Auditor’s Annual Report on North Somerset Council

2020-21

August 2022

Contents

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

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

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

Executive summary

Value for money arrangements and key recommendation(s)

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

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. The Council incurred significant cost pressures relating to COVID-19, including support to adult social care providers, children's services and leisure providers. National periods of lockdown and social distancing restrictions created income pressures for the Council, particularly in relation to carparking and leisure services. The Council administered various grant schemes to support businesses and individuals through the pandemic, including £2.1m discretionary grants to businesses, £6.2m additional restrictions discretionary grants and £6.9m infection control grants. The Council also distributed £57.4m relating to the government grant schemes for small businesses, the retail, hospitality and leisure sector and restriction support grants. Against this background, and after accounting for a total of £112.8m in government funding which both supported Council services and funded the various pandemic-related grant schemes, the Council delivered a balanced budget for the year.

We have not identified any significant Value for Money (VFM) weaknesses, but have identified 11 opportunities for improvement which are set out in detail within our report.

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

Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting, monitoring, reporting and the medium term financial plan. We have not identified any risks of significant weakness in these areas but have identified opportunities for improvement. Specifically:

- the Chief Financial Officer's assurance on the level of reserves should include supporting information on how the minimum prudent level of General Fund balance is calculated,
- the Council should consider including a sensitivity analysis to demonstrate the range of impacts that future funding reforms could have and also for other key financial planning assumptions. We also recommend that the MTFP covers the current year plus five, in accordance with CIPFA best practice,
- treasury Strategy and Treasury Outturn reports should include detailed breakdowns of the budgets relating to interest costs, investment income and MRP, including performance against the budget at the year end, and
- the Council should ensure it has sufficient risk mitigation strategies in place for commercial property and ensure full compliance with the requirements of the revised Prudential Code.

Further details and management response is provided on pages 12-15.

Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and budget monitoring but have identified opportunities for improvement. Specifically:

- the frequency that the Corporate Risk Register is reported to the Audit Committee should be increased to quarterly and risks should be mapped to corporate objectives.
- Capital monitoring to members, where there is a significant difference between the in-year estimated capital spend at a scheme level as part of the approved budget and the to date monitoring, we recommend a brief comment is included within the monitoring schedule to explain the reason for this.

Further details and management response is provided on pages 19 and 20.

Improving economy, efficiency and effectiveness

We have not identified any risks of significant weaknesses but we have identified five improvement recommendations, but have identified opportunities for improvement. Specifically:

- Improve the monitoring and evaluation of performance against the Corporate Plan and the Children's Services Improvement Plan in public council meetings
- ensure it has effective governance arrangements in place in relation to North Somerset Environmental Services Limited (NSEC) to:
    - actively and routinely monitor the service and financial performance, so that NSEC is held to account and under performance is addressed
    - consider the roles held by Council Officers on the NSEC Board to minimise the scope for conflicts of interest.
- adopt a data quality policy
- define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the Council's corporate objectives

Further details and management's response is provided on pages 25 and 29.

Opinion on the financial statements

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

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

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

Our audit work was completed remotely during August to October 2021. Full details of our findings from the audit are detailed in our Audit Findings Report which was reported to the Audit Committee on the 20 September 2021.

Our audit work did not identify and material errors or adjustments to the financial statements. We did recommend a small number of adjustments to improve the presentation of the financial statements and a small number of recommendations for improvements which the Council agreed to take forward.

We gave an unqualified opinion on the Council's 2020/21 financial statements on 15 October 2021.

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

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

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 6 to 28. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the Council:

- responded to the financial challenges posed by the COVID-19 pandemic
- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2020/21

The Council delivered a balanced General Fund budget position for 2020/21, against the revised budget that was increased by £33.7m to reflect additional COVID-19 funding allocated to services. Therefore no contribution was required from the General Fund balance, which was maintained at £9.1m at the year end.

Within this balanced position the impact of the pandemic was significant, creating pressures of £12.4m in Adult Social Services, £1.0m in Children's and £12.3m within Place. The Council received significant financial support from the government to fund the costs of the pandemic, including £14.6m in general COVID-19 support grant and £3.9m in compensation for lost sales, fees and charges. In total the Council received £112.8m of government funding during the year, including significant sums to be redistributed as business support grants, outbreak management and infection control funding.

The Council incurred capital expenditure of £47.8m compared to the budgeted figure of £66.4m. This was largely funded from £32.5m in grants and contributions, with the remainder funded from reserves, capital receipts and £3.3m borrowing. Spend equated to 72 percent of the planned programme, with delivery impacted by the effects of lock down and social distancing.

COVID-19 arrangements

COVID-19 posed a significant financial challenge to the Council's financial sustainability and made financial forecasting difficult as new periods of national lockdown were announced and additional tranches of government support allocated to councils. The estimated financial impact of the pandemic was reported to the Executive in July 2020 with a forecast pressure of £8.6m. Savings and mitigation measures of £3.5m were also identified, leaving a residual budget gap of £5.1m. Budgets were grossed up during the year to reflect increased expenditure in services funded from government grant.

The Council continued to monitor the costs of the pandemic through the monthly COVID-19 financial management returns to the government and regular reporting to the Executive. As the financial year progressed and as costs and government support became more certain, the net position reported to Members gradually improved from the £5.1m reported in July, to £3.9m by October and a budget gap of just £1k by April 2021.

Budget 2021/22

The 2021/22 budget was set based on the funding announced in the local government finance settlement. This largely froze the Council's funding assessment at current levels but introduced additional measures to support councils through their recovery from the pandemic, such as another tranche of general COVID-19 funding, additional sales, fees and charges (SFC) compensation grant, and a new one-off tranche of New Homes Bonus grant. The Council included the £4.9m COVID-19 support grant in the base budget matched by a central provision for continued COVID-19 pressures in 2021/22. The SFC compensation grant is available to mitigate losses against budgeted income.

Funding within the budget also includes a 4.99% increase in council tax which reflects the adult social care precept and is in accordance with referendum principles.

Our work has confirmed that the budget accurately reflects the annual funding settlement and is informed by the medium term financial plan (MTFP), which is updated as part of the budget report. Risks and assumptions relating to the budget are clearly set out and reported to Members.

The budget process for 2021/22 gave consideration to the 2020/21 non-COVID budget pressures which were likely to recur in future years. Additional growth provision was made for material pressures including children's placements, homes to school transport and adult social care. The budget also reflects cost drivers such as inflation on utilities and contracts and officer pay awards.

The 2021/22 budget includes the implications of the new Council-owned company North Somerset Environment Services Limited (NESC) delivering waste collection and recycling services. NESC is a local authority council controlled company 100% owned by the Council. Budgets have been rebased to reflect growth to the cost of the service, recycling income and future efficiency savings. The waste strategy implementation reserve is available to help mitigate net increases to the base budget in the short term.

The Council engages with stakeholders around budget proposals through publishing equality impact assessments online and holding a stakeholder discussion group. A series of online citizens panels were also held to obtain feedback on specific areas of the MTFP and service delivery. Member workshops are held during the budget process to enable scrutiny of budget assumptions, funding and savings proposals.

The budget report is accompanied by the Chief Finance Officer's statement on the adequacy of reserves and robustness of budget assumptions in accordance with S25 of the Local Government Act 2003. This contains a detailed commentary on the risks and assumptions contained within the budget, and the reserves strategy that confirms a minimum level of unallocated general fund reserves of £9m. We note that there is a working paper that supports the determination of the minimum prudent level of reserves which is based on the finance risk register. We have made an improvement recommendation that the S25 Statement would be strengthened by referring to how the minimum prudent level of reserves is calculated with reference to the financial risks that it is mitigating.

