

# Auditor's Annual Report on Forest of Dean District Council

2021/22 and 2022/23

September 2023



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

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



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

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# Executive summary



## Value for money arrangements

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because this will allow for our Value for Money assessments to be provided to the Council during 2023 which supports timely reporting. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified.	No significant weaknesses in arrangements identified, but three improvement recommendation made.	No significant weaknesses in arrangements identified, but three improvement recommendation made.	↔
Governance	No risks of significant weakness identified.	No significant weaknesses in arrangements identified but, seven improvement recommendation made.	No significant weaknesses in arrangements identified but, seven improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	No significant weaknesses in arrangements identified and no improvement recommendation made.	No significant weaknesses in arrangements identified but, four improvement recommendation made.	↓

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

# Executive summary



## Financial sustainability

The Council, like others, continues to operate in an uncertain financial environment. The Council understands the financial risks it faces particularly in respect of its key income streams, the impact of inflationary pressures and the need to identify and then deliver savings over the medium term. The Council is currently working to identify appropriate measures to support financial sustainability over the medium term. Further details can be seen on pages 7 to 18.



## Governance

The Council reviewed and enhanced its risk management arrangements during 2021/22 and 2022/23, through the introduction of a new Risk and Opportunity Management Strategy. 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. Our work has not identified any significant weaknesses in arrangements but has identified seven improvement recommendations. Further details can be seen on pages 19 to 32.



## 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. The Council has an established regime of service plan performance monitoring supported by oversight. The Council, during 2021/22 and 2022/23, comprehensively assessed a significant service provision and also strengthened its procurement and contract management arrangements with the adoption of a new Procurement and Contract Management Strategy. Our work has not identified any significant weaknesses in arrangements but has identified four opportunities for improvement which are set out on pages 33 to 39.



### 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 November 2022, following the Audit Committee meeting on 17 November 2022. Our findings are set out in further detail on page 43.

### 2022/23

We have completed our audit of your financial statements and issued an unqualified audit opinion on 29 November 2022, following the Audit Committee meeting on 28 September 2023. Our findings are set out in further detail on page 44.





# Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p><b>Statutory recommendations</b></p> <p>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.</p>	We did not issue any statutory recommendations.	We did not issue any statutory recommendations.
<p><b>Public Interest Report</b></p> <p>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.</p>	We did not issue a public interest report.	We did not issue a public interest report.
<p><b>Application to the Court</b></p> <p>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.</p>	We did not apply to the Court.	We did not apply to the Court.
<p><b>Advisory notice</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>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</li> <li>is about to enter an item of account, the entry of which is unlawful.</li> </ul>	We did not issue an advisory notice.	We did not issue an advisory notice.
<p><b>Judicial review</b></p> <p>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.</p>	We did not apply for a judicial review.	We did not apply for a 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).



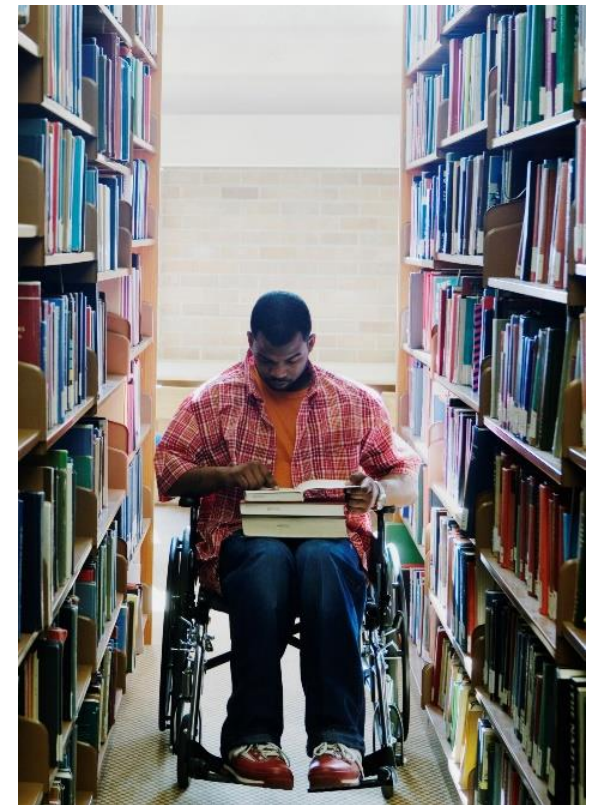
## Governance

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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 39.

# 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.

## Outturn 2021/22

The Council's Cabinet, on 16 June 2022, considered the End of Year Financial Results Report for 2021/22, and this included the Council's general fund final outturn for the financial year 2021/22.

The final outturn was an underspend of £0.23m, and the associated report included detailed explanations of significant variances of over £0.01m. A full list of all budget variances formed an appendix to the main report which supports transparency and is in line with good practice.

Significant budget variances included a £0.21m overspend in relation to Housing Benefit and Council Tax administration reflecting the impact of Covid-19, the introduction of Universal Credit and an increase in supported accommodation claims on this service area resulting in reduced levels of Housing Benefit subsidy received together with an under recovery of Housing Benefit overpayment income. The overspend in this service area was partially offset by higher than expected court fee income resulting in £0.09m of additional income for 2021/22.

The Council's expected levels of rental income from property investments was £0.06m less than expected due to lack of emerging investment property opportunities during 2021/22. The strategic management of the Council's assets including those held as investment is covered later within this section.

The final 2021/22 outturn report also detailed that the Finance, Business and Support Group was underspent by £0.27m with significant contributors to this underspend being due to the release of previously held reserves that were no longer deemed necessary by the Council, such as the Brexit reserve, additional one-off contract and vacancy savings in relation to Publica, the Council's main resourcing partner.

Planning income was £0.3m higher than originally budgeted during 2021/22 due to a higher number of major planning applications being submitted than previously expected. This additional income was transferred to the Council's Planning Equalisation Reserve, to support the Council manage future fluctuations in planning income or unexpected planning service demands, representing a practical contingency strategy by the Council.

The End of Year Financial Results Report for 2021/22, included a recommendation from the Council's Chief Finance Officer (Section 151 Officer), for the overall underspend of £0.23m for 2021/22, to be used to strengthen the Council's general fund working balance to assist the Council to manage rising inflation and the ongoing of the cost of living crisis. The enhancement of the Council's general fund working balance demonstrates the Council is actively assessing the adequacy of balances and reserves to meet future financial uncertainties and this demonstrates good practice. The level of the Council's reserves are discussed in more detail later on within this section.

## 2022/23 Budget

On 17 February 2022 full Council considered the Revenue, Capital Budget and Council Tax Proposals Budget Report for 2022/23. The report described clearly, and in detail, the implications to the Council of the local government financial settlement for the financial year 2022/23 which had been confirmed on 7 February 2022, with the report noting the settlement had been more positive than the Council had previously expected and included a new homes bonus payment of £0.7m, and a one-off services grant of £0.18m, rural service delivery grant of £0.13m, a lower tier services grant of £0.12m and a revenue support grant of £0.03m. The Council's income from retained business rates increased to £2.7m, an increase of £0.76 in comparison to the previous financial year due to higher than expected business growth within the district.

# Financial sustainability (Continued)

## 2022/23 Budget (Cont'd)

The 2022/23 budget report set out the Council Tax base which had increased by 1.49% compared to the previous year, and was higher than the 1.25% increase that had previously been assumed within draft budget proposals considered by Cabinet on 9 December 2021. This higher rate of growth was principally due to higher than predicted new build housing growth.

The Council's 2022/23 budget recommended an annual increase of £5 per band D property, which combined with the tax base growth would result in an overall increase of £0.23m in income from Council Tax in compared to the previous year.

The 2022/23 budget report included an assessment of the impact of inflation on services, contracts and pay supported by external inflation forecasts to inform the Council's budget assumptions which represents good practice. The Council's 2022/23 budget included a 2% inflationary increase in respect of services, contracts and member allowances and a 2.5% inflationary increase in pay for staff, with an additional 1% contingency for pay inflation, over and above the existing assumptions, being available from the Council's unallocated general fund reserves representing a practical risk mitigation strategy, in the short term, to rising inflationary pressures.

The Council's 2022/23 budget itemised proposed savings of £0.26m, to support a balanced budget, which included Local Council Tax Support efficiencies, Council utility savings and the maximisation of Fees and Charges and investment income. Within the 2022/23 draft budget proposals considered by Cabinet on 9 December 2021, a further £0.1m saving had been included in respect of the contract costs payable to Publica however these savings were not subsequently included in final 2022/23 budget proposals considered on 17 February 2022 by full Council. The Council explained these saving were removed as further work needed to be carried out between the Council and Publica, during 2022/23, to identify further viable savings and to allow Publica to stabilise service delivery following earlier transformational activities. The Council's identification of savings is covered in more detail later in this section of the report.

Significant growth items were clearly set out within the 2022/23 budget report and included £0.04m to fund additional posts to support:

- delivery of the Council's Climate Emergency Strategy 2022 – 2024 and a reduction in the Council's own carbon footprint.
- the identification of relevant external grants available to the Council to support the delivery of services, fund specific one-off project work and support the financial sustainability of the Council.

These growth items had linkage to the Council's Corporate Plan 2019-2023, namely 'Protect and enhance the local environment and address the climate emergency' and 'Deliver great services through ensuring financial sustainability' and this alignment demonstrates good practice. The 2022/23 budget report also explained that formal consultation on draft budget proposals took place between 17 December 2021 to 28 January 2022 and that interested parties including residents, businesses, parish and town councils, staff and trade unions were encouraged to comment on the initial budget proposals. The Council's external engagement as part of the budget setting process, is assessed in more detail within the Governance section of this report.

The 2022/2023 budget setting arrangements were satisfactory, supported by a suite of budget papers, which included relevant national and local context, a range of key budget assumptions and an assessment of risk and challenges that could influence the Council's financial sustainability and supported full Council to adopt a balanced budget, for 2022/23.

## Outturn 2022/23

The Council's Cabinet, on 13 July 2023, considered the End of Year Financial Results Report for 2022/22, and this included the Council's general fund final outturn for the financial year 2022/23, with all budget variances clearly set out within the reports following the same reporting principles as 2021/22. The final outturn was an underspend of £3k. Significant budget variances included a £0.22m under recovery of waste and recycling income from sales of recyclate (gardening waste, metal, glass, paper and plastics which had been collected by the Council). The Council has stated that during the final quarter of 2022/23 sell on value of recyclate had fallen significantly, due to wider market oversupply, impacting previous income assumptions.

The final 2022/23 outturn report also detailed that the Development, Asset Management and Infrastructure service area was overspent by £0.1m with significant contributors to this underspend being an overspend of Council energy costs, reflecting global market price rises, an increase in Ubico contract costs, the Council's grounds maintenance and recycling goods delivery partner, the increase in cost relating to employee costs including a temporary requirement to use agency staff and finally additional contractual and required repair costs relating to Council owned properties.

The Council's investment income activities, during 2022/23, generated an additional £0.12m of income than originally budgeted principally due to further rises in the Bank of England base rate during the last quarter of 2022/23 with the outturn report noting that further interest rate rises were expected during 2023/24.



# Financial sustainability (Continued)

## Outturn 2022/23 (Cont'd)

An overall underspend of £0.1m for 2022/23 related to reduced Housing Benefit and Homelessness costs and reflected additional government grant funding for refugee accommodation support received during 2022/23, with these underspends offset partially by increased collection fund administration costs relating the collection of aged debt. Publica contract costs were underspent by £0.15m for 2022/23 due to one-off contract savings and one-off vacancy savings. The Council's workforce planning is referenced in more detail later in this section of the Auditor's Annual Report.

The Council's general fund final outturn for 2021/22 and 2022/23 both reported underspends demonstrating the Council has achieved financial balance through satisfactory budget setting and monitoring processes.

## Budget 2023/24

On 16 February 2023 full Council considered the Revenue, Capital Budget and Council Tax Proposals Budget Report for 2023/24. The report provided a comprehensive assessment of the local government finance settlement for 2023/24 which had been confirmed on 8 February 2023, and was supported by the Council's outlook of potential future local government finance settlements, and an explanation of the further deferral of local government finance reform. The Council's detailed analysis and assessment of implications of the current and predicted future local government settlements provided context to the 2023/24 budget report and demonstrates good practice.

The 2023/24 Budget Report detailed that the local government finance settlement for 2023/24 included a new homes bonus payment of £0.72m, revenue support grant of £0.18m, service delivery grant of £0.15m, a one-off services grant of £0.10m, and a one-off funding guarantee grant of £0.08m.

The Council's income from retained business rates increased to £4.7m, an increase of £1.7m in comparison to the previous financial year, due to higher than expected business growth within the district but also due to significant increases in rateable values for 2023/24. The 2023/24 budget report explained that the number of revaluations in rateable values carried risk of subsequent appeals, by ratepayers, to the Valuation Office Agency which if successful could result in refunds being payable by the Council. To mitigate this risk the Council had made an increased provision, compared to 2022/23, of £1.15m in respect of potential appeals during 2023/24 and this level of provision has been included as part of the preparation of the business rates income estimate for 2023/24. The Council's increased business rate appeal provision represents a practical risk management strategy and is good practice.

