

Auditor's Annual Report on Warwick District Council

2020-21

13 April 2022

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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.



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Executive summary



Value for money arrangements and key recommendation(s)

We presented our Audit Plan to the Finance & Audit Scrutiny Committee on 7 July 2021. In this we set out the revised approach to Value for Money work for 2020/21 onwards. We noted there are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified/unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We reported at that time that we had not identified any risks of significant weaknesses from our initial planning work. We have continued our review of your arrangements, and are now able to issue our auditor's annual report.

We have made seven "Improvement Recommendations" as set out on pages 11 to 17. In our opinion, 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.



Financial sustainability

The Council is in a relatively healthy financial position but needs to ensure that savings plans are realistic, especially for major transformational projects. The Council also needs to ensure that real savings are distinguished between costs met from other sources. There is a cumulative deficit of £1,186k to 2026/27.



Governance

The Council has robust internal control arrangements in place around risk management, fraud arrangements and internal audit. However, there is scope to improve external engagement as part of the budget setting process.



Improving economy, efficiency and effectiveness

The Council has effective arrangements in place for public consultation on significant projects and working with key partners. However, there is scope to improve performance reporting through the use of targets for Key Performance Indicators.



Opinion on the financial statements

We presented our Audit Findings Report to the Finance & Audit Scrutiny Committee on 3 November 2021. We made four recommendations to improve the process for preparing the financial statements and supporting working papers. Following completion of our work we provided an unqualified opinion on the financial statements on 9 December 2021.

We reported that on 28 September 2021 the Council received a revised actuarial report which better reflected pension fund assets as at 31 March. This resulted in an increase in the Council's share of pension fund assets of £2,851k, and a corresponding reduction in the net liability. The pension fund note, Balance Sheet and Movement in Reserves Statement will be adjusted for this movement. There has also been a £1,000k reclassification between cash and short-term debtors.

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 5 to 18. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

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

Key findings

The 2021/22 Government Local Finance Settlement Figures announced in December 2020 improved the Council's financial position, particularly the higher than expected New Homes Bonus funding. More importantly though, further COVID-19 related funding has allowed the Council to forecast a much healthier financial position in 2020/21 and beyond.

Assumptions around council tax increases (£5/year/Band D property), inflation (2%) and pay costs (2%) are reasonable and supported by expert analysis from treasury advisers. Whilst this report focuses on 2020/21 the recently backdated national pay award of 1.6% for 2021/22 is within this range and the Council is aware that the recent spike in inflation will impact it and as part of its 2022/23 budget setting used differential assumptions in some areas i.e. waste contract at 4% and cleaning contract at 2.6%. This demonstrates the Council takes account of the changing environment within which it operates.

Financial plans are based on realistic assumptions, and Members are provided with appropriate information on which to make informed decisions. Where necessary "Working Groups" are set up to provide further scrutiny and challenge of proposals in order to provide assurance to the wider Member group. There is slippage on some savings schemes, but this is inevitable given their forward looking nature and the general uncertainty caused by the COVID-19 pandemic during 2020/21. However, there is scope to be more cautious on savings forecast from major transformation projects, for example "Digital Transformation" and "Integration with Stratford", as these are inherently less certain and prone to slippage.

The Council also needs to be careful that funding expenditure from sources other than the General Fund budget are not true savings to the Council – the costs are unchanged. Examples include the use of New Homes Bonus to fund £300k of voluntary grants and the use of the Capital Receipts Reserve to fund £500k of borrowing costs in relation to Kenilworth Leisure Centre. However, it is noted that the Council has not utilised the New Homes Bonus to support core revenue spending.

There is also scope to improve consultation with stakeholders when developing the budget and Medium Term Financial Strategy (MTFS), including saving schemes. We found robust evidence of internal consultation, and external consultation around significant initiatives such as the investments in Newbold Comyn and the Climate Change Emergency response, as well as re-charges for Housing Revenue Account services, we were not provided with evidence of external consultation around budget or council tax setting. This is an area for improvement.