Overall we found no evidence of significant weaknesses in the Council's budget setting arrangements but have identified one improvement recommendation in respect of the information provided to support the minimum recommended level of General Fund balances.

Medium term financial plan (MTFP)

Review of the Council's MTFP indicates that financial planning is based on realistic assumptions and that these are clearly set out in reports to Members. The MTFP includes assumptions around New Homes Bonus, revenue support grant, business rate income, social care grants and council tax increases.

The MTFP covers a period of three years. There is additional uncertainty with financial planning due to the recent annual financial settlements, the pushing back of the fair funding review, and delay in the reset of the business rate retention scheme. Due to the uncertainty surrounding the impact and timing of these reforms to local government funding, they are not reflected in the MTFP but are flagged as a significant risk which will be reviewed as more information is released. We have made an improvement recommendation that the Council should consider including a sensitivity analysis to demonstrate the range of impacts that these reforms could have, even if they are not formally modelled in the MTFP. Sensitivity analysis could also be included for other key assumptions within financial planning, for example the number of children in care or demand for home to school transport. We also recommend that the MTFP covers the current year plus five, in accordance with CIPFA best practice.

The cumulative budget gaps identified in the February 2021 MTFP are set out in the table below.

Cumulative budget gaps identified in the February 2021 MTFP

Year	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Budget gap	0	7.750	4.874	12.624

The September 2020 MTFP proposed that financial planning should be underpinned by transformation and innovation, with both Directorate level and Corporate programmes developed. The transformation programme for Children's services would be aligned to the improvements required as a result of the Ofsted Inspection. This transformation process sits alongside more traditional budget processes for identifying savings and increases in income. Directorates received indicative savings targets, with MTFP update reports providing detailed information on savings identified as part of this process.

Savings included within the 2021/22 budget total £7.451m, with £1.225m identified for 2022/23 and £1.040m for 2023/24. The majority of these savings relate to transformation and income generation rather than reduced levels of service. The savings identified for future years are not sufficient to bridge the £12.624m gap identified in the MTFP for 2022/23 and 2023/24. The Council recognises that it needs to continue to plan and formulate strategic financial plans to balance the budget gap, and anticipates that the majority of future savings plans will relate to transformation and technology. The Council has a good track record of achieving savings. While the effects of the pandemic did delay savings relating to service reconfiguration, the 2020/21 outturn reports confirms that 85% of savings against the £5.235m target were achieved or mitigated with other measures.

The increasing number of children and young people with education, health and care plans continues to exert significant pressure on the High Needs Block of the Dedicated Schools Grant (DSG). The DSG overspent by £3.3m in 2020/21, which when added to the opening position, created an accumulated deficit of £7.15m at the year end. The Council has plans to mitigate annual spending increases through the Specialist and Alternative Provision Review and Education Commissioning Strategy, although eliminating the accumulated deficit will require additional government funding. The Council discussed its deficit management plan with the Department for Education in July 2020, and held an Inclusion Summit during the year to develop a strategy to ensure more children with special educational needs and disabilities can remain in mainstream schools.

The Council regularly reviews its financial plans. MTFP update reports were considered by Executive in September, October and December 2020, with assumptions updated as the budget process progressed. The February 2021 budget report also contained an MTFP update based on the balanced position for 2021/22.

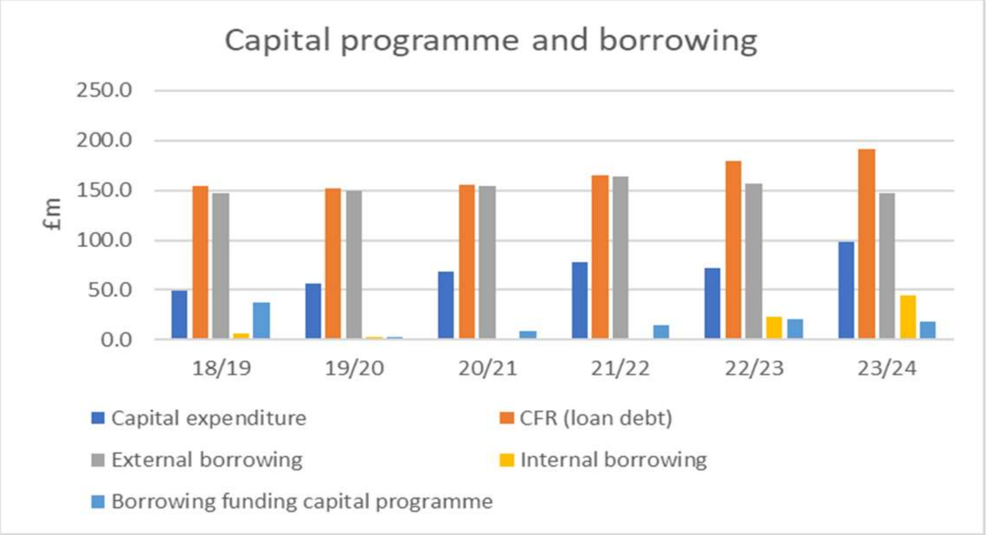
We have found no evidence of significant weakness in the Council's financial planning arrangements but have made improvement recommendations to further strengthen the MTFP by providing sensitivity analysis for key budget assumption and extending the period of financial planning.

Capital strategy and treasury management

The Council approves the Capital Programme, Capital Strategy and Treasury Management Strategy annually.

The Council approved a £354.9m Capital Programme in February 2021, with £78.0m profiled to be spent in 2021/22. The programme is primarily funded through £239.1m of grants, plus £95.6m of borrowing, and supports corporate priorities through investment in infrastructure, schools, the Sovereign Centre and decarbonisation schemes.

The graph below uses projections set out in the Treasury Management Strategy approved in February 2021 and previous capital outturn reports to illustrate trends in capital expenditure and funding.



The graph illustrates that as annual capital expenditure generally increases, so will the capital financing requirement (CFR) from 2021/22 as the Council funds increasing amounts of its programme through borrowing. The CFR is forecast to increase from £155.2m in 2020/21 to £191.6m in 2023/24. The projections in the Treasury Management Strategy are that levels of actual external debt will not necessarily follow the same trajectory as the CFR, as internal borrowing will be utilised in later years.

The revenue budget provides for increases to minimum revenue provision (MRP) payments as a result of the increasing CFR. The MRP Policy shows a £0.277m increase for 2021/22 which reflects capital expenditure funded from borrowing in 2020/21. Additional MRP payments of £0.278m are included within the Sovereign Centre budget reflecting anticipated capital spend of £5m in 2021/22.

The Council's Treasury Management Strategy sets out the approach to mitigating risk in relation to the investment, non-treasury investment and borrowing strategies. We note that the Treasury Strategy does not provide a breakdown of interest cost or investment income budgets for the year, referring only to the net capital financing cost and interest budget of £10.7m. While the Treasury Outturn report discloses investment income compared to budget, it does not contain outturn information for interest cost or MRP. While this information is available through the revenue outturn report and statement of accounts, it would be beneficial to Members and the public if all relevant information is included in key treasury management reports. We have made an improvement recommendation that these elements of treasury performance should be reported to Members both as part of the budget setting process and outturn reporting.

We have found no evidence of significant weakness in the Council's capital and treasury arrangements.

Commercial strategy

The Council has a Commercial Investment Strategy, approved in January 2019, with the objective of acquiring a portfolio of commercial property investments to generate income. Although £100m was originally allocated to the programme, only two assets have been acquired during 2017/18 and 2018/19 for a total of £61.2m. These purchases were financed through borrowing and a finance lease. The Council does not have any plans to utilise the remaining allocation. Both commercial assets are within the Council's administrative area and the Sovereign Centre provides particular economic generation and place making benefits for Weston town centre.