The 2022/23 budget report set out the council tax base which had increased by 1.4% compared to the previous year, due new build housing growth. The 2023/24 Budget Report also explained that the Localism Act 2011 requires councils proposing excessive rises in council tax to hold a local referendum allowing the public to veto the rise and that the government had changed the local referendum thresholds in 2023/24 allowing district Councils to increase council tax by the greater of 3% or £5 per band D property per annum. The Council's 2022/34 budget recommended an annual increase of 2.99% per band D property, which combined with the tax base growth would result in overall increase of £0.27m in income from council tax in compared to the previous year.

The 2023/24 budget report included an assessment of the impact of rising inflation on services, contracts and pay supported by external inflation forecasts to inform the Council's budget assumptions. The budget included a 10% inflationary increase in respect of services, utilities and contracts (including Publica), a 5% inflationary increase in pay for staff and members allowances with a further 2% additional contingency for pay inflation, over and above the existing assumptions, being available from the Council budget deficit reserve to mitigate against further inflationary rises which demonstrates good practice.

The Council's 2022/23 budget itemised proposed savings of £0.6m, to support a balanced budget, which included Publica savings, Council utility savings and the maximisation of Fees and Charges and additional investment income. Growth items of £0.1m were individually set out within the 2023/24 budget report and included funding to for additional roles relating to flood defences, enforcement, climate change, street cleaning and also included £0.01m of funding to support promote tourism within the district.

The 2023/24 budget report proposed a balanced budget for 2023/24 but highlighted a series of budgetary risks that could impact the Council's financial sustainability in the medium term. This included a need for the Council to develop a longer-term strategy to address the revenue budget gap of £2.9m identified within the MTFs 2023/24 – 2027/28. The Council MTFs and savings strategy is covered later within this section.

## Capital Programme 2021/22

On 18 February 2021 full Council considered the Revenue, Capital Budget and Council Tax Proposals Budget Report for 2021/22 which included the Council's proposed capital projects for 2021/22 which had an original budget of £5.2m which was funded by a combination of borrowing (£2.9m), grant funding (£2.1m), capital receipts (£0.1m) and capital reserves (£0.1m).



# Financial sustainability (Continued)

## Capital Programme 2021/22 (Cont'd)

Significant planned capital projects included strategic commercial property acquisitions (£2.1m), Cinderford and Lydney Harbour regeneration projects (£1.17m), Climate Change Initiatives (£1.016m) and private sector housing adaptations (£0.4m) these capital projects demonstrated alignment to the Council's corporate priorities.

During 2021 the Council worked in partnership with Hartpury University, Hartpury College and Cinderford Town Centre to develop a bid, led by the Council, for capital infrastructure grant funding from the Government's Levelling Up Fund.

The Government confirmed, in October 2021, that the Council's bid titled 'Levelling Up the Future of the Forest' had been approved and resulted in £20m of capital grant funding being awarded from the Levelling Up Fund to support three key regeneration projects within the district being:

- Five Acres - a new leisure and community hub including a satellite site for Hartpury University and College.
- University, Careers and Enterprise Learning Centre at Hartpury University and College Campus – aimed at encouraging local people to stay in education or start their own business and will include an environmental laboratory to support new companies to develop within the district which are focused on environmental technology.
- Regeneration in Cinderford Town Centre - regenerating several key buildings and bringing them back into use to provide modern co-working spaces for start-up businesses and new community facilities.

We understand from the Council that all of the above projects are being designed with carbon reduction and renewable energy principles again demonstrating linkage to the Council's Corporate Plan 2019-2023 'Protect and enhance the local environment and address the climate emergency'.

The Council's collaboration with key local partners to secure new inward capital investment, that will support regeneration of the district, in alignment Council's Corporate Plan 2019-2023, demonstrates good practice.

## Capital Programme Outturn 2021/22

The Council's Cabinet, on 16 June 2022, considered the End of Year Financial Results Report for 2021/22, and this included the Council's final capital outturn for the year. Actual capital expenditure for 2021/22 was reported as £1.9m against a revised capital budget of £5.4m. The revised capital budget reflected the Council's removal of the planned strategic commercial property acquisitions, covered later in this section, and the inclusion of further regeneration and new development projects, resulting from the Council's successful bid to the government's Levelling Up Fund. Significant contributors to the capital project slippage included:

- £2.35m – Levelling Up projects
- £0.9m – Lydney Harbour

Slippage in relation to Levelling Up projects related to contractual delays in commencing works and also due to site demolition works taking longer than expected. Lydney Harbour slippage resulted from external contractor delays. Capital programme slippage is referenced further later in this section.

## Capital Programme 2022/23

On 17 February 2022 full Council considered the Revenue, Capital Budget and Council Tax Proposals Budget Report for 2022/23 which included the Council's proposed capital projects 2022/23 which had an original budget of £17.2m which was funded by a combination of borrowing (£2m), grant funding (£14.4m), capital receipts £0.7m and capital reserves (£0.1m). Planned capital expenditure included Levelling Up projects (£14.4m), strategic commercial property acquisitions (£2.1m) and Climate Change Initiatives (£0.6m) and these capital projects demonstrated alignment to the Council's corporate priorities.

## Capital Programme Outturn 2022/23

The Council's Cabinet, on 13 July 2022, considered the End of Year Financial Results Report for 2022/23, and this included the Council's final capital outturn for the year. Actual capital expenditure for 2022/23 was reported as £8.3m against a revised capital budget of £22.1m.

The revised capital budget reflected further property acquisitions, for the purposes of regeneration, and an increase to capital expenditure in relation to the Council's Levelling Up projects.

# Financial sustainability (Continued)

## Capital Programme Outturn 2022/23 (Cont'd)

Significant contributors to the capital project slippage, during 2022/23, included:

- £10.9m - Levelling Up projects
- £2.6m – Regeneration property purchase Cinderford

The Council has explained the slippage in relation to Levelling Up projects related to a required adjustment of project timelines and the re-profile of the related capital budget. The property purchase in Cinderford was delayed due to legal negotiations and the purchase has since been completed in June 2023.

Our work has established that the Council committed on average 37% of the total capital budgets for the financial years 2021/22 and 2022/23 with a significant slippage occurring in relation to the levelling up projects during 2021/22 and 2022/23. This leads to an improvement recommendation that applies for both 2021/22 and 2022/23. We recommend the Council reviews its capital programme to:

- 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 arrangements for the monitoring of capital projects, to include the monitoring of any conditions attached to external grant funding (including Levelling Up funding), which for example could include deadlines by which grant funding needs to be spent.

The Council's capital budget monitoring arrangements are further referenced in the Governance section of this report.

## Investment Strategy for Recovery & Regeneration 2020 - 2024

On 9 July 2020 Cabinet recommended to full Council the adoption of an Investment Strategy for Recovery & Regeneration 2020 - 2024. The strategy set out the financial challenges facing the Council and included reference to the Council's Medium Term Financial Strategy (MTFS) 2019/20 – 2029/30 and an overall unfunded revenue budget gap of £3.4m to 31 March 2024. The strategy included a delivery plan which detailed how the Council would close this budget gap by increasing existing/creating new revenue streams and service efficiencies.

The strategy also set out a capital investment framework within which the Council could invest in the infrastructure of the district, whilst also providing a return on investment that covered the capital financing costs and delivered a financial return to the Council.

The Investment Strategy for Recovery & Regeneration 2020 – 2024 detailed planned new capital expenditure of £77m, funded by Council borrowing, for the period 2019/20 to 2023/24. It included a requirement that capital investment schemes falling within scope of the strategy did not worsen the ongoing revenue position of the Council with any proposals needing to meet the annual revenue cost of the capital investment plus a minimum financial return of 2.5%. On this basis the Investment Strategy for Recovery & Regeneration 2020 – 2024 assumed £1.9m of income from capital investments for the period to 31 March 2024.

We have been informed by the Council that proposals within the Investment Strategy for Recovery & Regeneration 2020 – 2024 were aspirational, have not been developed any further and the Council has not borrowed to fund the proposed capital investment schemes due to lack of viable investments and this leads to an improvement recommendation that applies for both 2021/22 and 2022/23. We recommend the Council conducts a review its Investment Strategy for Recovery & Regeneration 2020 – 2024 to include:

- A review of the strategy against the current economic landscape and outlook.
- An evaluation of the role and need, of the strategy, in supporting the financial sustainability of the Council, with subsequent recommendations being presented for approval by the Council during 2023/24.

## Fees and Charges

The Council assesses the level of fees and charges as part of the annual budget process. Annual budget proposals presented to full Council in the financial years 2021/22, 2022/23 and 2023/24 included a full schedule of fees and charges, which supports transparency as is good practice.

On 18 February 2021 full Council considered the Revenue, Capital Budget and Council Tax Proposals Budget Report for 2021/22 and this report referred to the development of a Car Parking Strategy which would include a review of car parking fees and charges set by the Council.

# Financial sustainability (Continued)

## Fees and Charges (Cont'd)

We understand that the development of a Car Parking Strategy has been delayed and no increases to car parking charges have been made in the financial years 2022/23 and 2023/24, due to the pending development of a Car Parking Strategy.

An improvement recommendation has not been raised as we have been informed by the Council that the development of the Car Parking Strategy and the review of car parking fees was delayed until after the 2023/24 local election and is now planned to be considered during 2023/24.

## Reserves

On 18 February 2021 full Council considered the Council's 2021/22 Budget Report, which stated the Council's earmarked general fund reserves were forecast to be £7.92m, as of 31 March 2022. This included a future deficits reserve of £0.92m, which was intended to support the Council's to manage revenue implications resulting from any future reductions in government funding representing a practical risk mitigation strategy to local government funding uncertainty.

Additionally, the Council held an initiatives reserve of £0.3m which could be used to fund for one-off projects supporting the delivery of the Council's corporate plan 2019 – 2023. This demonstrates good practice.

The 2021/22 budget report explained the Council, on the advice of the Chief Finance Officer, intended to maintain a general fund balance of between 5% and 10% of the net revenue budget to support financial sustainability.

The Council's setting of a minimum level of the general fund balance represents an adequate reserve strategy. The Council's general fund balance was forecast to be £0.73m as of 31 March 2022, 8.5% of the 2021/22 net revenue budget and within the thresholds recommended by the Chief Finance Officer.

The Council's 2022/23 budget report stated Council's earmarked general fund reserves were forecast to be £7.53m, as of 31 March 2023 with the Council's general fund balance forecast to be £0.73m as of 31 March 2023, 7.5% of the 2021/22 net revenue budget and again within the recommended thresholds set by the Chief Finance Officer.

The 2023/24 budget report explained the Council intended to strengthen reserves, due to uncertainty around future local government finance settlements, and recommended that any future underspends are allocated to the future deficits earmarked reserve. The 2023/24 budget also stated that action needed to be taken by the Council to address the budget gaps highlighted in the MTFS 2023/24 – 2027/28 in order to avoid a position where Council reserves were depleted below recommended levels. The sustainability of Council reserves is assessed in more detail within the following section.

## Medium Term Financial Strategy and Savings

On 17 February 2022 full Council considered the Council's Medium Term Financial Strategy (MTFS) report, as part of the 2022/23 budget setting process. The MTFS covered a five-year period which supports effective financial planning and follows good practice. This MTFS report detailed a range of factors and risks that has been considered in the formation of the MTFS including an assessment of the ongoing uncertainty of future local government funding from central government. The Council's MTFS 2022/23 – 2026/27 report, detailed two different financial scenarios in relation to levels of central government funding. The use of scenario planning demonstrates good practice.

The MTFS 2022/23 – 2026/27 assumed that the outcome of the Government's fair funding review and the business rates baseline reset would begin to negatively impact the Council from 1 April 2023. In recognition of the assumed reduction in Council income, the MTFS 2022/23 – 2026/27 included planned savings targets for the MTFS period as per Figure 1. Planned savings 2022/23 – 2026/27 below:

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Planned Savings (£m)	0.259	0.441	0.315	0.250	0.05	1.31

Figure 1 Planned savings 2022/23 – 2026/27 identifies the Council planned £1.31m of savings over the MTFS period. The Council explained, within the MTFS 2022/23 – 2026/27 report, the savings targets would be delivered by a mixture of policy changes, efficiency savings, fee increases and investment returns.

# Financial sustainability (Continued)

## Medium Term Financial Strategy and Savings (Cont'd)

The MTFS 2022/23 – 2026/27 report explained that despite the identification of savings and the use of the Council's future deficits reserve (£1.1m), there remained a budget gap. The budget gap identified within the MTFS 2022/23 – 2026/27 is identified in Figure 2 below:

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
<b>Budget Gap (£m)</b>	0.0	0.0	0.784	0.852	0.788	2.424

Figure 2 budget gap MTFS 2022/23 – 2026/27 identifies that the Council is required to close a budget gap of £2.424m, which represents 25% of the 2022/23 net budget requirement, after the delivery of £1.31m of planned savings and the use of the Council's future deficits reserve.

