perspective have been identified by internal audit, they did give a “limited assurance” opinion for their review of performance management and data quality. These concerns have been considered in the previous section where we have raised an improvement recommendation on page 10 and identified why we have not raised a recommendation on data quality [page 9].

A counter fraud service is also provided by Devon Audit Partnership. There are eight cases relating to applications for Covid-19 business rate grants by third parties which are under investigation. These eight cases include cases for both the Council and South Hams District Council. No other irregularities were noted or reported within 2020/21, and counter fraud actions and services appear to be appropriate.

The Council has a range of policies and standards which set out the standards by which staff must adhere and the Council sets out the behaviours which are expected, such as the code of conduct within the Constitution.

Staff are made aware of these standards and requirements during their induction. However, the Council does not have an agreed approach to ensure staff are updated and made aware of their obligations on a regular basis. Such an approach would be beneficial in those areas where there is a low turnover of staff.

Overall we found no evidence of significant weaknesses in the Council’s arrangements to manage risk and operate effective internal controls.



Budgetary control in 2020/21

Every budget holder has an accountant and a finance budget partner allocated to them to provide support and to ensure they effectively manage their budget. All budget holders also have access to the general ledger and are actively encouraged to self serve and access budget monitoring information as and when they require it. As a result the approach differs across the budget holders, some will receive monthly budget monitoring reports and more support from the finance department whereas others will access more timely information themselves direct from the general ledger. The finance staff monitor all budgets and will make contact with those budget holders who opt to self serve if their budgets begin to overspend. This approach is taken by the Council as resources were limited so the focus was on key risks, budget size and complexity.

As mentioned in the previous section, financial performance monitoring was enhanced during the year and was reported at month two, three, seven and ten to the Hub Committee. Yearend outturn reports were not produced for the Hub Committee, although the end of year position is set out within the draft accounts and presented to the Audit Committee. The year end position was either communicated to individual budget holders by their respective accountants, firstly to ensure all accruals were taken into account and secondly to confirm the final position was as expected, or the budget holder accessed the information themselves from the general ledger.

Capital budgets were monitored and reported for quarter one, two and three. Again the outturn position was not reported to the Hub Committee, this is provided in summary format as part of the draft accounts. The total capital spend during 2020/21 was reported in the draft accounts, but not the planned budget for 2020/21. Projects boards are in place for individual complex capital projects and the Section 151 Officer would attend these meetings.

The quarterly capital monitoring reports compare the total spend for each project compared against the approved budget for the whole life of the project. They also identify the spend in-year, but not the corresponding budget for the year. The narrative identifies if a project is delayed.

Currently, it is not easy to identify slippage as the budget is not profiled across the life of the project. The reader is reliant on the narrative to identify any slippage.

The capital financing requirement is reported through the treasury management reports which are taken separately to the Audit Committee.

We consider that the reporting on the capital programme to the Hub Committee could be improved to enable elected members to more easily identify the performance of projects both across the life of the project but also in year and how each capital projected is being financed.

Amending the 2020/21 budget

The Council's net budget for 2020/21 was £7.71m. Increased budget monitoring and financial control highlighted the financial impact that Covid-19 was having on the Council's finances and the Council agreed an amended budget in September 2020. This budget agreed the measures as set out opposite to the value of £0.5m, on a non-recurring basis, to meet the forecast budget shortfall.

It was recognised that the predicted shortfall would change during the year as the level of uncertainty reduced. A Member Budget Workshop was held to consider the options to address the shortfall and the agreed approach is set out in the table opposite. The table illustrates that due to the amount of funding received the Council did not need to reduce its level of reserves other than the utilisation of the uncommitted element of the new homes bonus. The level of reserves in comparison to other councils is shown on page as shown on pages 18 and 19.

Options for the amended budget

Option	£000	Amount utilised £000
3 rd tranche of Covid-19 funding	89	89
New Burdens Grant funding	130	130
Utilise 2019/20 underspend	133	Not used
Uncommitted New Homes Bonus reserve	69	69
Reduce capital budget for Tavistock Viaduct from £100k to £20k	80	80
Total	501	368



Informed decision making

The work of the Council's committees is governed by the constitution. The constitution is reviewed annually and was last updated in May 2021 and prior to that in April 2020. The constitution is available on the Council's website and includes the staff and elected members code of conduct.