While North Worle is providing is providing a net contribution to the General Fund of £0.65m as planned, the Sovereign Centre is not currently making a contribution due to vacant unts and the impact of the pandemic. Executive approved a business case in February 2021 to convert vacant retail space in the Sovereign Centre into a new mixed use space, funded mainly through the Getting Building Fund. The capital programme includes £10m in future years to further develop the centre.

The Council's budgets are subject to increased risk through the Commercial Investment Strategy. The 2021/22 budget is dependent upon £3.6m of income from the commercial elements of these assets, and is committed to £2.5m of MRP payments and finance lease costs regardless of investment return.

The Council does have mitigation measures in place if income falls below budgeted levels. An annual allocation of £0.3m is made to reserves, funded from income generated by the Sovereign Centre. As at 31 March 2021 the commercial investment reserve had a balance of £1.1m.

New lending terms for accessing PWLB debt were introduced in November 2020. Councils wishing to access PWLB debt must confirm that they are not planning to purchase investment assets primarily for yield in their capital programme for the current and following two financial years. The Council's commercial investments are historic, and Treasury Management reports confirm that the Council is not planning to purchase any investment assets primarily for yield in the next three years and so can continue to access PWLB funding.

CIPFA consulted on revisions to the Prudential Code in the spring of 2021, and published a new Code in December 2021. This reinforces the objectives of the new PWLB lending terms, confirming that local authority's must not borrow to invest primarily for financial return. It is not prudent activity for councils to undertake investment that will increase their capital financing requirement unless it is directly and primarily related to the functions of the authority. The Council is compliant with this requirement of the Code as it has ceased additional commercial investment activity and made no purchases in 2020/21. It should also be noted that the Sovereign Centre is not an investment held primarily for yield as the Council holds this asset to help achieve the regeneration objectives for Weston town centre.

The revised Prudential Code confirms that local authorities with existing commercial investments are not required to sell these investments. However, councils with an expected need to borrow should review the options for exiting commercial investments through a financial risk appraisal and summarise this review in the annual Treasury and Investment strategies.

Due to the inherent risk relating to commercial property investments and their increased scrutiny by HM Treasury and CIPFA, we have raised an improvement recommendation that the Council should ensure:

- it has adequate mitigation measures in place to manage the impact if investment performance is below the target;
- It complies with the requirements of the revised Prudential Code by reviewing options for exiting commercial investments based on a financial risk appraisal and summarise this in the annual Treasury and Investment Strategies.

Reserves and risk mitigation

Section 25 of the Local Government Act 2003 requires the S151 Officer to report on the robustness of estimates within the budget and the adequacy of levels of reserves. As part of the 2021/22 budget this officer's recommended level of General Fund (GF) balance was confirmed as £9.053m which equates to 5.28% of the net revenue budget, and so is within the CIPFA benchmark of between 5% -10%. Due to the balanced outturn position for 2020/21 this level of GF balance was maintained at the year end. Due to the uncertainties affecting local authority budgets the Chief Financial Officer recommends that the level should be increased to nearer 6%.

As part of our work considering the arrangements for setting the 2021/22 budget we have made an improvement recommendation that the S25 Statement should include supporting information on how the recommended minimum prudent level of General Fund balance is calculated.

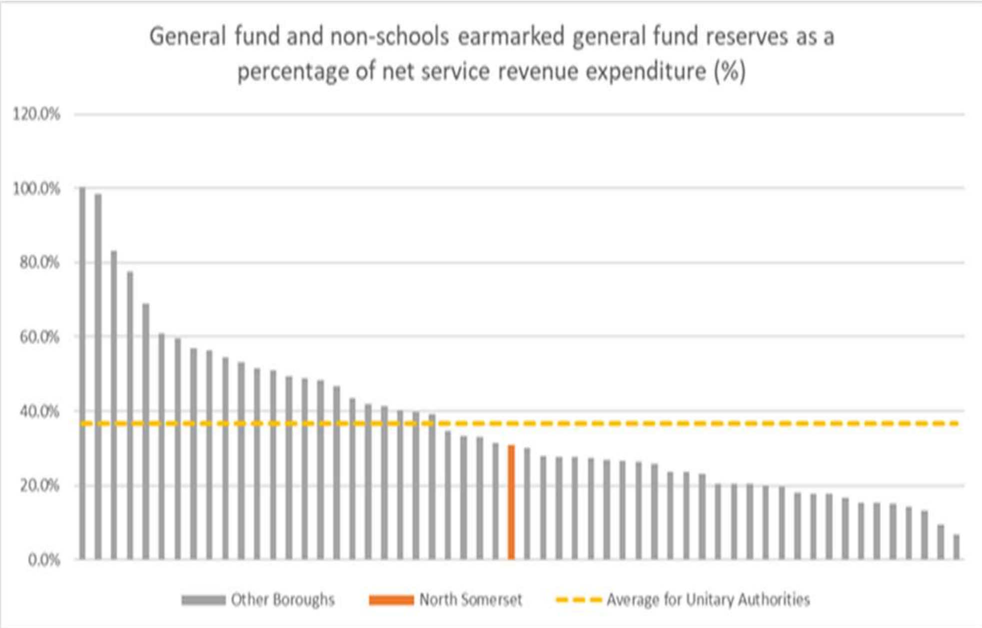
Earmarked revenue reserves increased from £65.7m on 1 April 2020 to £101.3m as at 31 March 2021. Significant contributions to reserves were made in relation to grant funding for future COVID-19 responses, contracts reserve , capital grants and the £17m S31 grant received to fund the deficit on the Collection Fund over the next three years.

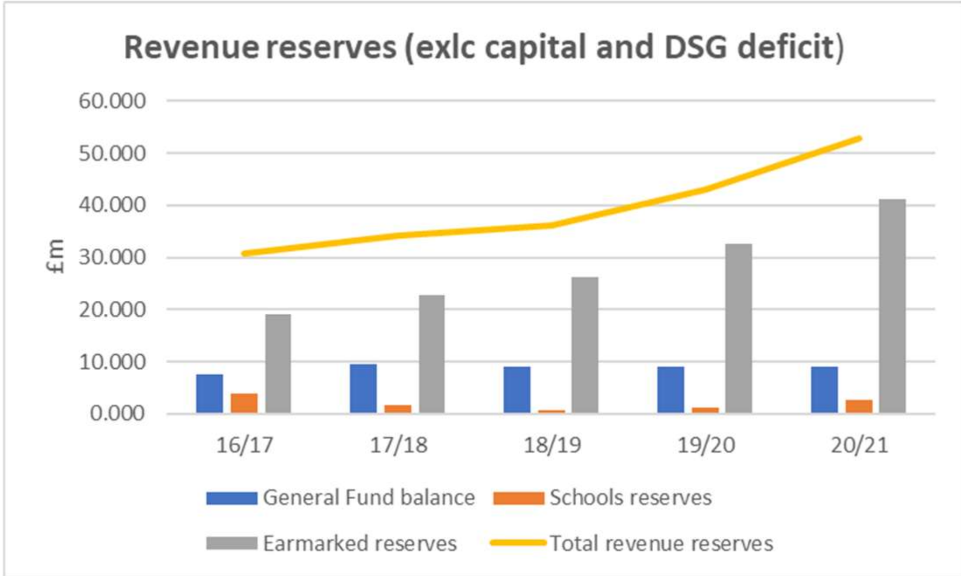
Included within the revenue reserves as at 31 March 2021 are funds that can be used to mitigate financial risk within the Council's budgets. These include:

- unallocated GF balances £9.053m
- commercial investment reserve £1.067m
- COVID-19 emergency costs reserve £0.479m
- financial risk reserve £1.221m

Additional risk mitigation measures within the 2021/22 budget include the base budget contingency which was increased by £0.5m for a total of £1.3m. There is also a one off COVID-19 cost pressure provision of £4.9m funded by government grant. The Sales, Fees and Charges Compensation Grant was extended into quarter one of 2021/22 and so is available to help mitigate any further income losses.