On 16 February 2023 full Council considered the Council's MTFS report 2023/24 – 2027/28, as part of the 2023/24 budget setting process. The MTFS report detailed a further delay in respect of local government finance reform and assumed that the outcome of the Government's fair funding review and the business rates baseline reset would begin to negatively impact the Council from 1 April 2025.

The MTFS 2023/24 – 2027/28 included planned savings targets for the MTFS period of £2.21m, however the MTFS identified that, despite the identification of planned savings, there remained a budget gap for the period of the MTFS. The planned savings and remaining budget gap within the MTFS 2023/24 – 2027/28 is identified in Figure 3 below:

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
<b>Planned Savings (£m)</b>	0.602	0.394	0.465	0.525	0.225	2.21
<b>Remaining Budget Gap (£m)</b>	0.0	0.085	0.646	0.896	1.360	2.98

Figure 3 planned savings and remaining budget gap within the MTFS 2023/24 – 2027/28 identifies the Council is required to close a budget gap of £2.98m, which represents 24% of the 2023/24 net budget requirement, after the delivery of £2.21m of savings.

The 2023/24 budget report explained that whilst the budget for 2023/2024 does not commit any use of the Council's future deficits reserve (£1.2m). It is projected to be exhausted within 2026/27 and that officers will work with members, during 2023, to draw up further savings plans to address the budget gaps within the MTFS. The report also noted that unless action is taken, the Council will be unable to set a balanced budget for 2026/27.

We understand from the Council that an away day was held in June 2023 between the Executive, the Chief Executive and the Chief Finance Officer which was focused on the financial challenges facing the Council including the identification of alternatives, to the use of reserves, including savings to address the budget gaps identified within the MTFS 2023/24 – 2027/28. The Council has also stated further away days are planned, during 2023/24, to develop a new Corporate Plan and revised MTFS, to be finalised by February 2024.

We consider the Council needs to place a significant focus on the development of wider savings plans, during 2023, to manage the financial challenges it faces which could ease reliance on the use of reserves.

## Alignment of Financial and other Corporate Plans

### Corporate Plan 2019-2023

The Council's corporate plan 2019-2023 has five corporate priorities. The Council's Budget Reports for 2021/22, 2022/23 and 2023/24 each demonstrated direct alignment to priorities within the Council's Corporate Plan 2019-2023 for example:

- 2021/22 Budget Report – recommended revenue support in respect of the Council's leisure provider to manage the impact of Covid-19 demonstrating alignment to the corporate plan priority 'Improve community wellbeing, supporting and celebrating our distinctiveness'
- 2022/23 Budget Report – included a proposed capital investment to decrease the carbon footprint within the Council with alignment to the corporate plan priority 'Protect and enhance the local environment and address the climate emergency'
- 2023/24 Budget Report - detailed proposed capital expenditure to support the provision of new affordable housing in the direct aligning to the corporate plan priority 'Provide a range of affordable housing to meet the needs of the District'.

# Financial sustainability (Continued)

## Alignment of Financial and other Corporate Plans (Cont'd)

### Workforce Strategy

The majority of the Council's workforce are employed within Publica - a not-for-profit company wholly owned by the Council, West Oxfordshire District Council, Cotswold District Council and Cheltenham Borough Council. The Council has a small number of retained officers including statutory posts.

The Council and Publica do not have current workforce or people strategies. However, the Publica Business Plan 2022 – 2025 does set out the Publica's strategic priorities including those relating to the development of its workforce to support the delivery of shareholder priorities which includes Publica working toward Investors in People accreditation which was since obtained in July 2022. We have been informed by Publica that a workforce strategy is being currently developed and it is intended this strategy will build upon the Publica Business Plan 2022 – 2025 and the Investor in People framework.

It is acknowledged that due to the Publica providing services to four individual Council's a workforce strategy would need to be built upon mutually agreed principles with sufficient alignment to individual shareholder priorities and financial plans. The absence of agreed workforce strategies, aligned to the Council's medium term financial plan, increases financial risk to the Council. Our 2020/21 Auditor's Annual Report included an improvement recommendation for the Council to work with Publica to develop a workforce plan and this improvement recommendation is restated and addressed within a wider improvement recommendation within this section.

### Asset Management

On 1 December 2021 Cabinet considered a report regarding changes to Council offices to facilitate implementation of the Agile Working Strategy, reducing costs and carbon impact of the Council's operations, creating lettable space within the building to provide income to the Council and provide a modern, accessible Civic Suite.

The report explained the Council had introduced an Agile Working Strategy in August 2020, which supported a permanent shift to a hybrid working for most staff and because of this change, the Council had reviewed its need for physical office space.

The report proposed 40% of Council office space could now be re-purposed to deliver a more suitable and adaptable workspace, a reduction in Council operating costs, a reduced carbon impact and increased income from new tenants.

The Council's review of its physical assets in terms of future usage patterns and whether alternate use of space can support income generation demonstrates good practice.

However, in our review of how the Council manages its wider physical assets, we have established the Council does not have in place a current asset management strategy.

Financial sustainability could be enhanced by the introduction of workforce strategies and an asset management strategy which are aligned to, and support, the Council's medium term financial strategy and this leads to an improvement recommendation that relates to both 2021/22 and 2022/23. We recommend the Council develops and agrees the following:

- A Publica workforce strategy, and aligned Council workforce strategy, that supports the delivery of the Council's corporate priorities and MTFS.
- An Asset Management Strategy that is aligned to the Council's corporate plan 2019 – 2023 and climate change strategy 2022 - 2025 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's MTFS.

### Treasury Management

The Council sets a Treasury Management Strategy annually as part of the budget setting process and this process is referenced more fully in the governance section of this report.

The Audit Committee considered the Treasury Management Outturn Report 2021/22 on 30 June 2022. The report stated outturn for investment income received in 2021/22 was £0.28m representing a 1.23% return on an average investment portfolio of £22.6m with investment returns marginally below budget by £0.02m reflected the impact of low interest rates during 2021/22.

On 15 June 2023, the Audit Committee considered the Treasury Management Outturn Report 2022/23. The report stated outturn for investment income received in 2022/23 was £0.71m representing a 2.56% return on an average investment portfolio of £28.1m with investment returns exceeding the revised investment income budget for 2022/23 by £0.12m representing reasonable performance.



# Financial sustainability (Continued)

## Treasury Management (Cont'd)

The Treasury Management Outturn Reports for 2021/22 and 2022/23 stated that the Council did comply with Treasury Management Indicators as agreed within the Council's Treasury Management Strategy for 2021/22 and 2022/23.

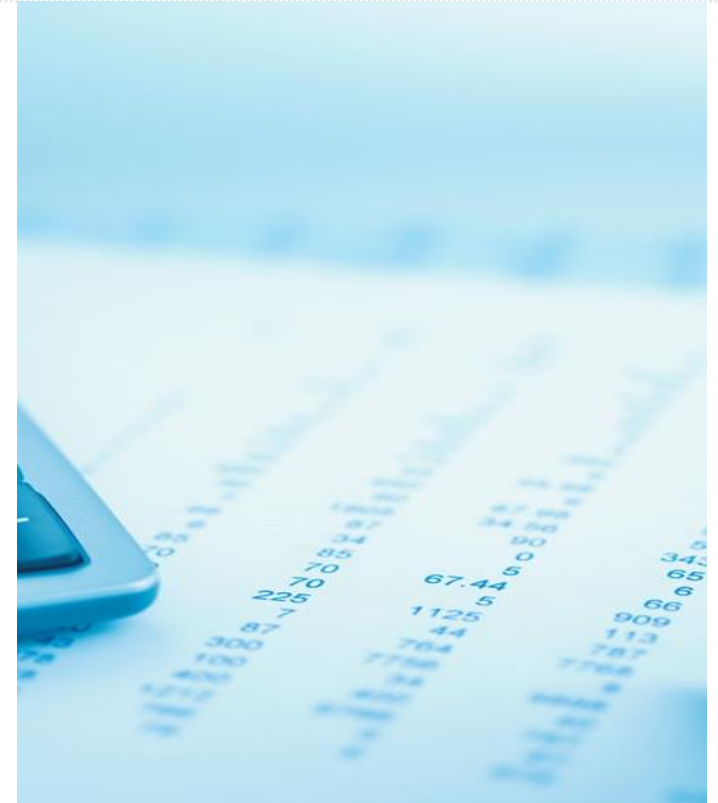
The use of treasury management indicators by the Council represents an adequate risk management framework which the Council has developed further in 2023/24 with the adoption of a new liquidity indicator within the Council's Treasury Management Strategy 2023/24. The adoption of a liquidity indicator has strengthened the Council's management of treasury risk and enhanced existing cash flow planning.

## Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability.

Whilst arrangements are deemed appropriate, we recognise that the ability to balance the revenue budget into the medium term will become increasingly difficult. This necessitates a clear alternative to addressing budget gaps going forward. We note the planned activity between the Executive, the Chief Executive and the Chief Finance Officer to identify alternatives to the use of reserves, including savings to address the budget gaps identified within the MTFs 2023/24 – 2027/28. The outcome of this planned activity will be central to support financial sustainability of the Council in the medium term.

We have made three improvement recommendations set out on pages 16 to 18.



# Improvement recommendations



## Financial sustainability

### Recommendation 1

We recommend the Council reviews its capital programme to:

- ensure effectiveness of its 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 arrangements for the monitoring of capital projects, to include the monitoring of any conditions attached to external grant funding (including Levelling Up funding), which for example could include deadlines by which grant funding needs to be spent.

### Audit year

2021/22 and 2022/23

### Why/impact

The recommendation will help ensure capital project activities are optimally planned, managed, and delivered.

### Auditor judgement

The Council committed on average 37% of the total capital budgets for the financial years 2021/22 and 2022/23 with a significant slippage occurring in relation to the levelling up projects during 2022/23.

### Summary findings

The Council has under-utilised the capital budget during 2021/22 and 2022/23 and a review of the Council's approach to the capital project activities will help it identify opportunities for optimising capital project delivery and support the corporate objectives.

### Management Comments

The Chief Finance (S151) Officer is happy to undertake a review of the capital programme and deliver this to the Audit Committee later this year (most likely the November 2023 meeting).



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

# Improvement recommendations



## Financial sustainability

### Recommendation 2

We recommend the Council conducts a review of its Investment Strategy for Recovery & Regeneration 2020 – 2024 to include:

- A review of the strategy against the current economic landscape and outlook.
- An evaluation of the role and need of the strategy in supporting the financial sustainability of the Council with subsequent recommendations being presented for approval by the Council during 2023/24.

### Audit year

2021/22 and 2022/23

### Why/impact

The Council's Investment Strategy for Recovery & Regeneration 2020 – 2024 was agreed in 2020 and it is timely that the Council revisits this strategy to reflect the current economic landscape and outlook whilst evaluating its ongoing role and need.

### Auditor judgement

The Council's review of its Investment Strategy for Recovery & Regeneration 2020 – 2024 would support the Council in assessing the need of the strategy and provide a basis for the Council to consider rescinding or updating the strategy.

### Summary findings

The Council has not progressed any specific proposals contained within the Investment Strategy for Recovery & Regeneration 2020 – 2024 and we also note the strategy is due to expire on 31 March 2024.

### Management Comments

The Chief Finance (S151) Officer will review this strategy in line with the revised MTFS and make the necessary amendments and return to Council along with the new Corporate Plan and MTFS.



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

# Improvement recommendations



## Financial sustainability

### Recommendation 3

We recommend the Council develops and agrees the following:

- A Publica Workforce Strategy and aligned Council Workforce Strategy that supports the delivery of the Council's corporate priorities and MTFS.
- An Asset Management Strategy that is aligned to the Council's corporate plan 2019 – 2023 and Climate Change Strategy 2022 - 2025 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's MTFS.

### Audit year

2021/22 and 2022/23

### Why/impact

The development and introduction of Workforce and Asset Management Strategies would strengthen the Council strategic planning and support financial sustainability.

### Auditor judgement

Workforce and Asset Management strategy, will support the Council to identify and allocate resources accordingly which will support the Council's financial planning.

### Summary findings

The absence of Workforce and Asset Management Strategies increases financial risk to the Council.

### Management Comments

The Chief Finance (S151) Officer is happy to work with Publica officers to create a Publica Workforce and Council Workforce Strategy and Asset Management Strategy. It is best for these to align with the new Corporate Plan and take place after the current Publica review has been completed.



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

# Governance



## We considered how the Council:

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

## Risk Management

During 2021/22, the Council sought to develop its risk management arrangements by the introduction of a revised Risk and Opportunity Management Strategy that was considered by the Audit Committee on 18 November 2021. The key objectives of the strategy included the following:

- To raise awareness of the principles and benefits of effective risk and opportunity management with all those responsible for the delivery of Council services.
- Establish a systematic approach to the identification, assessment, management and review of risk and opportunity.
- Embed risk and opportunity management into the culture of the Council.
- Identify and allocate roles and responsibilities for managing risk and opportunity.