The Annual Governance Statement sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

During the year the Council has continued to make key decisions in line with its constitution and has sought third party advice to support effective decision making, for example the decision to provide additional funding to the Council's leisure provider.

During our review we identified that the decision making process could be improved by ensuring scrutiny were able to add value to strategic decisions. The Council recognises that the democratic decision making process could be enhanced, including the role of the Hub Committee and Overview and Scrutiny, and as such agreed changes to its democratic process and constitution in April and May 2021. These changes should improve the effectiveness of the Council's decision making processes and will come into effect in 2021/22.

We found no evidence of significant weaknesses and have not identified any improvement recommendations given the changes already implemented in year.

Monitoring standards

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Data Protection Officer. A range of policies and standards are in place to ensure compliance, such as codes of conduct, gifts and hospitality and whistle-blowing policies. However, the whistle-blowing policy has not been updated since 2016 and should be reviewed annually to ensure it is compliant with current legislation. We have raised an improvement recommendation to this effect.

We are not aware of any instances where officers or elected members have not complied with the necessary standards. The Council have made use aware that there have been data security breaches during the year, but none of a significant nature.

The Council ensures that appropriate standards and behaviours are maintained through the introduction of an IMPACT framework. It defines the behaviours that all staff across the Council is expected to consistently demonstrate at work. The framework consists of six core behaviours. These behaviours are used to both recruit and assess the performance of staff.

Auditor judgement

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks, and we have identified two improvement recommendations on pages 15 and 16.

Improvement recommendations



Governance

3 Recommendation	The Council should improve its performance reporting on its capital programme by clearly reporting spend against profiled budget.
Why/impact	The capital performance reports should easily enable elected members to assess the performance of each capital project across the life of the project and in year.
Summary findings	Performance against the capital programme is reported to the Hub Committee, during 2020/21 three performance monitoring reports were provided. These reports identified the total budget for the life of each project, the spend in year, total spend across the life of the project and remaining budget. However, the reader is reliant on the narrative to identify any slippage in year and spend inline with a profiled budget.
Management comment	<p>Additional columns will be built into future Capital Programme reports that show a profiled Capital Budget for each Financial Year. This will allow 'slippage' on the profiled capital budget to be assessed in detail on a year by year basis.</p> <p>The current Appendix for the Capital Programme already sets out how each Capital Project will be financed. Each year when the Capital Programme is approved, Members also approve the overall financing of the Capital Programme at the February Council meeting, prior to the start of the Financial Year.</p> <p>Overspends are already highlighted to Members as part of the current Capital Programme Monitoring reports. If an overspend is identified, the monitoring report already sets out a recommendation of how the overspend could be financed and mitigating actions.</p> <p>Year end performance at Month 12 is not separately reported to the Hub Committee in addition to the current quarterly monitoring reports. Instead the year end position (Month 12) is reported in the end of year Accounts.</p> <p>Officers will review best practice in terms of reporting of the Capital Programme to identify if any further reporting is required.</p>



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

Improvement recommendations



Governance

4 Recommendation	The Council should have an agreed approach for ensuring staff maintain an awareness and understanding of their obligations relating to the Council's code of conduct.
Why/impact	Existing staff may not be aware of their obligations.
Summary findings	All staff are made aware of their obligations with regards to the staff code of conduct during their induction, but do not receive regular updates or refresher training. As result those staff who have been with the Council for some time may have forgotten their obligations.
Management comment	All staff will be reminded of their obligations with regards to the Council's code of conduct by the Monitoring Officer.



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

Improvement recommendations



Governance

5 Recommendation	The Council should review its whistle-blowing policy annually, and update as necessary.
Why/impact	Key policies like the whistleblowing policy should be updated annually to ensure they are up to date with current legislation and good practice and be consistent with other complementary policies, such as grievance procedures and harassment and bullying policies.
Summary findings	The whistle-blowing policy has not been updated since 2016.
Management comment	An update of the whistle-blowing policy will be taken to the next available Audit Committee.