The graph overleaf provides an analysis of the Council's reserve position in comparison to other unitary authorities. The Council is not an outlier in terms of the total revenue reserves it is holding, which represent of 31% of net service cost compared to an average of 36.7%. The data reflects the 2019/20 financial statements because 2020/21 data includes the S31 Collection Fund grants which makes comparisons difficult.





Balancing the 2021/22 budget was not dependent on the one-off use of reserves. There is no evidence that that the Council has eroded the level of revenue reserves at its disposal in recent years. The unallocated Gf balance has been maintained at £9.053m since 2018/19 and in total earmarked revenue reserves have increased year on year.

The graph opposite demonstrates this trend. In order to compare the position on a consistent basis, the data has been adjusted to remove the £17m S31 Collection Fund grant from 2020/21 balances and strip out the DSG deficit which is now accounted for as an unusable reserve. The graph does not include reserve earmarked for capital purposes.

We have not identified any risk of significant weaknesses with regard to the Council's strategy for reserves and the resources set aside to mitigate financial risk.

Improvement recommendations

Financial sustainability

1	**Recommendation**	The S25 Statement should include supporting information on how the recommended minimum prudent level of General Fund balance is calculated.
	Why/impact	The S25 Statement would be strengthened by referring to how the minimum prudent level of reserves is calculated with reference to the financial risks that it is mitigating. This would further aid understanding of the risks within the Council's budget and how they are mitigated.
	Summary findings	The budget report is accompanied by the Chief Finance Officer's statement on the adequacy of reserves and robustness of budget assumptions in accordance with S25 of the Local Government Act 2003. This contains a detailed commentary on the risks and assumptions contained within the budget and the reserves strategy, which confirms a minimum level of unallocated general fund reserves of £9m. We note that there is a working paper that supports the determination of the minimum prudent level of reserves that is based on the finance risk register.
	Management comment	The Council will expand the information contained within the S25 Statement to include details on how the General Fund Balance is calculated, including examples taken from the finance risk register. The next opportunity will be the MTFP report, due to be presented in February 2023.

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

Improvement recommendations

Financial sustainability

2	**Recommendation**	The Council should consider including a sensitivity analysis to demonstrate the range of impacts that future funding reforms could have, even if they are not formally modelled in the MTFP. Sensitivity analysis should also be considered for other key financial planning assumptions. We also recommend that the MTFP covers the current year plus five, in accordance with CIPFA best practice.
	Why/impact	Financial planning would be strengthened by extending the period of the MTFP and by illustrating what the potential impact of funding reforms could be. Although longer term forecasts become inherently more difficult, a five year horizon would help identify years where significant budget gaps are forecast and allow a longer term consideration of mitigating strategies.
	Summary findings	The MTFP covers a period of three years. There is additional uncertainty with financial planning due to the recent annual financial settlements, the pushing back of the fair funding review, and delay in the reset of the business rate retention scheme. Due to the uncertainty surrounding the impact and timing of these reforms to local government funding, they are not reflected in the MTFP but are flagged as a significant risk. Modelling of demand pressures is undertaken during the budget process but sensitivity analysis for key assumptions is not included in the MTFP reporting. Examples could include the number of children in care or demand for home to school transport.
	Management comment	The Council will extend the MTFP reporting period, although will do so in a phased approach to reflect the current situation and range of information held at that point in time. Whilst we recognise the potential improvements in allowing a longer-term consideration of mitigating strategies, to be effective, they should be based on information and forecasts that are reliable, or within acceptable ranges of certainty.

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

Improvement recommendations

Financial sustainability

3	**Recommendation**	Treasury Strategy and Treasury Outturn reports should include detailed breakdowns of the budgets relating to interest costs, investment income and MRP, including performance against the budget at the year end.
	Why/impact	Separately identifying and reporting these elements will allow for greater challenge and accountability on the delivery of Treasury Management activities and provide an increased understanding of the impact of the Council's borrowing and investment activities on the budget.
	Summary findings	The Treasury Strategy does not provide a breakdown of interest cost or investment income budgets for the year, referring only to the net capital financing cost and interest budget of £10.7m. While the Treasury Outturn report discloses investment income compared to budget, it does not contain outturn information for interest cost or MRP. While this information is available through the revenue outturn report and statement of accounts, it would be beneficial to Members and the public if all relevant information is included in key treasury management reports.
	Management comment	The Council will update its external reporting of treasury management matters to include the budgeted impacts of MRP, interest payable on borrowing and interest receivable on investments within future reports to enable all components to be seen together.

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

Improvement recommendations

Financial sustainability

4 Recommendation

The Council should ensure it has sufficient risk mitigation strategies in place for commercial property and ensure compliance with the requirements of the revised Prudential Code.

Why/impact

Due to the inherent risk relating to commercial property investments and their increased scrutiny by HM Treasury and CIPFA, the Council should ensure:

- it has adequate mitigation measures in place to manage the impact if investment performance is below the target;
- comply with the requirements of the revised Prudential Code by reviewing options for exiting commercial investments based on a financial risk appraisal and summarise this in the annual treasury and Investment Strategies.

Summary findings

The Council has purchased two assets through its Commercial Investment Strategy during 2017/18 and 2018/19 for a total of £61.2m. These were financed through borrowing and finance leases. The Council is exposed to risk within the revenue budget due to the forecast £3.6m commercial property income and commitment to pay MRP and finance lease costs of £2.5m regardless of investment return. The Council has no current plans to purchase further commercial property investments. The Council also has risk mitigation measures in place through annual contributions to the commercial investment reserve.

Commercial investments primarily for yield have been under increasing scrutiny from HM Treasury and CIPFA, and are not regarded as prudent activity for councils to undertake, as demonstrated by the new PWLB lending criteria and the revised Prudential Code.

Management comment

As noted in the findings, the Council has financial risk mitigation measures in place for the existing commercial investments and has no plans to increase activity in this area.

The Council currently includes a range of financial information within its annual Investment reports although this could be enhanced to provide additional narrative to explain how we actively monitor and influence the performance of these assets through the adoption of revised plans or operational arrangements, and potentially also advise on options for exiting if relevant or appropriate at that time.

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

Governance

We considered how the Council:

- considered the impact of COVID-19 on the governance arrangements
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

COVID-19 arrangements

During the 2020/21 financial year, the Council was required to adapt it's arrangements to respond to the new risks it was facing in respect of COVID-19. The Council prepared a 'response, recovery and renewal' document to be updated in light of the views of residents, businesses and stakeholders and the unfolding pandemic. This was a concise statement of the Council's response to the pandemic. The Council's corporate plan was finalised prior to the pandemic and the Council therefore set out updates to this to take into account the changes required due to the impact of the pandemic. The update to the corporate plan was developed alongside a refresh to the Medium Term Financial Plan to ensure that strategic and financial planning were aligned. A COVID-19 risk register was set up to identify and manage the additional risks to the Council, which included high risk areas such as safeguarding, contract management and finance.

The Council introduced additional monitoring and controlling of additional costs due to the COVID pressures and was allocated more than £85 million across several grant schemes with monies to be distributed to local businesses. The Council's Internal Audit service supported the Council to provide assurance that the funding was being administered appropriately and to ensure controls were in place to minimise fraud and error.

We obtained sufficient evidence that the Council were taking appropriate actions in 2020/21 to address the risks and challenges presented by the COVID-19 pandemic.

Managing risk and Internal Control

The Council's risk management strategy describes its approach to the management of risk and this was revised and updated during the year. The effectiveness of the arrangements is effectively overseen by the Corporate Leadership Team (CLT) through the decision making process, supported by the Audit Committee overseeing the framework.