The Risk and Opportunity Management Strategy explained how risk management responsibilities were embedded throughout the Council, and Publica, with the strategy clearly assigning specific risk management functions to roles across both organisations, including Members of the Council. The assignment of specific risk management responsibilities, throughout the Council and its partners, demonstrates good practice.

The Risk and Opportunity Management Strategy is supported by a management guide which is intended to supplement the strategy by setting out in detail the processes and procedures to be followed by officers in respect of risk management activities. Additionally, the strategy states that training will be provided to all officers, appropriate to their level of responsibility. We understand from the Council the most recent risk management training for officers was conducted in May 2023 further embedding awareness of risk management requirements across the organisation.

The Council maintains and regularly reviews a Strategic Risk Register which identifies key risks that may prevent the organisation meeting its business objectives alongside mitigations for those risks.

The Strategic Risk Register is considered at every meeting of the Audit Committee and was assessed on four occasions during 2021/22 and five occasions during 2022/23 which demonstrates frequent oversight of the key risks that could impact on the Council and represents good practice.

On 23 March 2022, the Audit Committee reviewed the Strategic Risk Register which identified 11 risk areas which were mapped against one of the five key areas of the Council's Corporate Plan 2019- 2023 and graded to determine both the likelihood and the impact of the risk occurring using a 5 by 5 evaluation criteria. Each risk was allocated a designated owner and responsible officer, red amber and green (RAG) rated, included descriptions of existing controls, mitigations and a narrative of risk responses and further actions that were required, and each risk had a direction of travel and a scheduled review date.

The Council enhanced the Strategic Risk Register template in September 2022 with an addition of an 'overall change' indicator, which tracked the risk score movement from the last reporting period providing greater detail to the Audit Committee on emerging or reducing risk areas.

The Council's Strategic Risk Register includes a proportionate level of detail, is presented in an accessible format and is regularly updated which is good practice.

Minutes of Audit Committee meetings held during 2021/22 and 2022/33 showed active engagement from Members in assessment of the Council's risks and controls demonstrating effective oversight.



# Governance (Continued)

## Internal Audit

Internal audit is provided by South West Audit Partnership (SWAP). SWAP can demonstrate compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having been conducted in May 2020 which is in adherence within the PSIA recommended frequency that at least one external quality assessment should be conducted every five years.

Internal audit activity at the Council is considered by the Audit Committee. The Council's proposed internal audit plans for 2021/22 and 2022/23 were considered by the Audit Committee on 18 March 2021 and the 24 March 2022, respectively. The 2021/22 and 2022/23 proposed internal audit plan reports both stated that the programme of internal audit activity was informed by:

- a documented annual risk assessment, conducted by SWAP.
- the input of senior management.
- the review of the Council's current risk register.

Internal Audit's annual assessment of these sources of relevant information, as shown above, to inform the internal audit plan is in line with good practice. The proposed internal audit plan for 2021/22 included 27 audits and the proposed internal audit plan for 2022/23 included 25 audits. For both 2021/22 and 2022/23, the proposed programme of work was reviewed quarterly by the Council and SWAP, to ensure alignment with any new and emerging sector risks. The quarterly assessment of the suitability of planned internal audit coverage, to accommodate emerging risk areas, provides agility to the internal audit plan and represents good practice.

During 2021/22 and 2022/23 Internal Audit progress reports were presented to each meeting of the Audit Committee and minutes of each meeting documented active engagement of Members in assessing internal audit activity which demonstrates effective oversight.

On 30 June 2022, the Internal Audit Annual Report for 2021/22 was considered by the Audit Committee. This report stated that 88% of internal audits were completed, marginally below the set target of 90%. However, 7% of planned internal audits were in progress or at review stage and 5% had been carried forward to 2022/23. This represents reasonable performance considering SWAP conducted additional work, not within the original work plan, to support the Council's response to the Covid-19 pandemic.

The report 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 2021/22 audit work for Forest of Dean District Council, enhanced by the work of external agencies, I am able to offer a High Reasonable Assurance opinion in respect of the areas reviewed during the year'.

On 15 June 2023 the Internal Audit Annual Report for 2022/23 was considered by the Audit Committee. This report did not include audit plan completion statistics for 2022/23, but detailed outturn performance results for 2022/23 year as per Figure 4 below:

Performance Target	Performance (%)
Overall client satisfaction - did our work meet or exceed expectations, when looking at our communication, auditor professionalism and competence]	100
Value to the organisation - client view of whether our audit work met or exceeded expectations, in terms of value to their area	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 29 reviews that had been delivered as part of the 2022/23. This exceeded the original plan of 25 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 Forest of Dean District Council, enhanced by the work of external agencies, I am able to offer a High Reasonable Assurance opinion in respect of the areas reviewed during the year'.

# Governance (Continued)

## Prevention and Detection of Fraud

The Council's, and the Council's resourcing partner Publica, have a comprehensive suite of policies describing the approach to minimise fraud, bribery and corruption. These include:

- Counter Fraud and Anti-Corruption Policy 2022.
- Whistleblowing Policy 2022.
- Proceeds of Crime and Anti-Money Laundering Policy 2020.
- Publica Business Conduct Policy 2021 (applies to staff employed by Publica and retained officers of the Council).
- Councillors Code of Conduct 2018.

The Councillors Code of Conduct was last updated in 2018. We consider this should be updated during 2023 and this is included in a wider improvement recommendation later in this section.

The Council operates a Counter Fraud and Enforcement Unit, a shared service between the Council, Cotswold District Council, West Oxfordshire District Council, Tewkesbury Borough Council, Cheltenham Borough Council and Publica, which provides specialist officers to investigate all allegations of internal and external fraud.

The activities of the Counter Fraud and Enforcement Unit relating to the Council are reviewed by the Audit Committee biannually.

The Council's proposed Counter Fraud and Enforcement Unit work plans for 2021/22 and 2022/23 were considered by the Audit Committee on 22 July 2021 and 30 June 2022, respectively. The Counter Fraud and Enforcement Unit work plans for 2021/22 and 2022/23 detailed proposed Counter Fraud activity that was allocated across eight work streams being governance, policy, procedure, bribery and corruption, serious and organised crime, statutory investigations, strategic detection and prevention of fraud.

The proposed work plans for 2021/22 and 2022/23 described a comprehensive level of Counter Fraud activity relating to a wide range of relevant Council's functions, responsibilities and included both preventative and reactive activities which demonstrates good practice.

The Counter Fraud and Enforcement Unit work plans report for 2022/23, presented to the Audit Committee on 30 June 2022, also provided a summary of the Counter Fraud and Enforcement Unit activities during 2021/22 which included:

- Payment verification of business grants and test and trace support payments.
- Investigation of National Fraud Initiative data matches.
- Review of single person discounts and Local Council Tax Support claims.
- Review of housing register applications.
- Support for disciplinary investigations.
- Environmental Investigations.

On 15 June 2023, the Audit 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 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 activities of the Council's Counter Fraud and Enforcement Unit, and its participation within the MAAF partnership, demonstrates the Council's commitment to the prevention and detection of fraudulent activities, and this represents good practice.

## Budget Setting Process

The budget setting process for the financial years 2021/22 and 2022/23 began in September of each year. The budget setting process includes a series of initial internal budget setting meetings between the Cabinet Member for Finance and the Chief Finance Officer. Within these meetings the Council reviews and updates the existing MTFs in consideration of the Council's corporate priorities, current financial position, wider economic factors and reflects an estimation of the likely outcome of the local government settlement.

# Governance (Continued)

## Budget Setting Process (Cont'd)

From September each year the finance team hold meetings with all Council budget managers to capture relevant financial information to inform the budget setting process. These meetings assess each service budget in detail including the identification of growth items, savings opportunities, capital, and includes an assessment of discretionary and statutory expenditure. These meetings are also used to gather service intelligence that may have a budgetary impact and budget holders are also required to provide details regarding proposed changes to fees and charges.

The output of these meetings is captured and assessed by the finance team who then create a draft base budget and produce budget working papers that are assessed further by the Cabinet Member for Finance and the Chief Finance Officer and the Head of Paid Service and once agreed final draft budget papers are formed. The Council's established budget setting process and the finance team's interaction with all budget managers to gather up to date financial and service information to inform the budget setting process is good practice.

Input into the Council's budget setting process is also provided by an informal Cabinet finance support group which was first formed in 2020/21. The Cabinet finance support group is chaired by the Cabinet member for finance and includes a representative from each political party of the Council and the Council's Chief Finance Officer. The group meets monthly from October to February each year and its purpose is to provide engagement with the wider political membership in the formation of the annual budget and to provide a forum for the wider political membership to contribute and influence budget planning outcomes. We consider the Council's operation of a Cabinet finance support group during 2021/22 and 2022/23 fosters transparency and engagement in the budget setting process and is good practice.

Council governance and oversight to the annual budget setting process follows an established process. The draft Revenue and Capital Budget report 2021/22 was first considered by Cabinet on 10 December 2020 which detailed draft revenue and capital budget proposals for 2021/22 and included a MTFs for 2021/22- 2025/26. The Cabinet's budget strategy, corporate priorities, proposed savings, growth items, level of reserves, risks, alternative options and likely central government funding were all clearly set out within the report alongside proposals for a public consultation to be held between 21 December 2020 to 22 January 2021.

The draft Revenue and Capital Budget report 2021/22 was considered by the Strategic Overview and Scrutiny Committee on 7 January 2021 with the minutes of the meeting demonstrating active assessment of the draft budget proposals by elected members.

On 11 February 2021 Cabinet considered the final draft Revenue, Capital Budget and Council Tax Proposals report 2021/22. The report included details of the provisional local government finance settlement, which had been published on 17 December 2020, and the latest financial position of the Council. At the same meeting Cabinet also considered the Capital, Investment and Treasury Management Strategies for 2021/22.

On 18 February 2021, Full Council approved a balanced budget based on the recommendations from Cabinet and on 24 February 2021 Full Council approved the Capital, Investment and Treasury Management Strategies for 2021/22.

The process of Council governance and oversight in respect of the 2022/23 budget proposals followed the same process as 2021/22 and culminated in Full Council approving a balanced budget, and the Capital, Investment and Treasury Management Strategies for 2022/23 on 17 February 2022.

We note that the Council's constitution states the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies of the Council. The Council's Treasury Management Strategies were not considered by the Audit Committee ahead of the full Council annual budget setting meeting for the financial years 2021/22 and 2022/23 and this leads to an improvement recommendation that applies for both 2021/22 and 2022/23.

We recommend the Council enhances the budget setting process by ensuring the Audit Committee is provided with an opportunity to assess and comment on the Council's draft Treasury Management Strategy, ahead of the full Council annual budget setting meeting. It is also recommended that the Council's draft Capital and investment Strategies are presented, at the same time as the Treasury Management Strategy, to the Audit Committee due to the interconnectivity of the three strategies.

## Budget Setting Process – Public Consultation

The Council conducts an annual public consultation in respect of draft budget proposals. We understand from the Council that the draft budget consultation is published on the Council's website between December and January each year, the consultation is held for a minimum of four weeks and respondents are invited to provide comments in email or via social media posts. We note that no responses to the consultation were received in 2021/22 and 2022/23 with only four responses received in 2023/24.

# Governance (Continued)

## Budget Setting Process – Public Consultation (Cont'd)

The Council can demonstrate it conducts external engagement as part of the budget setting process, but the level of responses received would indicate a review of existing consultation arrangements is necessary. An increased level of consultation responses would help inform, and enhance, Council decision making.

An improvement recommendation is made, that relates to both 2021/22 and 2022/23, for the Council to review its consultation arrangement for draft budget proposals which should include a review of:

- the timing and length of the consultation.
- available channels for responses to the consultation including the ability to provide anonymised responses.
- promotional opportunities to foster stakeholder engagement and take up.

## Budget Monitoring

The Council's finance team resource, aside from the Council's Chief Finance Officer, is provided by Publica. Publica uses a central financial management system, Agresso. Quarterly meetings are held between the finance team and budget holders to complete a budget forecast and identify any variances against the original budget set, and the reasons for them. Responsibility for updating budgets forecasts, within the finance system, rest with the finance team although budget holders have read only access. The Council has explained that budget managers are not permitted to directly amend the finance system with forecast data to prevent the risk of errors. We have referenced budget manager access to the finance system in a wider improvement recommendation later in this section.

During 2021/22 and 2022/23 the finance team prepared quarterly budget monitoring reports, based on the meetings held with budget holders, and these reports were reviewed by Cabinet quarterly. We note, as part of our work, that Cabinet also assess the Council's quarterly service performance report in the same meeting as budget monitoring reports which enables Cabinet to assess the Council's performance across key areas. The budget monitoring reports included quarterly revenue variances, details of the Council's progress against agreed savings and included relevant service information that provided a supporting narrative to the revenue forecasts. Additionally, a full list of all revenue budget variances, per budget area formed an appendix to the main reports which is good practice.