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

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans;
- plans to bridge its funding gaps and identify achievable savings;
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning; and
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

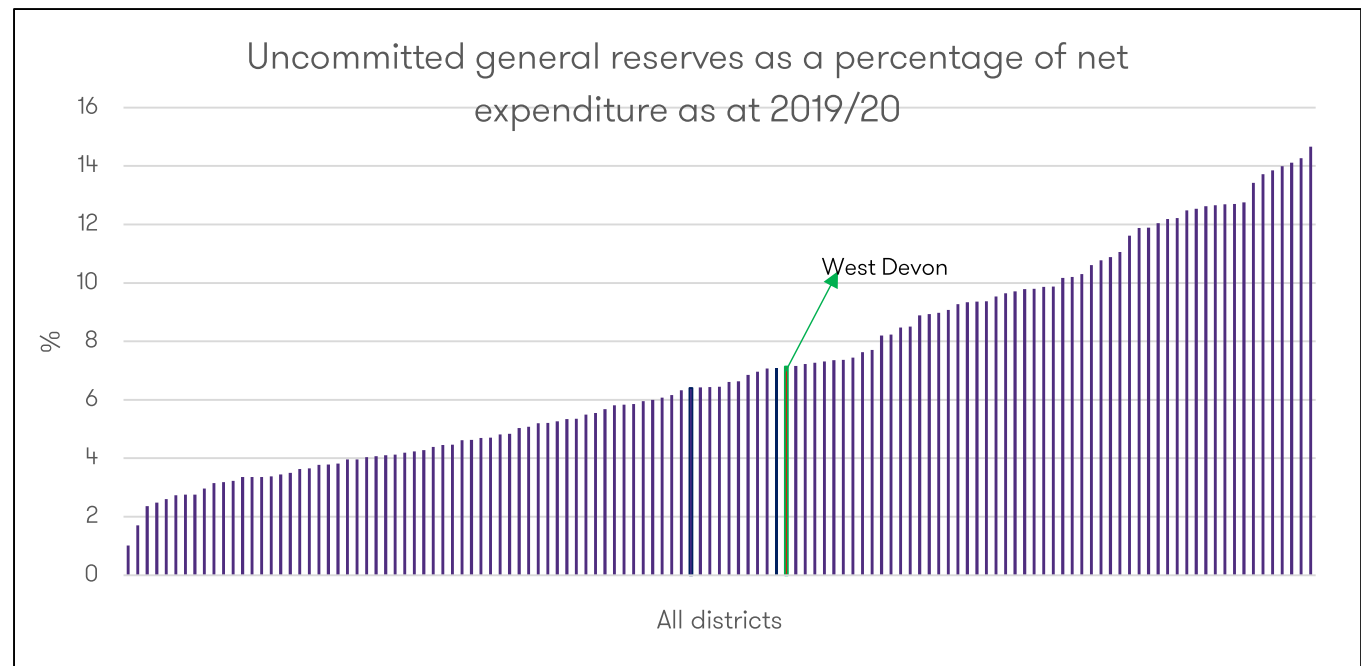
2020/21 Financial outcome

The Council has a track record of achieving financial balance and continued this for 2020/21, having reported a revenue underspend of £75,000 in its draft accounts. This underspend would not have been achieved without significant Covid-19 funding of £1.2m from central government and the introduction of an amended budget.

Capital projects have been affected by Covid-19 during the year, with some projects being delayed and an agreement to fund some of the Covid-19 revenue overspend from revenue reserves. Despite this the Council spent £1.008m on a range of capital projects during the year compared to a profiled budget of £1.045m (96.5% of the planned budget).