The Council's risk register scores risks based on the inherent likelihood, inherent impact to give an inherent risk and the residual likelihood and residual impact to give a residual risk. Each risk has a CLT lead and Lead officer as well as mitigating actions against the risk. We observed that risks within the register are not linked to a corporate priority and would recommend this is included going forward, to ensure only those risks which impact on corporate priorities are included within the register. Risk registers and risk management updates are reported to the Audit Committee however we recommend this is done on a more regular ~~quarterly~~ basis.

The Council's risk management strategy clearly sets out the arrangements in place for identifying strategic risks, understanding them and recording them. A specific COVID risk register has been developed to track and manage the key risks associated with the COVID-19 pandemic.

There is a good internal audit function operating at the Council, provided by Audit West and during 2020/21 where there were additional challenges as a result of COVID-19 and changing Council priorities. Audit West was able to provide direct assistance to the Council in regard to new risks relating to COVID-19 as well as maintaining planned "business as usual" internal audit work. Overall, the Internal Audit annual report for 2020/21 reports that at the end of the financial year 80% of audits were completed, reflecting the impact and disruption of COVID-19 including the level of unplanned work that was required. The initial audit plan was prepared pre COVID-19 and Internal Audit has therefore had to work closely with senior management to determine the key issues and risks to focus on during the 2020/21 year.

A "Reasonable Assurance" opinion was given by the Head of Audit and Assurance, based on the planned work completed due to the circumstances of COVID-19, the Council's internal control framework and systems to manage risk.

Overall, we found no evidence of significant weaknesses in the Council's arrangements to manage risk and operate effective internal controls. We have raised an improvement recommendation that the corporate risk register should be reported more regularly to the Audit Committee for review and that risks within the register should be linked explicitly to corporate priorities.

Monitoring Standards

There is evidence of an appropriate "tone from the top" being set in respect of decision making and ethical behaviour from senior officers and members. Codes of conduct are in place for both members and officers.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. During our review we found no evidence of any instances where officers or elected members have not complied with the necessary standards.

A range of policies and standards are in place to ensure compliance, such as codes of conduct, gifts and hospitality and whistle-blowing policies. Officers and members are required to annually declare any interests that they might have and any gifts and hospitality received during the year. These policies are regularly reviewed and updated, and we did not identify any instances where these had not been subject to frequent review.

Budgetary control 2020/21

We have considered the Council's processes for monitoring the 2020/21 budget during what was a difficult year to accurately forecast costs and income due to the effects of the pandemic, periods of lockdown and incremental announcements of government funding.

Budget monitoring reports are submitted regularly throughout the year to the Executive Committee with reports providing a summary of the Council's financial performance including details surrounding the issues, impacts and future pressures and risks affecting the Council. Where necessary, these also outline steps being taken to address potential short-falls in order to deliver balanced budgets for the financial year. A financial summary is prepared by each director, which is included as an appendix to the Budget report. This report provide more detail of significant variances and the COVID and non-COVID impacts for each directorate.

The financial impact of COVID-19 was monitored throughout the year and updates on COVID-related pressures and COVID-19 funding were reported within the monthly Budget reports.

The budget monitoring process throughout the year incorporated the COVID-19 related risks to ensure all impacts were quantified and this meant the financial information was appropriate to be used to support and enable strategic decisions, which was particularly important with a difficult financial and operational landscape due to COVID-19.

Budget reports also include detailed schedules in relation to all projects within the capital programme, including the budget for the current year, total budget over life of project, how much expenditure is incurred to date and how the schemes are being funded. Where there is a significant difference between the in year estimated spend as part of the approved budget and the to date monitoring, we recommend a brief comment is included within the monitoring schedule to explain the reason for this. This would then allow by members to understand at high level the reasons for the differences and allow them to raise any further questions on these schemes.

The Council's outturn position reflects the strong budgetary controls which were implemented during the 20/21 financial year and did not require any transfers from the Council's general fund working balance or the Council's risk reserve.

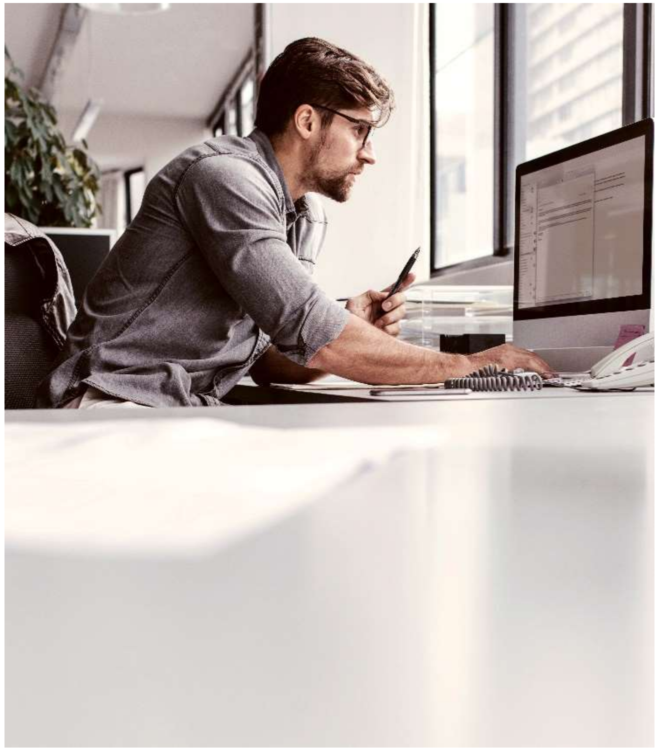
Overall, we found no evidence of significant weaknesses in the Council's arrangements relating to budgetary control. We have raised one recommendation regarding the reporting of the capital programme and any significant differences between the in year estimated spend and the monthly monitoring to date.

Public

Improvement recommendations

Governance

5	**Recommendation**	The Corporate Risk Register should be reported to the Audit Committee on a more regular basis and risks should be mapped explicitly to corporate objectives.
	Why/impact	The frequency of reporting should be increased to quarterly to provide more timely management information to Members. Mapping risks to corporate objectives would ensure that only key business risks are included in the register.
	Summary findings	In 2020/21, only the quarter 3 corporate risk register was taken to the Audit Committee. Although we noted that the Covid risk register for quarter 1 and quarter 3 were also taken to the Committees.
	Management comment	The Council recognises the importance of reporting risk related matters and so does publish information online as an open item. However, the Council also accepts that review and discussion of Risk Registers at formal meetings is helpful and so has recently introduced quarterly reporting to the Audit Committee, where meetings allow. Further work is currently being carried out to map risks to corporate objectives and this will be available by the Autumn.