During 2021/22 and 2022/23 capital budget variances schedules were only provided within the budget monitoring reports for quarter 1 and 4 and these reports did not include explanations of significant variances.

An improvement recommendation is made, in relation to 2021/22 and 2022/23, for the Council to include capital variances within each quarterly budget monitoring report provided to Cabinet. It is also recommended that the quarterly reports include explanatory information relating to significant variances to capital budgets. This would enhance capital budget monitoring and oversight.

In addition to the revenue and capital budget monitoring schedule, the Audit Committee provided oversight to the Council's treasury management functions.

The Audit Committee considered the Treasury Management Mid Term Report for 2021/22 on 18 November 2021 and the full year Treasury Management Outturn Report 2021/22 on 30 June 2022, with the same level of oversight being provided by the Audit Committee during 2022/23.

## Finance Team Capacity

We have been informed by the Council that there have been no substantive vacancies in the Publica finance team structure since 2021/22. However, we understand that the capacity of the finance team has been under considerable strain since 2021/22 and requires existing members of the team to work additional hours to complete all required tasks and the finance team lacks capacity to plan and complete proactive tasks.

We recommend that the Council discusses with Publica how best to strengthen its finance team to provide appropriate capacity and contingency to support the financial functions and responsibilities of the Council. We also recommend that the Council discusses with Publica the feasibility of allowing budget holders to have greater finance system access to complete budget monitoring and forecasting tasks directly which could provide further efficiency to the budget monitoring process and release additional capacity within the central Publica finance team. These recommendations apply to both 2021/22 and 2022/23.

# Governance (Continued)

## Council Decision Making

The Council operates a Cabinet and Council leader model of governance, 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 formal Council meetings which enhances transparency and demonstrates good practice.

The Council's constitution, published on the Council's website, sets out how Council decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people. The Council operates a permanent cross party constitution working group that is formed of 10 elected members who are appointed for a 12-month period at each annual full Council meeting. The aim of this group include is to review of the Council's constitution and to make recommendations regarding proposed changes to full Council. The Council's Constitution Working Group enhances its governance arrangements and supports the Council's duty to review its constitution with any necessary changes being considered by full Council.

Oversight of decisions proposed and made, by Cabinet, is provided by the Council's Strategic Overview and Scrutiny Committee. The Strategic Overview and Scrutiny Committee met five times during the financial year 2021/22 and six times during the financial year 2022/22 with minutes of these meetings demonstrating a range of topics being assessed. In each meeting, a forward work plan was considered to help ensure the Strategic Overview and Scrutiny Committee focus adhered to four main aims of Committee being holding the executive to account, policy development and review, external scrutiny and assessment of best value. The regular assessment of future agenda items to be considered by the Strategic Overview and Scrutiny Committee represents good practice.

The Council's constitution states the Strategic Overview and Scrutiny Committee will appoint two additional scrutiny panels who will meet, as and when required, to scrutinise specific issues and topics.

On 1 July 2021, the Strategic Overview and Scrutiny Committee considered a report to confirm membership of two additional scrutiny panels being the Finance Scrutiny Panel and the Performance Scrutiny Panel.

The next reference to a Finance Scrutiny Panel or a Performance Scrutiny Panel, within Strategic Overview and Scrutiny Committee meetings, was on 3 November 2022 when minutes of a Performance Scrutiny Panel Meeting held on 11 October 2022 were considered by the Committee.

We understand from the Council that the Finance Scrutiny Panel was formed during 2021/22 but no meetings were held during 2021/22 or 2022/23 however the Performance Scrutiny Panel did meet quarterly during 2021/22 and 2022/23 to review the Council's quarterly service performance report. This leads to an improvement recommendation that relates to both 2021/22 and 2022/23. We recommend the Council strengthens its oversight and scrutiny arrangements by the utilisation of a Finance Performance Panel to provide oversight to the Council's financial performance which could include the assessment of the Council's quarterly budget monitoring reports ahead of these reports being considered by Cabinet.

The Council also operates an Audit Committee, which provides oversight to the Council's arrangements for internal and external audit, risk management, internal controls and treasury management activities. The Council's Audit Committee met four times during 2021/22 and five times during 2022/23. Minutes of these meetings reflect regular attendance of committee members and active member input in the examination of papers within the Audit Committee's terms of reference.

On 28 July 2022, the Audit Committee approved a report recommending the recruitment of independent members to the Audit Committee and for the Audit Committee to produce an annual activity report to be considered each year by full Council. The report of 28 July 2022, referenced guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) being the 'Audit and Governance Committees: Practical Guidance for Local Authorities and Police', this guidance also includes a self-assessment tool for Audit Committees to identify areas of improvement, training and development. We understand from the Council that this CIPFA self-assessment tool has not been used to support Audit Committee development and this leads to an improvement recommendation that relates to 2021/22 and 2022/23. We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit Committee to evaluate its impact and identify areas for improvement which then can be considered in addition to the recruitment of independent members and the provision of an annual report to full Council.



# Governance (Continued)

## Appropriate Standards

On 30 June 2022, the Audit Committee considered the Council's Annual Governance Statement for 2021/22 which included reference to a wide range of relevant policies, frameworks, controls that are in accordance with an effective governance framework. The Annual Governance Statement for 2021/22 also included an action plan of activity to be undertaken during 2022/23 to further develop the Council's governance arrangements which represents good practice. The process of Council oversight in respect of the 2022/23 Annual Governance Statement and associated action plan followed the same process as 2021/22.

The Annual Governance Statements for 2021/22 and 2022/23 both refer to the Members' Code of Conduct being a main element of the Council's governance framework. The Members Code of Conduct was last updated in 2018 and is now outdated. We also understand from the Council an annual report of code of conduct complaints was not submitted to the Standards Panel for review and oversight during 2021/22 or 2022/23 however individual code of conduct complaints were investigated by the Council during this period.

The Council's governance arrangements would be enhanced by the Members' Code of Conduct being updated and the submission of annual reports summarising code of conduct complaints to the Standards Panel. This leads to an improvement recommendation in respect of both 2021/22 and 2022/23. We recommend that the Council:

- updates and agrees the Council's Members' Code of Conduct, during 2023, to ensure alignment to the Council's current governance environment.
- submits a combined summary of code of conduct complaints for the financial years 2021/22 and 2022/23 to the Standards Panel, during 2023, and thereafter provides the Audit Committee with an annual report on code of conduct complaints.

The Council's constitution includes gifts and hospitality and declaration of interest guidelines for members, and these clearly set out expectations, procedures, and monitoring controls. Member gifts and hospitality declarations and register of interests are published under each member's profile on the Council's website which supports transparency. The Council's Monitoring Officer conducts an annual review of members register interests which is good practice.

Publica, the Council's resourcing partner, introduced during 2021/22, an online gifts and hospitality declaration and register of interest's process for officers which is managed and overseen by the Human Resources team.

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 2021/22 or 2022/23.

In completion of the Auditor's Annual Report for 2021/22 and 2022/23 we have found no evidence of breaches of legislation or regulatory standards during the financial years 2021/22 and 2022/23 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 seven improvement recommendations which are set out on pages 26 to 32.

# Improvement recommendations



## Governance

### Recommendation 4

We recommend the Council enhances the budget setting process by ensuring the Audit Committee is provided with an opportunity to assess and comment on the Council's draft Treasury Management Strategy, ahead of the full Council annual budget setting meeting. It is also recommended that the Council's draft Capital and investment Strategies are presented, at the same time as the Treasury Management Strategy, to the Audit Committee due to the interconnectivity of the three strategies.

### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23.

### Why/impact

Additional oversight of the Council's key financial strategies support adherence with the Council's constitution and strengthen oversight of Council decision making.

### Auditor judgement

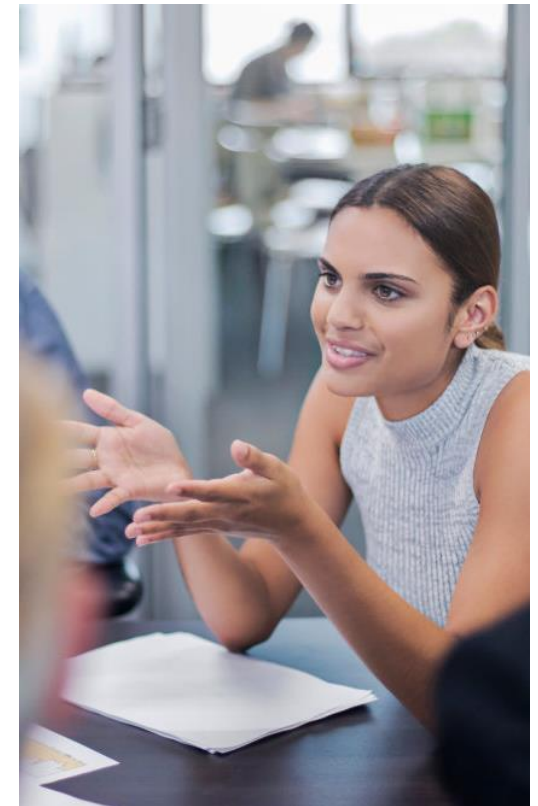
The Council has an established annual budget setting process, this recommendation seeks to enhance existing arrangements.

### Summary findings

The Council's constitution states the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies of the Council. The Council's Treasury Management Strategies were not considered by the Audit Committee ahead of the full Council annual budget setting meeting for the financial years 2021/22 and 2022/23.

### Management Comments

All financial strategies went to the Audit Committee in November 2022 for comments as draft. Unfortunately, the current Audit committee scheduling means that the Audit committee meet in November and then March and the strategies are approved by Council in February. Therefore, the Council is happy to look at adjusting this however the Audit committee did have chance to comment on the financial strategies including the Treasury management strategy in November.



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

# Improvement recommendations



## Governance

### Recommendation 5

We recommend the Council reviews its public consultation arrangements for draft budget proposals which should include a review of:

- the timing and length of the consultation.
- available channels for responses to the consultation including the ability to provide anonymised responses.
- promotional opportunities to foster stakeholder engagement and take up.

### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23

### Why/impact

The Council conducts an annual public consultation to gather feedback in respect of draft budget proposals however no responses were received during 2021/22 and 2022/23. The Council should assess existing consultation arrangements to foster responses as feedback to draft budget proposals can help inform Council decision making.

### Auditor judgement

The Council has an established annual budget setting process, this recommendation seeks to enhance existing arrangements.

### Summary findings

The Council conducts an annual public consultation in respect of draft budget proposals. No responses to the consultation were received in 2021/22 and 2022/23 with only four responses received in 2023/24 which indicates consultation arrangements should be reviewed.

### Management Comments

This is something that the member for Finance and Chief Finance (S151) Officer is looking into as the new administration would like to increase the consultation on the budget. Previously the Council has used the run up to the consultation and the consultation as an education phase for residents to understand what the District Council delivers. The Chief Finance (S151) Officer believes this is key to ensuring that the feedback and consultation is meaningful.



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

# Improvement recommendations



## Governance

### Recommendation 6

We recommend the Council includes capital variances within each of the quarterly budget monitoring reports provided to Cabinet. It is also recommended that these quarterly reports include explanatory information relating to significant variances to capital budgets.

### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23

### Why/impact

Cabinet assess revenue and capital budget monitoring reports quarterly. Further details regarding capital budget variances within each quarterly report would enhance existing governance arrangements.

### Auditor judgement

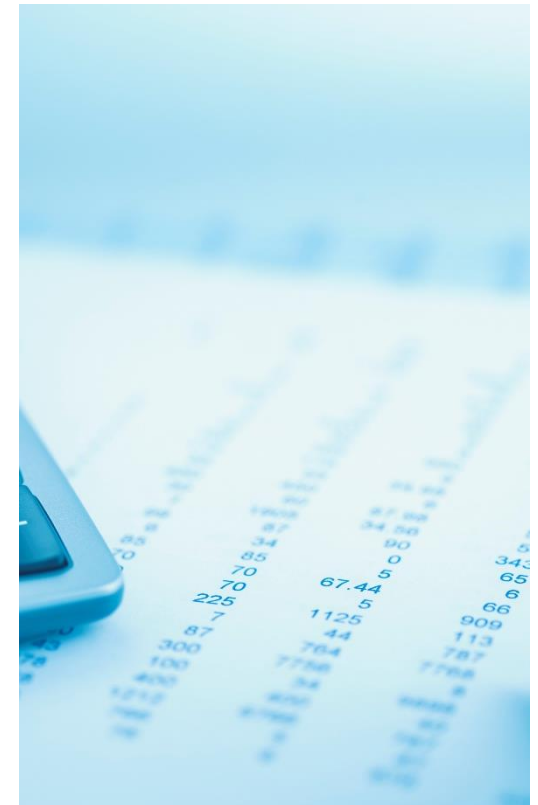
The Council has an established budget monitoring process, supported by governance, and this recommendation seeks to enhance existing arrangements.