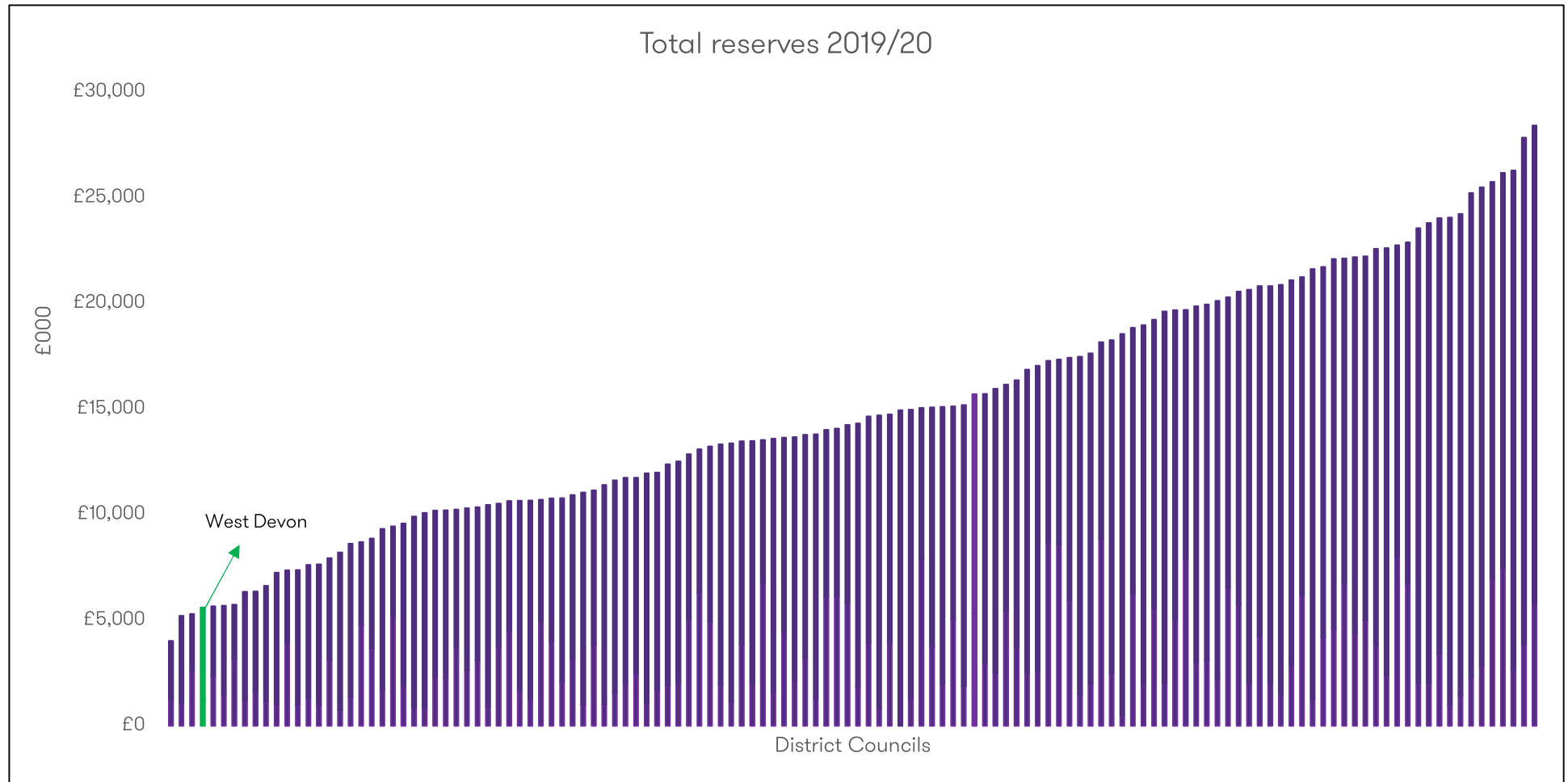
Reserves

The Council aims to maintain general fund reserves at a minimum of £0.9m and as at 31 March 2021 the reserves were £1.294m. The table below compares the Council's general reserves as a percentage of net expenditure for all districts at 31 March 2020. The Council is in line with the midpoint and just below the average at 7.1%.



Reserves continued

The chart below illustrates total reserves in comparison to all districts based on 2019/20 Revenue Outturn data. These charts demonstrate that the Council is at the lower end of District Councils, which may be expected given the relative size of the Council. As set out on page 13, the Council has used an element of their reserves to manage the financial pressures that resulted from Covid-19.