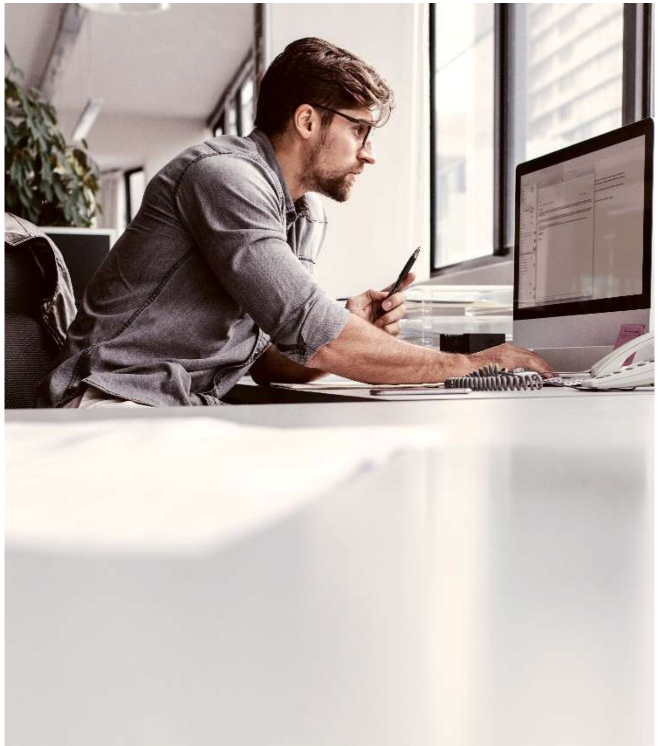


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

6	**Recommendation**	Where there is a significant difference between the in year estimated capital spend at a scheme level as part of the approved budget and the to date monitoring, we recommend a brief comment is included within the monitoring schedule to explain the reason for this.
	Why/impact	This would then allow by members to understand at high level the reasons for the differences and give them further information to then raise any further challenge questions on this.
	Summary findings	Capital monitoring reports reported to members as part of the budget monitoring appendices do not include details for any significant differences between estimated spend and actual spend.
	Management comment	This aspect of the Council's capital monitoring is currently being reviewed by the Capital Programme, Planning and Delivery Board and future monitoring reports will include additional information to explain significant differences in levels of spending, compared to the budgeted position.



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

Improving economy, efficiency and effectiveness

We considered how the Council:

- responded to the changes required as a result of COVID-19
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Corporate Plan is the Council's key overarching strategic document setting out what the Council aims to achieve for local people and the area over the medium term. A new Corporate Plan was adopted by Full Council on 2020 February 2020.

As noted in the Governance section in June 2020 the Executive agreed its COVID-19 'response, recovery and recovery plan' as part of that process agreed changes to its Corporate plan. The Corporate plan 2020-2024 was updated again in August 2020.

The Council has an agreed Corporate Performance Framework (CPF) which sets out how performance is monitored and evaluated. This includes a number of measures and includes:

- Key Council Performance Indicators (KCPIs)
- Key Service Measures (KSMs)
- Organisational Health Measures (OHMs)
- Key Projects (KPs)
- Key Service Projects (KSPs)

The CPF and the Annual Governance Statement set out that performance measures should have quarterly targets and that the corporate plan is monitored quarterly.

Reporting was undertaken across a range of different levels, services, directorate leadership teams (DLT), corporate leadership teams (CLT), scrutiny and Executive. We found that individual scrutiny committees received the relevant extract of performance measures, but did not receive this information on a quarterly basis. Frequency of meetings did not enable this.

We understand that the Executive received performance reports on a quarterly basis via email after close of the quarter along with an yearend performance report. CLT and DLTs also received similar reports but in dashboard format.

We consider that adequate arrangements are in place to monitor performance but that additional improvements are made and we recommend that performance by the Executive is reviewed in a public meeting to facilitate openness and transparency and to enable public scrutiny.

Data Quality

The Council obtains its performance information from a range of sources and gains assurance over the accuracy of data in its performance reports through reliance on the expertise and knowledge of officers. Information is collated into a basket of performance indicators which are reviewed quarterly by a senior analyst and challenged as required.

A similar approach is taken for finance information where the Council again relies upon the knowledge and expertise of its staff to compile and challenge data. The Council also relies upon managers within the Directorates to be engaged and to manage their resources and through the web-based version of Agresso are support by finance staff to accurately forecast spending throughout the year.

The Council does not have a data quality policy. Such a policy should set out an agreed approach to ensuring the reliability and consistency of data quality across the Council. It should also set out who is responsible for ensuring quality and accuracy of data used throughout the Council. We are aware that the Council is developing a data strategy in 2021/22 with the intention that it will include data quality elements.

Children's Services

In the last five years the Council has a number of inspections. The table below illustrates that although some progress may have been made the overall effect is that significant improvements are still required.

Date	Inspectorate	Finding
August 2017	Ofsted – Children's services inspection	Requires improvement to be good
June 2018	Ofsted and Care Quality Inspection – Joint local area SEND inspection	Written Statement of Action is required because of significant areas of weakness in the local area's practice
May 2019	Ofsted - focused visit following on from the 2017 visit	Not all areas identified for improvement in 2017 had been fully addressed
March 2020	Ofsted – children's social care	The service still requires improvement to be good
June 2021	Ofsted and Care Quality Inspection – Joint local area SEND revisit	Sufficient progress was made in addressing two of eight significant weaknesses identified in 2018. Six significant weaknesses insufficient progress has been made.
December 2021	Ofsted - focused visit following on from the March 2020 visit	There has been little progress in the quality of social work practice to improve the experiences for children in need of help and protection since the last inspection

The Children's services developed an improvement plan following the inspection in 2017 which has been updated in 2020. The actions from the plan are contained within the Children's Support and Safeguarding Plan. Progress is monitored by the Children's Services Leadership Team every two months and monthly by the Children & Young People's Partnership Board. However, during 2020/21 and 2021/22 the improvement plan has not been reviewed and discussed by members in a public meeting. Whilst we consider that adequate arrangements are in place arrangements to monitor performance the arrangements could be strengthen by ensuring progress against Children's Services Improvement Plan in reviewed and evaluated in a public committee meeting.

Significant partnerships

The Council's corporate plan includes the importance of partners within its principles and identifies where partners contribute to the Council's objectives. The actions do name some of the specific partners such as the Local Enterprise partnership and the West of England Combined Authority, but did not always directly name the relevant partnership. And the Corporate Plan includes the priority '*Partnerships which enhance skills, learning and employment opportunities. And Collaborate with partners to deliver the best outcomes*'.

The governance relating to the partnerships in which the Council is involved varies and depends on the nature of the partnership and the involvement of members and therefore the information they receive will differ. These arrangements are not dissimilar to other local councils, but what we have found is that a number of councils are defining their significant partnerships and developing partnership registers where the importance of partnerships and the contribution that individual partnerships make to the council's corporate objectives can be evaluated and documented. The Council has not defined its significant partnership and does not have a register of its significant partnerships, although the Council has begun this process by listing its main partners within its 2020/21 Annual Governance Statement.

We have not identified any significant weaknesses in the Council's partnership arrangements we consider that the Council would benefit from defining its significant partnerships and developing a register that identifies the contribution that the partnerships makes to the Council's corporate objectives.

Procurement

The Council has a procurement strategy which is available on the Council's website. The Strategy is the responsibility of the Strategic Procurement Group and is responsible for reviewing the strategy and progress against the targets. The procurement and contract procures rules are contained within the Council's constitution.

We are aware that the Council has taken action to address under performance by third parties. The set up of North Somerset Environment Services Limited is an example where measures were taken to address under performance of the Council's existing waste service.

The Council has outsourced a large proportion of its support services to Liberata and Agilisys, who have contracted with the Council's since 2010. They provide much of the Council's support services such as ICT, and the revenue and benefits service. Performance is monitored through KPIs and the Council has a defined set of KPIs for each year of the contract. Performance is reported monthly and an annual dashboard is produced. Detailed monthly performance meetings are held for each of the services by the relevant service lead.

North Somerset Environment Services Company Limited (NSEC)

In September 2020 Full Council made the decision to reach a negotiated termination of its outsourced waste collection and recycling services and deliver these services through a local authority trading company. In October 2020 NSEC was established and began trading at the end of March 2021.

This decision was made based on the performance of the existing contractor and following an options appraisal, which considered five different options: continuation of existing arrangements, bringing services in-house, setting up a local authority owned trading company (with the Council as the sole share holder) or a joint venture with an established local authority waste trading company.

This decision delegated authority to the Director of Development and Environment, in consultation with the Council's statutory officers to set up an appropriate company structure to include council governance processes. Whilst NSEC was only operation for nine days in 2020/21 we found, that the governance and performance management arrangements are unclear and have not been communicated to members in a public meeting.