### Summary findings

During 2021/22 and 2022/23 capital budget variances schedules were only provided within the budget monitoring reports, presented to Cabinet, for quarter 1 and 4 and these reports did not include explanations of significant variances.

### Management Comments

The Capital variances are included in the Quarterly Monitoring report when they are significant. This is something that the Council has looked to improve upon in the last few years and one of the reasons that the finance performance was separated from the main Performance Report. There is still work to do on this and hopefully with the review in recommendation 1 then this will make this more meaningful for members, officers and residents who read these reports.



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

# Improvement recommendations



## Governance

### Recommendation 7

We recommend that the Council discusses with Publica how best to strengthen its finance team to provide appropriate capacity and contingency to support the financial functions and responsibilities of the Council. We also recommend that the Council discusses with Publica the feasibility of allowing budget holders to have greater finance system access to complete budget monitoring and forecasting tasks directly which could provide further efficiency to the budget monitoring process and release additional capacity within the central Publica finance team.

### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23

### Why/impact

Additional finance resource, and the reassignment of certain budget forecasting tasks, would provide additional capacity and contingency to the support the financial functions and responsibilities of the Council.

### Auditor judgement

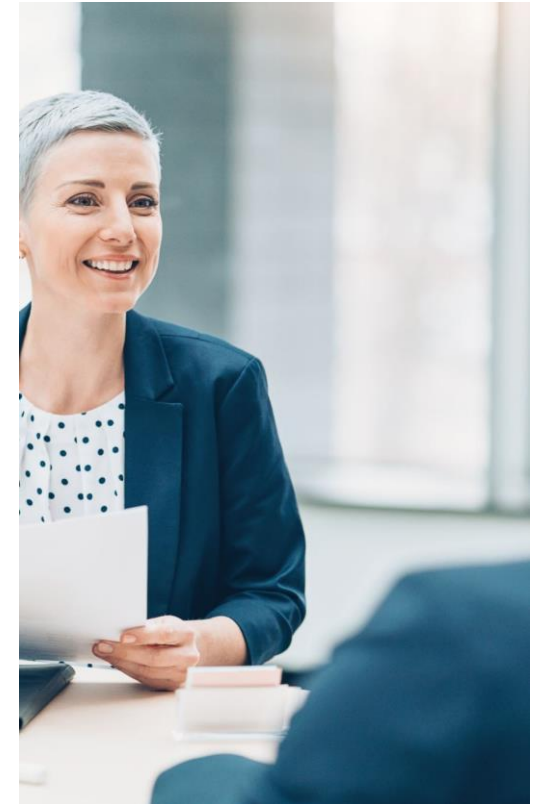
The Council has stated the existing finance team lacks capacity which results in the team having to complete additional hours to maintain service delivery and limits the scope for the team to conduct proactive tasks. Additional finance resource would provide the Council with resilience and capacity. Increasing finance system access to budget holders could also release additional capacity within the finance team.

### Summary findings

The Council has stated the Publica finance team has been under considerable strain since 2021/22 and requires existing members of the team to work additional hours to complete all required tasks and the finance team lacks capacity to plan and complete proactive tasks.

### Management Comments

There have been many discussions on the finance team and how best to strengthen it in the past but the Chief Finance (S151) Officer is happy to continue this. The current Publica review that is taking place will help to shape the future of the finance team and how it looks going forward as the strategic finance team is part of this review.



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



# Improvement recommendations



## Governance

### Recommendation 8

We recommend the Council strengthens its oversight and scrutiny arrangements by the utilisation of a Finance Performance Panel to provide oversight to the Council's financial performance which should include the assessment of the Council's quarterly budget monitoring reports ahead of these reports being considered by Cabinet.

### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23

### Why/impact

The Strategic Overview and Scrutiny Committee oversight of the Council's financial performance would strengthen the Council's existing governance arrangements.

### Auditor judgement

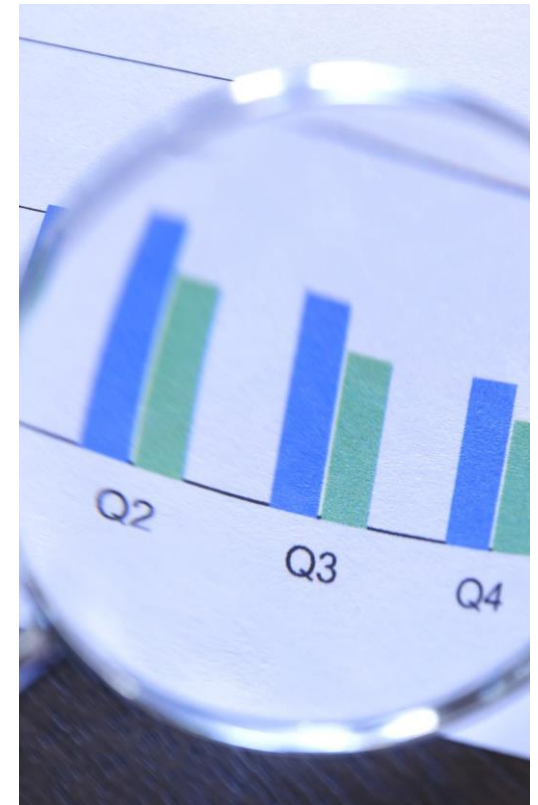
The Council's quarterly budget monitoring reports are considered by Cabinet but are not assessed by the Strategic Overview and Scrutiny Committee. The formation of a Finance Performance Panel under the remit of Strategic Overview and Scrutiny Committee to assess the Council's quarterly budget monitoring reports would enhance existing arrangements.

### Summary findings

The Council's constitution states the Strategic Overview and Scrutiny Committee will appoint two additional scrutiny panels who will meet, as and when required, to scrutinise specific issues and topics. We understand from the Council that the Finance Scrutiny Panel was formed during 2021/22 but no meetings were held during 2021/22 or 2022/23.

### Management Comments

The Chief Finance (S151) Officer will discuss with the Chair of the Strategic Overview and Scrutiny Committee about re-introducing the Finance Performance Panel.



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

# Improvement recommendations



## Governance

### Recommendation 9

We recommend the Council conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit Committee to evaluate its impact and identify areas for improvement which then can be considered in addition to the recruitment of independent members and the provision of an annual report to full Council.

### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23

### Why/impact

A self-assessment exercise could help identify:

- the optimum scope and area of focus for the Audit Committee.
- development and training opportunities that could then strengthen planned activity.

### Auditor judgement

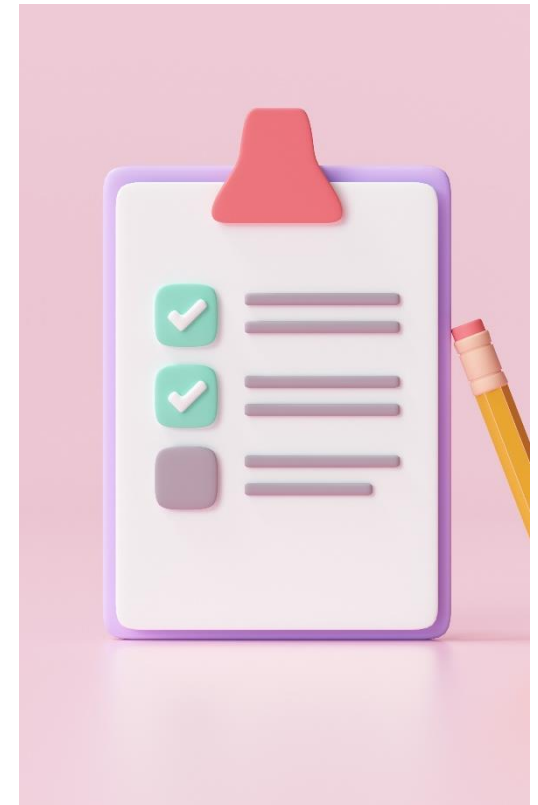
CIPFA has produced the publication 'Audit Committees: Practical Guidance for Local Authorities and Police 2022', which deals with the function and operation of Audit Committees and represents best practice for Audit Committees in local authorities throughout the UK. The guidance also includes a self-assessment tool to identify areas of improvement which could be utilised to support the Council to strengthen its governance arrangements.

### Summary findings

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

### Management Comments

The Chief Finance (S151) Officer will complete this and bring back to Audit Committee in November 2023.



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

# Improvement recommendations



## Governance

### Recommendation 10

We recommend that the Council:

- updates and agrees the Council's Members' Code of Conduct during 2023.
- submits a combined summary of code of conduct complaints for the financial years 2021/22 and 2022/23, to the Standards Panel during 2023, and thereafter provides the Audit Committee with an annual report on code of conduct complaints.

#### Audit year

This improvement recommendation applies to both 2021/22 and 2022/23.

#### Why/impact

An updated Members' Code of Conduct and an annual summary of conduct complaints would enhance the Council's governance arrangements and increase transparency.

#### Auditor judgement

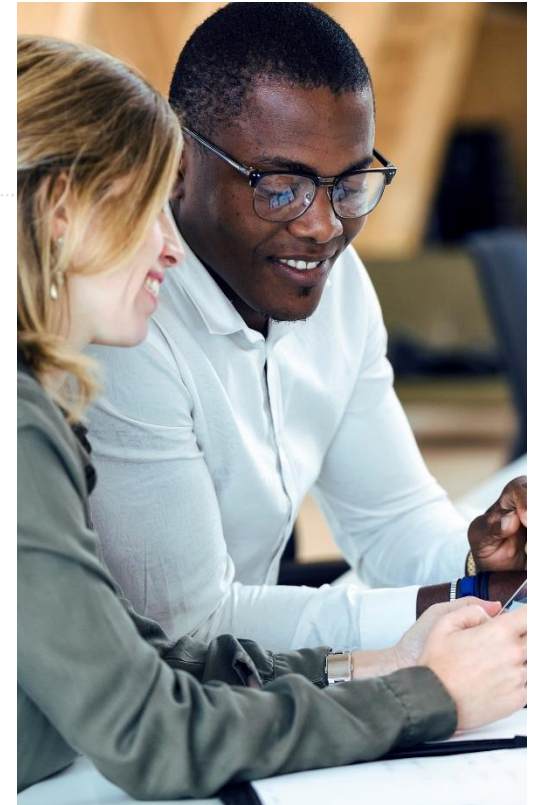
The Council's Members' Code of Conduct should be updated in 2023 to ensure alignment to the Council's current governance environment. Additionally, an annual summary of code of conduct complaints should be considered by the Standards Panel which would provide Council oversight to a key area of Council governance.

#### Summary findings

The Council's Members' Code of Conduct is outdated. An annual report of code of conduct complaints has not been submitted to the Standards Panel for review and oversight during 2021/22 or 2022/23.

#### Management Comments

The Monitoring Officer (MO) took a report to the constitution working group on the 30 September 2022 recommending that the Constitutional Working Group (CWG) considered the new draft code, for the purposes of consultation with all Members and that any feedback received from that consultation, together with any received from other parish Councils, be referred to the Audit Committee and then back to the CWG to enable it to make a recommendation to Council on revisions to its Code of Members' Conduct. The constitution provides it is part of the role of Audit Committee 'To maintain an overview of the Council's constitution in respect of contract procedures and rules, financial regulations and codes of conduct and behaviour.' It was suggested that a 4-week Member consultation commence following the meeting, with a deadline for responses of 28 October 2022. The proposal was to review the Code of Members' Conduct and change it to a model based on the new LGA Model code thus introducing a common Code of Conduct for all Councils within Gloucestershire. This had been finalised through the Gloucestershire MO Group in consultation with the Chief Executive of the Gloucestershire Association of Town and Parish Councils. Only 3 members were present at the CWG meeting and feedback was not very positive. The CWG requested that this item was brought back to another meeting with more members present, and that Democratic Services canvass members' availability. Thereafter work was underway for the appointment of an interim and new chief executive as well as all out elections and it was considered a matter more suitable to be dealt with by the new administration. The MO will report back to the new CWG on this issue. The MO will report to the standards panel with an overview of the outcome of standards complaints in 2021/2 & 2022/thereafter I will submit an annual report to Audit Committee.



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

# Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Managing Performance and Benchmarking

The Council's corporate plan 2019 - 2023 has three principles; one of which is 'seeking value for money' which is supported by corporate plan commitment to 'deliver great services through achieving financial sustainability' reflecting the strategic significance the Council places on providing cost effective and performing services which represents good practice.

The Council has an established regime of performance management supported by oversight and governance and these arrangements were in place during 2021/22 and 2022/23. Each financial quarter, the Performance Scrutiny Panel, and then Cabinet assess a Council Service Performance Report that includes a:

- Council priorities report- detailing progress made in respect of the five key areas of focus within the Corporate Plan 2019-2023.
- Service performance report - tracking the Council's operational performance across key areas.

The Council's collation of strategic and service performance in one report, which is then subject to oversight and scrutiny, demonstrates good practice.

Our 2020/21 Auditor's Annual Report included an improvement recommendation for the Council to consider reporting annually against progress made on achieving the targets set out in the Corporate Plan.