Financial planning and Medium Term Financial Strategy

The Council's financial planning for 2020/21 followed the agreed framework and began with its updated five year Medium Term Financial Strategy (MTFS) in December 2019. The MTFS is based on the previous year's budget and is updated taking into account the previous year's outturn and any changes in service provision. The annual budget which is based upon the first year within the MTFS was agreed in February 2020. The same framework was followed to agree the MTFS and budget for 2021/22.

The MTFS was discussed and agreed by the Extended Leadership Team, before the Senior Leadership Team and prior to approval by the Hub Committee and finally the Full Council. Although, as noted within the governance section on page 6, the Council was not actively working towards its corporate strategic priorities which were agreed in 2018, it was clear on the importance of maintaining its existing service provision and financial standing during the pandemic whilst it developed its new strategic priorities and corporate plan. The existing framework and the close collaboration across the Heads of Service and Strategic Directors ensures that the financial plans took account of any changes within service or specialist areas.

Financial risks were identified and addressed within the MTFS, along with the corresponding funding gaps. The funding gaps provide the indication of the level of savings or additional income required. The funding gap and the required savings was then updated when the budget was agreed in February 2020. There were movements as the spending review changed the financial position faced by the Council in a more favourable direction, reflecting the position nationally. The savings required in 2020/21 and 2021/22 are set out in the table opposite.

Progress against the savings targets was reported to the Hub Committee at month 2 and month 3, but did not continue beyond this. The year end financial position has been reported within the Council's draft financial statements, but progress against the savings target was not included, although failure to deliver the required savings we would expect to appear as an overspend. We have identified an improvement recommendation in respect of the reporting of savings to members, to reinstate the separate savings appendix as part of the budget monitoring report.

As a result of Covid-19 an element of the budgeted savings and additional income were not achieved in 2020/21, such as deferral of the management fee for the leisure contract and the loss of carpark income. These schemes are being closely monitored to allow them to restart once it is feasible.

Savings have been considered beyond 2021/22 but have not yet been quantified and as a result were not included within the MTFS. Savings are only included once they have been agreed by the Council and as a result budget gaps are evident within the MTFS in 2021/22 and beyond.

Unquantified savings included within the MTFS include the potential to rationalise the office accommodation and redevelopment of the Council's homeless provision which would provide additional income. These savings areas are consistent with opportunities being explored by other English Local Government bodies.

	Savings/ income target £	Savings/ income delivered at mth 3 £	Savings/ income delivered at year end	Percentage delivered against budget
2020/21	530,200	413,000	454,400	86%
2021/22	344,200	166,000	N/A	

The MTFS considers the risks and financial pressures that the Council faces. It manages these risks by maintaining an appropriate level of reserves, ensuring effective financial control. The Council has also identified adherence to the MTFS as a corporate risk.

The agreement of the amended budget demonstrates that the Council has effectively managed the financial risks it has faced during the year and ensured measures were in place to enable the Section 151 Officer to manage the cost pressures.

The MTFS is based upon a range of assumptions which in our view are reasonable based on the amount of uncertainty faced by the sector. The Council has undertaken sensitivity and risk analysis with a total adverse effect of £0.653m in 2021/22, and the Section 151 Officer confirmed that as reserves should be maintained at minimum of £0.9m and she was able to confirm the robustness of the MTFS on this basis.

Auditor judgement

The Council has a good track record of sound financial management and delivered an underspend of £75,000, after taking into account central government funding and the Council agreeing to amend its 2020/21 budget. The Council understands the financial risks which it faced and managed these risks by maintaining an appropriate level of reserves. Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faces to financial resilience. We have not identified any risks of significant weakness, but have identified an opportunity for improvement.