Our experience indicates that it is a fine balance between commercial freedoms and appropriate council governance and performance management. Local authority trading companies can remove unnecessary public sector bureaucracy in a private sector setting but need to ensure the Council maintains control to ensure sufficient, robust, timely information is reported to provide the necessary assurance to the Council and to comply with the 'Teckal' requirements. Effective governance arrangements will reduce and limit the risk and financial exposure to which the Council is exposed.

The following governance examples are available to the Council:

- procurement controls, over the contract or service level agreement in place
- shareholder committee or boards – these are usually established as subcommittees of the Council and report to the Executive or Full Council
- group reporting arrangements – regular reporting on performance and financial information directly to the Executive or Full Council.

We note that the Council has also appointed the Director of People and Communities as a Director of NSEC. The Council should ensure that its directors who are also employees of the council are aware of potential conflicts and are advised and able to effectively minimise any potential conflict of interest.

We have identified the following improvement recommendation: The Council should ensure it has effective governance arrangements in place in relation to NSEC to:

- actively and routinely monitor the service and financial performance, so that NSEC is held to account and under performance is addressed
- minimise the scope for conflicts of interest regarding the roles held by Council Officers on the NSEC Board to.

Teckal – refers to an exemption from the rules of Government procurement, whereby a public authority may award a contract to a separate entity, without public procurement. Provided these two requirements are met: the council awarding the contract must exercise control over the separate entity (the trading company) to a similar extent to which it exercises over its own departments and at least 80% of the total turnover of the Teckal company must be for its public sector owners.

Benchmarking

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

Benchmarking was undertaken as part of our VfM work. We used our management tool 'CFO Insights' and compared the units costs for a range of services. This identified two areas where the unit costs were very high in comparison to other unitary councils:

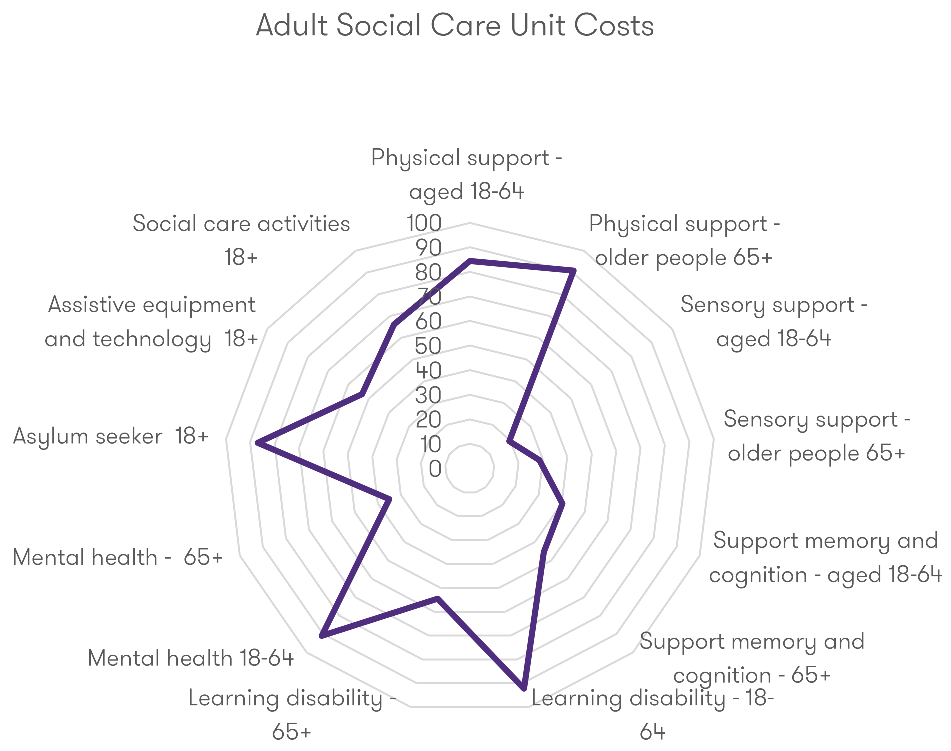
- Adult Social Care, illustrated opposite with high cost areas being:
  - Learning disability (18-64 year olds
  - Mental Health support (18-64 year olds)
  - Physical support (18-64 year olds)
  - Physical support (over 65s)
  - Asylum seekers (over 18).
- Planning and development, as a result of high unit costs for economic research.

The Council is aware of the high costs areas within Adult Social Care and annually looks at the use of resources benchmarking provided by the Local Government Association. Based on this information the Council is aware that the cause of these high costs is as a result of higher than average spend per client in long term care. The Council has been working to reduce the number of people aged 18-64 placed in residential care to reduce these costs.

The high costs within planning and development economic research have been attributed to discretionary COVID-19 business grants in this category which has expenditure of £6.1m in 2020/21. If this assumption is correct then the unit costs should reduce in 2021/22.

On the spider chart a rank of 50 represents the group median. The group in this case is all unitary and county councils. If a measure is closer to the outside of the chart it would be classed as 'very high cost', whereas if the line is closer to zero, then it would be classed as 'very low cost' in comparison to the group.

The data is based on the 2019/20 Revenue Outturn submissions to the government.



Improvement recommendations

Improving economy, efficiency and effectiveness

7	**Recommendation**	The Council's Executive should review performance against the corporate plan in public meetings and performance should be reviewed quarterly by the scrutiny committees in line with the Council's corporate performance framework.
	Why/impact	Public meetings enable public scrutiny and demonstrate that the Council is open and transparent about its performance.
	Summary findings	The Council has an agreed Corporate Performance Framework (CPF) which sets out how performance is monitored and evaluated. The CPF and the Annual Governance Statement set out that performance measures should have quarterly targets and that the corporate plan is monitored quarterly. Reporting was undertaken across a range of different levels, services, directorate leadership teams (DLT), corporate leadership teams (CLT), scrutiny and Executive. We found that individual scrutiny committees received the relevant extract of performance measures, but did not receive this information on a quarterly basis. Frequency of meetings did not enable this. The Executive received performance reports on a quarterly basis via email after close of the quarter along with an end year performance. CLT and DLTs also received similar reports but in dashboard format.
	Management comment	As noted in the findings, the Council already has extensive reporting arrangements in place to ensure that performance outcomes are shared with senior officers as well as the Executive and Scrutiny Panels, although recognise that in some cases the timing of meetings does not always allow for quarterly external reporting to be shared within the public domain. The Council will review its reporting timetable to ensure that performance management information is shared with the Executive at public meetings where possible.

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

Improvement recommendations

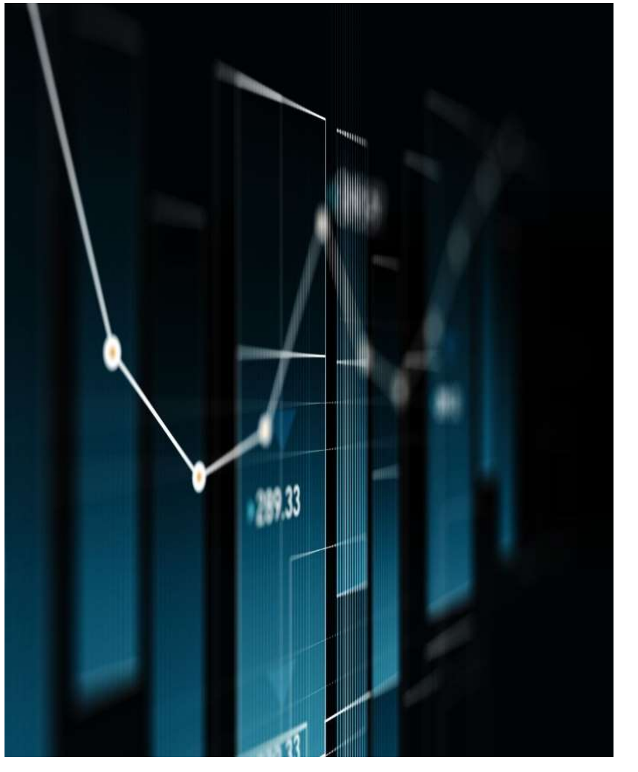
Improving economy, efficiency and effectiveness