The Council responded to this recommendation and stated, 'this is now set out as part of the quarter four performance report so that residents and Members can see the progress that is made on an annual basis and the actions that will be taken in future years'.

On 16 June 2022 Cabinet considered the Service Performance Report 2021/22 Quarter Four which included an annex which detailed corporate plan activity during 2021/22 and included a red, amber, and green (RAG) rating for each quarter allowing for an appraisal of corporate plan activity for the preceding financial year. On 13 July 2023 Cabinet considered the Service Performance Report 2022/23 Quarter Four. This report did not include an annex which detailed corporate plan activity during 2022/23 but did include a Council Priorities Report January 2023 - March 2023.

The Council Priorities Report January 2023 - March 2023 provided a partial narrative of the Council's corporate plan activity during 2022/23 but did not provide a comprehensive update of the progress made towards the delivery of the Council's corporate plan 2019-2023. Additionally, the Council's corporate plan performance measures for climate change and housing were not fully updated to reflect performance during 2022/23 and the report did not clearly identify the planned corporate plan activity for 2023/24.

Our 2020/21 Auditor's Annual Report improvement recommendation for the Council to consider reporting annually against progress made on achieving the targets set out in the Corporate Plan is restated and expanded with the improvement recommendation relating to 2022/23. We recommend the Council undertakes a review of the information and data provided within future quarter four performance reports to strengthen corporate plan performance reporting. The review should ensure the quarter four service performance reports include:

- a comprehensive annual update of the progress made towards the delivery of the Council's corporate plan.
- the most current corporate plan performance measures available to the Council.

# Improving economy, efficiency and effectiveness (Continued)

## Managing Performance and Benchmarking (Cont'd)

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 (RO) data for 2021/22 and then benchmarks the Council's unit costs with its statistical nearest neighbours. RO data for 2022/23 is not yet available for our assessment. Of the six main RO service groupings, the Council's cost of provision for 2021/22 was average or very low for housing services, planning and development, environmental and regulatory and cultural services. Highways and transport services identified as high in comparison to statistical nearest neighbours, specifically in relation to off street parking. Central services was classed as very high, in comparison to statistical nearest neighbours, specifically in relation to corporate and democratic services, management and support services, business rates collection and retirement benefits.

These areas require further investigation by the Council to establish the reasons for unit costs being very high in comparison to other districts but demonstrates how the Council could use such insights for identifying further areas for potential efficiency or improvement. 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. Additionally, the Council's Annual Governance Statement 2022/23 includes a forward action plan of proposed activity which includes:

- a Council review of its service delivery model - Conduct a robust review of future service delivery options to make sure the solutions needed for the council to achieve financial stability can be achieved, given the MTFS shortfall over the years ahead. This review will examine the priorities for service delivery, options for reduction or transformation and how the Publica model fits into this.

The budget gaps identified in the Council's MTFS 2023/24 – 2027/28 are as follows: 2024/25 £0.08m, 2025/26 £0.65m, 2026/27 £0.89m and 2027/28 £1.36m and total £2.98m for the MTFS period which represents 24% of the 2023/24 net budget requirement.

These budget gaps and the proposed review of the Council's service delivery model leads to an improvement recommendation that relates to 2022/23. We recommend the Council conducts benchmarking analysis as part of the Council's proposed review of its service delivery model and the output is used to assess performance, cost and is also used to help identify areas of potential savings.

## Significant Partnerships – Publica

The majority of the Council's services are provided by Publica. Publica was formed in 2017 and the services that would be provided to the Council were defined within a service agreement signed by the Council and Publica on 31 October 2017.

On 8 October 2020 Cabinet approved a commissioning framework which further clarified the relationship between Publica and the Council and defined some respective responsibilities, including a provision for Publica to provide the necessary information to the Council so it could assess whether the commissioned services are being delivered in accordance with the agreed standard.

In accordance with commissioning framework the Council's receives a quarterly performance report from Publica, in addition to this performance report the activities of Publica are assessed in quarterly shareholder forum meetings attended by Publica's senior leadership team, Chief Executive Officers, Heads of Paid Service and Leaders of the founding councils.

Publica also produce business plans which set out its strategic objectives that are intended to support Publica to deliver services and key priorities for each partner council. These are subject to Council oversight and governance with Cabinet assessing the Publica Business Plan 2020-2022 on 8 April 2021 and the Publica Business Plan 2022-2025 on 7 April 2022. The Council's oversight and governance arrangement in respect of Publica are comprehensive and demonstrates good practice.

We have been informed by the Council, and Publica, that since 2022/23 there has been areas of difference between the senior members of the Council and Publica, and this includes differences in opinion, in relation to Publica's operating structure.

These ongoing issues might negatively impact the successful operation of the partnership, impact service delivery and increase risk to the financial sustainability of the Council.

This leads to an improvement recommendation that is in respect of 2022/23. We recommend the Council and Publica take steps, during 2023, to implement measures to facilitate closer working relationships, between the senior members of the Council and Publica, and to resolve areas of difference.



# Improving economy, efficiency and effectiveness (Continued)

## Significant Partnerships – Waste Services

Since 2006 the Council has commissioned waste, recycling, and street cleansing services from Biffa Waste Services Limited with the contract scheduled to end on 31 July 2024. During 2021/22 and 2022/23 the Council has assessed options for future waste, recycling, and street cleansing service delivery with the support of external consultants.

On 8 December 2022, Cabinet considered a Waste Services Review report which recommended contract awards for future waste services from 1 August 2024. The public report provided a summary of existing contractual arrangements, past performance, current service provision and an appraisal of the current waste service fleet. The report also set out a series of key requirements for new waste service, which included:

- Meeting customer needs. The Service should reflect what residents want and be flexible in meeting their diverse needs.
- Communication. The service should be simple and easy to understand and communicate (to service users).
- Deliver of an improvement in reuse, recycling and composting performance supporting the Council's Climate Emergency Strategy 2022-2025
- Support a reduction in refuse collected.
- Enable practical operational delivery.
- Comply with legal requirements and must not place the Council at an unacceptable risk of challenge.
- Affordability. The new service must be within the Council's budget allocation for the service.

The report was supplemented by a range of indicative costed service options that had been provided by the Council's consultants and a table of contractor options which included advantages and disadvantages of each, supporting ease of review. The report concluded with a recommendation to Cabinet that the Council commission, Ubico Limited, to provide waste, recycling, and street cleansing services from 1 August 2024 to 1 August 2032.

The Council's early and proactive review of a significant service contract, the comprehensive assessment of relevant key factors, supported by advice from external consultants demonstrates good practice.

## Procurement

The Council has sought to strengthen its procurement arrangements during 2021/22 and 2022/23. On 18 November 2021, the Audit Committee considered a revised Procurement and Contract Management Strategy 2021 and was informed that the Council would keep the strategy under review to ensure alignment with the Government's proposed public procurement reforms set out in the Procurement Bill.

On 17 November 2022, the Audit Committee considered a report recommending the adoption of a new Procurement and Contract Management Strategy 2022. The strategy demonstrated alignment to the Council's corporate plan 2019-2023 and Climate Emergency Strategy 2022-2025. It also reflected duties placed on the Council to tackle modern slavery and included references to the Council's obligations from the Public Services (Social Value) Act 2012. All of which represents good practice.

The Council has a procurement resource online portal that provides officers with self-serve procurement advice, guidance, and resource materials including a commissioning and procurement user guide which clearly sets out procurement thresholds, roles and responsibilities and key processes. We consider the online portal is an effective way of disseminating procurement information throughout the Council.

The Council's commissioning and procurement user guide refers to the existence of a procurement board that is required to assess all new or existing contracts above a £0.1m value threshold which represents good practice. As part of this audit, we have sampled and assessed papers submitted to the procurement board which have demonstrated compliance to the set thresholds.

The Council's procedure rules which form part of the Council's constitution have not been updated to reflect changes to procurement procedures, and thresholds, that have occurred due to the adoption of the Procurement and Contract Management Strategy 2022 and the associated commissioning and procurement user guide. This leads to an improvement recommendation that relates to 2022/23. We recommend the Council reviews its contract procedure rules, during 2023/24, to ensure they fully align with developments in the Council's procurement and contract management process.

## Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have identified four opportunities for improvement which are set out on pages 36 to 39.

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 11

We recommend the Council undertakes a review of the information and data provided within future quarter four performance reports to strengthen corporate plan performance reporting. The review should ensure the quarter four service performance reports include:

- a comprehensive annual update of the progress made towards the delivery of the Council's corporate plan.
- the most current corporate plan performance measures available to the Council.

#### Audit year

2022/23

#### Why/impact

The annual assessment of the progress made towards the delivery of the Council's corporate plan, supported by current data would strengthen existing performance reporting, oversight and increase transparency.

#### Auditor judgement

The Council has an established regime of performance management supported by oversight and governance and this recommendation seeks to further enhance these arrangements.

#### Summary findings

The Council did not provide a comprehensive annual update, to Cabinet, in respect of the progress made towards the delivery of the Council's corporate plan for the financial year 2022/23.

#### Management Comments

The Chief Finance (S151) Officer will work with Publica Officers to ensure that this is included into the quarter four reports going forward.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 12

We recommend the Council conducts benchmarking analysis as part of the Council's proposed review of its service delivery model and the output is used to assess performance, cost and is also used to help identify areas of potential savings.

### Audit year

2022/23

### Why/impact

Benchmarking data would help inform the Council's proposed review of its service delivery model but could also help 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.

### Auditor judgement

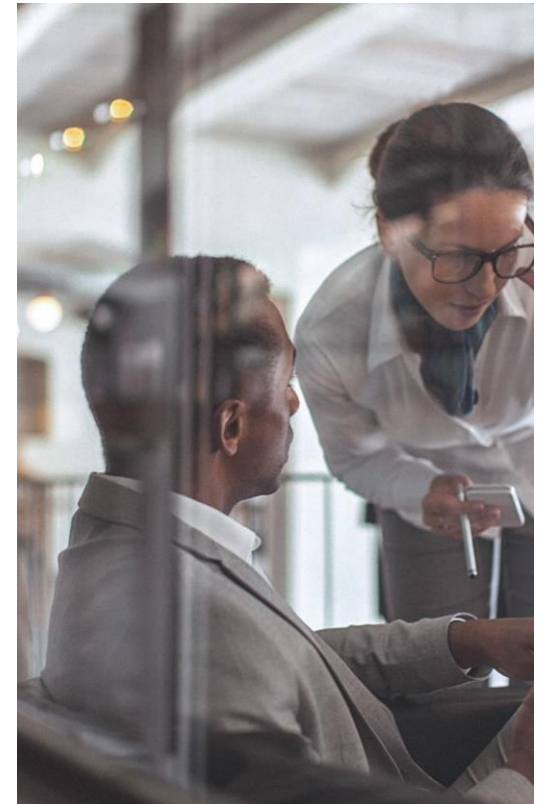
The Council has committed to conduct a review of its service delivery model during 2023/24 and states this review will examine the priorities for service delivery, options for reduction or transformation and how the Publica model fits into this. The use of benchmarking data analysis would assist the Council in its review.

### Summary findings

The Council should utilise benchmarking data to assess performance and service delivery as part of its planned review of its service delivery model but to also help identify options that may help address the budget gaps identified in the MTFS 2023/24 – 2027/28.

### Management Comments

This should be covered as part of the Publica review and if not then will need to be conducted separately.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 13

We recommend the Council and Publica take steps, during 2023, to implement measures to facilitate closer working relationships, between the senior members of the Council and Publica, and to resolve areas of difference.

### Audit year

2022/23

### Why/impact

Effective working relationships between the Council and Publica would be conducive to the optimal operation of both organisations.

### Auditor judgement

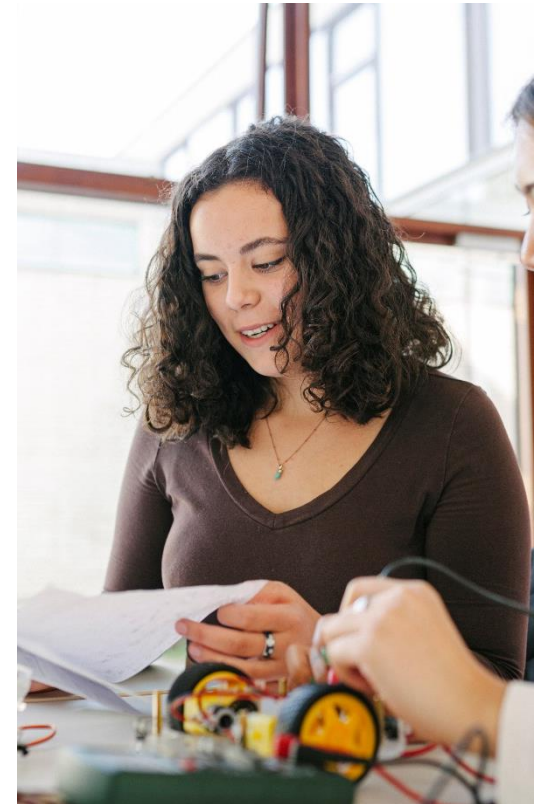
The majority of the Council's services are provided by Publica. Closer working relationships, between the senior members of the Council and Publica, and resolving areas of difference, would support the successful operation of the partnership, support service delivery and reduce risk to the financial sustainability of the Council.