Improvement recommendations

Financial sustainability

6 Recommendation	The Council should monitor progress against its savings plans to elected members on a regular basis throughout the year, including the year end position.
Why/impact	Without regular reporting, elected members are unaware of the position and are unable to ensure action is taken should performance not be as planned.
Summary findings	Progress against the savings targets was separately reported to the Hub Committee at month 2 and month 3, but did not continue beyond month 3. The year end financial position has been reported within the Council's draft financial statements, but progress against the savings target was not included, although failure to deliver the required savings is likely to appear as an overspend.
Management comment	The Council has already re-instated in its Revenue Budget Monitoring report, the specific Savings Appendix that showed the savings for the year and progress against delivering each of the savings individually. If savings had not been achieved, this would have already been reported to Members in the quarterly revenue budget monitoring reports as this would have been reported as an overspend. Similarly if savings had not been achieved, this would have already been reported to Members in the Final Accounts outturn report as an overspend (Year End revenue overspends and underspends are set out in detail in the Council's Final Accounts in the outturn schedule, Page 9 to the Accounts).



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

Covid-19 arrangements



Since March 2020 Covid-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Improving economy, efficiency and effectiveness

The Council has a Business Continuity Management Strategy, which is currently being updated for changes in personnel. This is supported by an Incident and Recovery Plan which sets out the specific roles and responsibilities and business continuity plans for each service. These provided a robust base to manage and respond to Covid-19.

The Council had to issue a significant number of business and community grants and received funding of £30.5m in year, issuing £25.3m to local businesses in 2020/21. This required the Council to establish new arrangements, procedures and controls to ensure only those entitled to this funding received it. These arrangements were reviewed by Internal Audit who confirmed that the arrangements, introduced over a very short timescale and whilst staff worked remotely, provided substantial assurance.

The Council also introduced new measures to monitor and check additional Covid-19 costs and established new cost codes against which all expenditure should be recorded. This expenditure was then checked on a monthly basis by the Head of Finance and then the Section 151 Officer.

Financial sustainability

The Council recognised that Covid-19 posed a significant financial challenge to its financial sustainability. As a small district, the pandemic had a significant impact on its income and increased its costs. As a result the Council had to refocus its resources to enable support to be provided to local businesses and residents.

The Council increased the frequency of financial monitoring and introduced additional cost codes so that all Covid-19 expenditure could be effectively tracked and checked. In September 2020 an amended budget was agreed by Full Council with measures to the value of £0.5m, on a non-recurring basis, to meet the forecast budget shortfall.

In December 2020 the Council also adopted a Covid-19 recovery and renewal plan. This brought together the activity and actions required to recover from the impacts of the pandemic. This was developed whilst also implementing measures to support the second lockdown and the ongoing challenges of Covid-19.

During the year the Council agreed to provide financial support to its outsourced leisure provider. A total of £435,000 was provided from earmarked reserves.

The Council introduced timely measures to ensure it was aware of the financial pressures and took the necessary action to ensure a balanced budget would be delivered.

Covid-19 arrangements

Governance

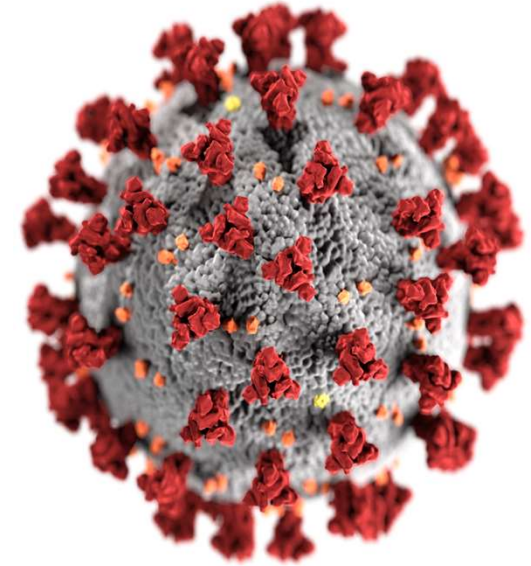
The Council began the year operating under its emergency powers until virtual meetings were introduced in accordance with the emergency Covid-19 powers. In order to manage the operational pressures the Council introduced responsive and reactive daily decision making processes which operated throughout the year and still continue to operate now via the Incident Management Team (IMT), although the meetings are no longer held daily.