8	**Recommendation**	The Council should ensure it has effective governance arrangements in place in relation to North Somerset Environmental Services Limited (NSEC) to: • actively and routinely monitor the service and financial performance, so that NSEC is held to account and under performance is addressed • minimise the scope for conflicts of interest regarding the roles held by Council Officers on the NSEC Board.
	Why/impact	Effective governance arrangements will reduce and limit the risk and financial exposure to which the Council is exposed.
	Summary findings	In September 2020 Full Council agreed to terminate its existing waste contracting arrangements and established North Somerset Environment Services Limited, a local authority trading controlled company which began trading at the end of March 2021. This decision delegated authority to the Director of Development and Environment, in consultation with the Council's statutory officers to set up an appropriate company structure to include council governance processes. The governance and performance management arrangements are unclear and have not been communicated to members in a public meeting.
	Management comment	There is a close working relationship between NSEC and the NSC client (waste services) with a contract signed and in place and reviewed annually for contract price. A formal contract variation process is in place to monitor and document changes to the contract. The Council has nominated the Executive Member for Corporate Services as its Shareholder representative. The company is overseen by the shareholder via a shareholder board which meets regularly (at least quarterly) and which reviews the company performance of NSEC via a Memorandum of Understanding and the Company Articles, as well as the headlines of service performance. The articles clearly reserve matters for the shareholder including the development of formal agreements and documentation. Officers are currently reflecting on current governance arrangements and whether these could be strengthened.

Improvement recommendations

Improving economy, efficiency and effectiveness

Management comment (cont)	Council officers initially held positions on the NSEC Board while the company was implemented and while a recruitment process for an independent chair of the board and 2 non-executive directors was undertaken. From August/September the NSEC board will comprise 2 company directors, an independent chair, and 2 NEDs with no council officers on the board. This prevents conflicts of interest with officers who have two roles related to the company.



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

Improvement recommendations

Improving economy, efficiency and effectiveness

9	**Recommendation**	The Council should review and evaluate progress against its Children's Services Improvement Plan in a public committee meeting.
	Why/impact	Review in a formal committee meeting will provide public scrutiny and should ensure effective action to improve performance is taken.
	Summary findings	Following the Ofsted inspections in 2020 and joint local area SEND significant improvements are still required to achieve a 'good' rating and before all the objectives on its Written Statement of Action are achieved. Progress was monitored internally, but was not reviewed at any formal committee meeting.
	Management comment	The newly published ILACS report following the March inspection was presented to CYPS Scrutiny Committee in June 2020. The subsequent Improvement Plan was scrutinised by CYPS Scrutiny Committee at its meetings in Oct 2020, Oct 2021 and Mar 2022.. A Focus Group of elected members had a series of meetings with officers to track progress and ths concluded with the setting up of Member Task & Finish Groups, each focusing on an area of improvement. The Improvement Plan arising from the Ofsted/CQC SEND Inspections continues to be monitored by CYPS Scrutiny Committee at its meetings (Oct 2018, Jan 2019, Oct 2019, June 2020, Mar 2021, June 2021, Oct 2021) and members continue to scrutinise and triangulate via a Task and Finish Group focused on aspects of the Improvement Plan. A combined report covering progress against the recommendations of the ILACS (2020), the SEND inspections (May 2018 & May 2021), the YOS inspection (Sept 2020) and the Ofsted Focused Visit (Dec 2021) will be presented to CYPS Scrutiny in October 2022.

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

Improvement recommendations

Improving economy, efficiency and effectiveness

10	**Recommendation**	The Council should adopt a data quality policy.
	Why/impact	A data quality policy would set out the Council's approach to continually improving the quality of data required to support good decision making. A data quality policy should include: • definition of data quality and why it is important • roles and responsibilities, including members, senior officers and individual employees • data quality objectives • monitoring arrangements • arrangements for data sharing.
	Summary findings	The Council does not have a data quality policy.
	Management comment	The Council has recently drafted a Data and Insight Strategy which has been adopted by ICTAB in the first instance and includes an action to develop and implement council-wide data quality standards.

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

Improvement recommendations

Improving economy, efficiency and effectiveness

11	**Recommendation**	The Council should define its significant partnerships and develop a register that identifies the contribution that the partnerships makes to the Council's corporate objectives.
	Why/impact	Defining its significant partnerships and better understanding their contribution to the Council's objectives will enable the Council to evaluate and assess their level of contribution.
	Summary findings	The Council has not defined its significant partnership and does not have a register of its significant partnerships. The main partners are included within the Council's 2020/21 Annual Governance Statement and would provide the starting point for the development of a partnership register.
	Management comment	The Council recognises the importance that partnerships play in delivering contributions that allow corporate objectives to be achieved and as such makes efforts to describe these within the Annual Governance Statement, as well as throughout the Council's website. That being said, the development of partnership register would provide a single source of information and would be beneficial to interested parties. The Council will add this recommendation into the work plan for the Partnership team so that they can consider and discuss how a register could be implemented in the future.

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

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 15 October 2021.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Governance Committee on 20 September 2021.

Whole of Government Accounts

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

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audit.

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:

- Our work did not identify any material errors or adjustments to the financial statements
- We recommended a small number of adjustments to improve the presentation of the financial statements
- We made a small number of recommendations for improvements which the Council accepted to take forward.
- ## Grant Thornton provides an independent opinion on whether the accounts are:
- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

Appendices

Appendix A - Responsibilities of the Council

Role of the Chief Financial Officer:

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

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

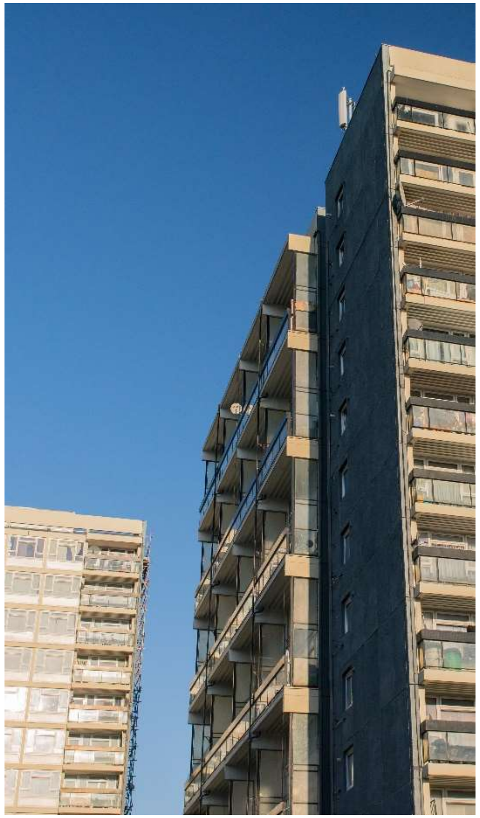
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



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

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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified at the planning stage of the value for money audit as a potential significant weakness, see pages 6 to 15 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, four improvement recommendations raised.
Governance was not identified as a potential significant weakness, see pages 16 to 20 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, two improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 21 to 29 for more details	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, five improvement recommendations raised.

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	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	Pages 12 – 15 Pages 19 – 20 Pages 25 - 29

Appendix D – Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We have not issued any statutory recommendations.
Public interest report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We have not issued a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We have not made an application to the Courts.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We have not issued any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We have not applied for a judicial review.

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