### Summary findings

We have been informed by the Council, and Publica, that since 2022/23 there has been areas of difference between the senior members of the Council and Publica, and this includes differences in opinion, in relation to Publica's operating structure.

### Management Comments

This should be cover as part of the Publica review as the working relationship becomes clearer.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 14

We recommend the Council reviews the contract procedure rules, during 2023/24, to ensure they fully align with developments in the Council's procurement and contract management process.

### Audit year

2022/23

### Why/impact

The Council's contract procedure rules form part of the Council's constitution and should align completely with procurement process and threshold requirements, such alignment will reduce risk to the Council.

### Auditor judgement

The alignment of the Council's constitution to current procurement threshold procedure will strengthen the Council's procurement arrangements.

### Summary findings

The Council's procedure rules which form part of the Council's constitution have not been updated to reflect changes to procurement procedures, and thresholds, that have occurred due to the adoption of the Procurement and Contract Management Strategy 2022 and the associated commissioning and procurement user guide.

### Management Comments

The Chief Finance (S151) Officer will complete this review during 2023/2024.



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



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	It is recommended that the Council include the financial risks as part of the quarterly performance report.	Improvement	April 2022	All current risks are in the Quarterly Financial Performance Report. This was separated from the Performance report to enable more focus and information to be given. The main financial risks are also reported to Audit Committee through the Strategic Risk Register which is presented to each committee.	Yes	No
2	It is recommended the Council reports expenditure on discretionary services separately in the quarterly financial performance report.	Improvement	April 2022	The Council has stated this is yet to be added and it is currently difficult to separate this data within the finance system that the Council have. This is still being looked into to ensure that this information is more readily available.	Yes	No
3	It is recommended that the Council work with Publica to develop a workforce plan.	Improvement	April 2022	Publica have in place a report detailing the full-time equivalent resource allocation to the Council but this does not include a description of how the report aligns to the Council's priorities or financial plans.	No	Yes. The improvement recommendation is restated and expanded for 2022/23.
4	It is recommended that management undertake a review of the policies and procedures currently in place to ensure that these are updated regularly and remain appropriate and in line with latest guidance and requirements.	Improvement	April 2022	The Council has stated that this is in place, there were delays to this in 2020/21 due to staff being reallocated to cover Covid-19 priorities. This is now back to normal.	Yes	No
5	It is recommended that as part of the annual budget setting process, the Council consider trends including analysis and extrapolation and the impact on the projected final out-turn.	Improvement	April 2022	The Council has stated this will be undertaken as part of the current budget setting process.	Yes	No

# Follow-up of previous recommendations (Continued)

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6	It is recommended that the Council consider reporting annually against progress made on achieving the targets set out in the Corporate Plan.	Improvement	April 2022	The Council has stated this is now set out as part of the quarter four performance report so that residents and members can see the progress that is made on an annual basis and the actions that will be taken in future years.	No	Yes. The improvement recommendation is restated and expanded for 2022/23.
7	It is recommended the Council review its performance reporting and ensure that this is compliant with the performance management framework approved by Cabinet.	Improvement	April 2022	The Council has stated this is now fully compliant and the performance reporting is constantly reviewed to ensure that it meets the needs of the Cabinet and the Scrutiny Performance Management Panel.	Yes	No
8	It is recommended that the Council includes RAG (Red, Amber, Green) rating on the detailed pages of the Performance indicator report and that the data includes also comparative data against last quarter / financial year.	Improvement	April 2022	The Council has stated that over the last 18 months, the performance management report has gone through a number of changes and it now has an agreed layout which Cabinet and Scrutiny Panel have agreed.	Yes	No
9	It is recommended the Council should review the benchmarking data and ensure the most up to date data is used and a commentary is included to explain the relationship between the Council data and the benchmarking data.	Improvement	April 2022	The Council has stated that over the last 18 months, this has changed significantly, and it has been agreed the benchmarking data and commentary around this. Sometimes, up to date data is not available and this is now explained.	Yes	No
10	It is recommended the Council should review its performance reporting and ensure that the 'observations' included for each dataset describe the data appropriately.	Improvement	April 2022	The Council has stated the report is now reviewed quarterly by senior management so this should not happen and observations are only given when performance is poor and these include the actions being taken and timescales to get performance back in line with expectations.	Yes	No

# Follow-up of previous recommendations (Continued)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
11	It is recommended that the Council review the information presented in its performance reporting and consider including an action plan where the performance indicator is Red or Amber.	Improvement	April 2022	The Council has stated that only Red or Amber performance indicator are now reported in detail and actions to be taken and time scales to improve are now included in the observations that are given.	Yes	No
12	It is recommended the Council should review its financial performance reporting and consider including further details around savings data.	Improvement	April 2022	The Council has stated the saving data is now included in the Finance Performance report with an update on how these are performing and any likely future issues both for in year savings and future years savings.	Yes	No
13	It is recommended that the Council should review the level of reserves held to consider whether these remain appropriate.	Improvement	April 2022	The Council has stated the level of reserves is under constant review by the Chief Finance Officer and these are review as part of the budget challenge group process and throughout the year-end and budget setting processes. Currently it is believed that these are at an appropriate level.	Yes	No
14	It is recommended that the Council should ensure that the procurement policy is updated.	Improvement	April 2022	Cabinet have agreed a new Procurement and Contract Management Strategy on 16 March 2023.	Yes	No
15	It is recommended is recommended that the Council should adopt a data quality policy.	Improvement	April 2022	The Council has stated that it (previously) adopted a Data Quality policy however it has not been reviewed for a number of years so this is currently taking place for it to return to Audit Committee for comment and approval.	Yes	No

# Opinion on the financial statements for 2021/22



## Audit opinion on the financial statements

We gave an unqualified opinion on the Council's 2021/22 financial statements on 29 November 2022.

## Other opinion/key findings

We concluded that the other information to be published with the financial statements (such as the Annual Governance Statement) was consistent with our knowledge of the Council and the financial statements we audited.

## 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 17 November 2022.

## Whole of Government Accounts

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

Our work did not find any issues.

## Preparation of the accounts

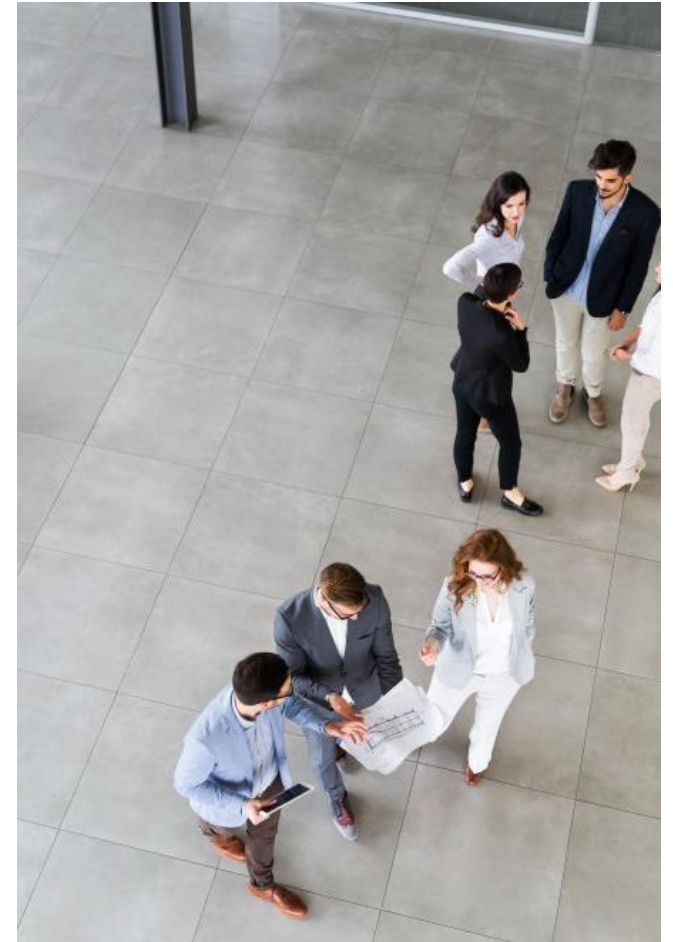
The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts

There were no significant issues arising from our accounts work. A small number of amendments were made to the accounts as a result of our work. These resulted in a £14,000 adjustment to the Council's Comprehensive Income and Expenditure Statement.

## 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



# Opinion on the financial statements for 2022/23



## Audit opinion on the financial statements

We gave an unqualified opinion on the Council's 2022/23 financial statements on 29 November 2022.

## Other opinion/key findings

We concluded that the other information to be published with the financial statements (such as the Annual Governance Statement) was consistent with our knowledge of the Council and the financial statements we audited.

## 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 28 September 2023.

## 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's. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

At the time of issuing this report, the NAO instructions to auditors for this work were outstanding and therefore this work is still outstanding.

## Preparation of the accounts

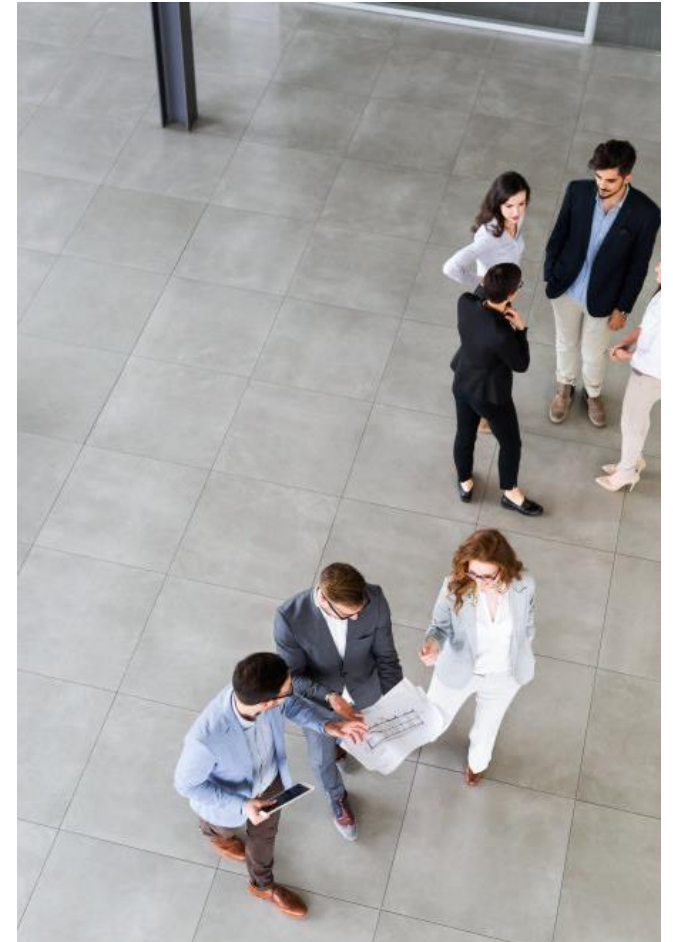
The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

## Issues arising from the accounts

There were no significant issues arising from our 2022/23 accounts work. A small number of disclosure changes were made to the accounts. As the Council has a surplus balance on its funded pension scheme, additional work was required to consider the impact of IFRIC 14. The work in this area resulted in additional disclosures being included in the accounts.

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

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





# Appendices

# Appendix A – Responsibilities of the Council

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

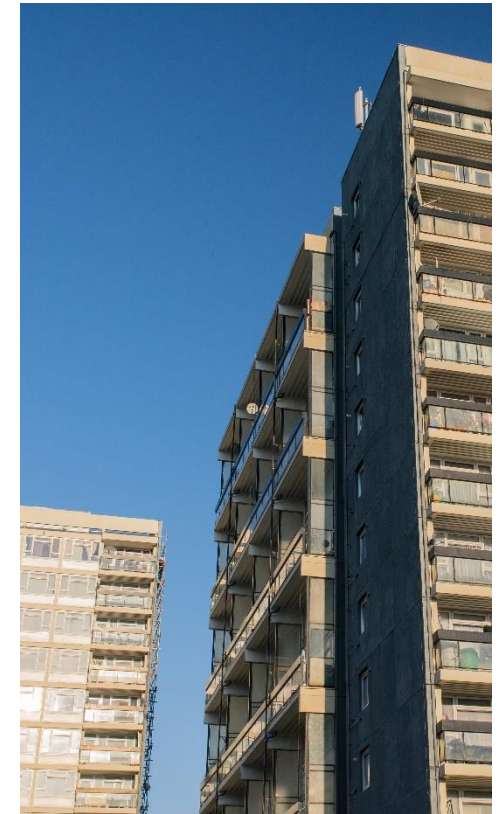
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



# Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	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	16 -18 26 – 32 36 – 39