The IMT was chaired by a Head of Service and included a member of the SLT, should an immediate decision be required, a member of HR, a Business Manager and the Communications Team. The IMT was supported by a range of tools which were developed as the pandemic progressed, these included centralised sickness reporting, an action and decision log and a Head of Service return (this was used to report service issues and required 'nil' returns to be submitted).

The IMT had a fixed agenda and met daily at the start of the pandemic at 9.45am. Before the meeting there was an agreed schedule of meetings and tasks that were required before the IMT, such as SLT meeting, completion of the Heads of Service Incident Form and a centralised sickness return. After the meeting urgent items would be brought to the attention of SLT and a briefing session would be held with the Leader.

The Council also developed a list of agreed operational tasks which could be suspended should the need arise, its 'Apollo 13' list. The Council did shift staffing resource to manage the issue of Covid-19 grants and the community response, however it did not need to reduce any core services.

In our view effective governance arrangements were introduced to monitor the operational impact of Covid-19 on services and these arrangements enabled timely and responsive actions to be taken and ensured the Leader was briefed on a regular basis.



Opinion on the financial statements



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

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

We propose to give an unqualified opinion on the Council's financial statements following the Audit Committee on 2 November 2021 and their subsequent approval.

Other opinion/key findings

There were no other findings reported in respect of the Annual Governance Statement, Narrative Report or any other information.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 2 November 2021.

Whole of Government Accounts

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

The National Audit Office has yet to issue the auditor guidance and as a result we have yet to complete this work. We held our audit certificate and will issue this once the required procedures are completed.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

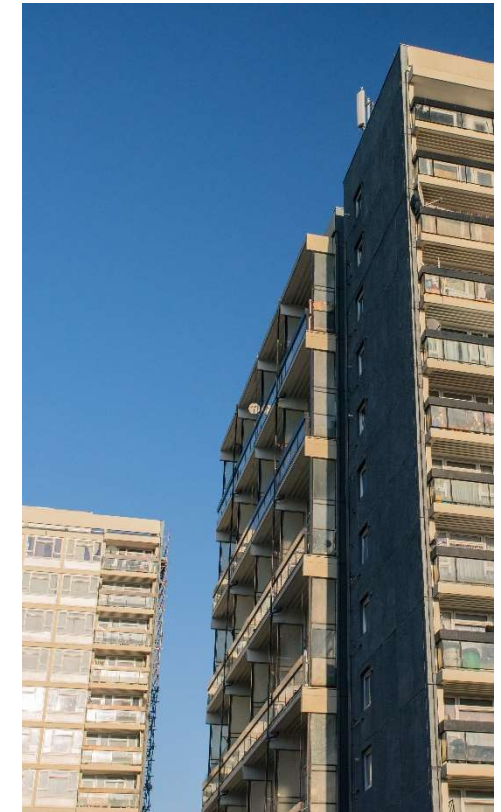
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B - Risks of significant weaknesses - our procedures and conclusions

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

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was not identified as a potential significant weakness, see page 16 for more details.	No additional procedures undertaken	No significant weakness identified	Appropriate arrangements were in place. One improvement recommendation raised
Governance was not identified as a potential significant weakness, see page 12 for more details.	No additional procedures undertaken	No significant weakness identified	Appropriate arrangements in place. Two improvement recommendations raised.
Improving economy, efficiency and effectiveness was identified as a risk of significant weakness, see pages 6 to 11 for further information.	<p>The following procedures were undertaken to assess this potential significant weakness:</p> <ul style="list-style-type: none"> • established the strategic objectives in place for 2020/21; • assessed how performance has been monitored against these objectives; • considered both formal and informal performance reporting undertaken in during the year; and • assessed if underperformance has been identified and what action was taken as a result. 	No significant weakness identified	Appropriate arrangements in place. Two improvement recommendations raised.

Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not make any statutory recommendations.

Public interest report

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

We did not issue a public interest report.

Application to the Court

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

We did not apply to the courts.

Advisory notice

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

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

We did not issue an advisory notice.

Judicial review

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

We did not apply for judicial review.

Appendix D - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
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	See pages 10, 11, 15, 16, 17 and 21



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