The Medium Term Financial Strategy, presented to Council on 23 February 2022, contains the latest financial forecasts. While this is outside of the year in question, it is important that we use the most up to date financial information when assessing financial sustainability. The report highlights that the Council has significant savings and income generation plans – including the introduction of green waste collection and charges and the full concession being received for the Council's Leisure Centres of over £1,600k. Over the life of the MTFS these cumulative savings / income generation schemes amount to around £6m.

In addition to these there is a further £1,186k of recurrent savings that still need to be identified by 2026/27. While this might seem a long way off, if planned savings are not delivered in full, that figure will increase, and it takes time to develop, agree and implement large scale savings or income generation projects, particularly as “easier” savings or income generation will have already been achieved.

The Council therefore has an ongoing budget deficit which it will need address in order to ensure long term financial viability. The Council needs to bring further savings or income generation schemes forward in order to remove the need to rely on reserves.

While there are sufficient reserves to cover the existing MTFS deficit, the Council needs to bring further savings or income generation schemes forward in order to remove the need to rely on reserves. There is scope to generate additional income through new services and charges and economic development. These include garden waste collection, reduced office accommodation costs - particularly through shared space with Stratford-on-Avon District Council, and the potential for increased business rates and council tax from developments at Coventry Airfield and Coventry & Warwickshire Gateway in particular.

As an improvement area, the Council should include a column which clearly links each item in the recurrent and non-recurrent development reports, presented to Cabinet as part of the budget setting each February, to the "Initiatives" in the Business Strategy (Corporate Plan). This will ensure focus on achieving each of the intended outcomes across the three strands of People, Services and Money. The two reports could also indicate whether savings are linked to the overall savings approved in December each year.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified three opportunities for improvement. These are set out overleaf.

Improvement recommendations



Financial sustainability

1 Recommendation	The Council needs to be more cautious on savings forecast from major transformation projects, as these are inherently less certain and prone to slippage.
Why/impact	Savings forecast from two of the projects we examined are now expected to be less than initially forecast. Where savings are overly ambitious or optimistic this can lead to challenges in achieving a sustainable balanced budget and impact financial sustainability in future years
Auditor judgement	Major transformation projects are especially difficult to manage and forecast savings. There is a tendency for slippage and anticipated savings to not be fully achieved. Prudence should be exercised when estimating savings.
Summary findings	The Council is currently in a relatively healthy financial position but has a £1,186k shortfall to address by 2026/27 and needs to ensure that savings are realistic and achievable to ensure it remains in this position.
Management comment	Proposed savings should be firmly based and subject to challenge at the outset. It is important that progress on achieving savings continues to be monitored.



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

Improvement recommendations



Financial sustainability

2 Recommendation	The Council needs to be careful not to classify expenditure funded from sources other than the General Fund budget as true savings to the Council.
Why/impact	Alternative sources of funding are currently available, but are not finite and can only be used once.
Auditor judgement	Funding expenditure from sources other than the General Fund budget does not represent true savings to the Council – the costs are unchanged. Examples include the use of New Homes Bonus to fund £300k of voluntary grants and the use of the Capital Receipts Reserve to fund £500k of borrowing costs in relation to Kenilworth Leisure Centre.
Summary findings	There is a risk that the underlying cost of providing services is temporarily masked, creating further challenges in future years.
Management comment	Funding of selected previously “mainstream funded” items to fund from New Homes Bonus was to help the Council’s overall financial position. Consideration of the continuation of these items, and how to fund If they are to continue, will fall part of the 2023/24 Budget process.



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

Improvement recommendations



Financial sustainability

3 Recommendation	The Council should more clearly link the budget setting process to its Business Strategy (Corporate Plan).
Why/impact	Including a column which clearly links each item in the recurrent and non-recurrent development reports, presented to Cabinet as part of the budget setting each February, to the "Initiatives" in the Business Strategy (Corporate Plan) will ensure focus on achieving each of the intended outcomes across the three strands of People, Services and Money. The two reports could also indicate whether savings are linked to the overall savings approved in December each year.
Auditor judgement	Making it clearer that Council Priorities are receiving appropriate levels of investment is crucial to enable those priorities to be achieved.
Summary findings	The Council has sound arrangements in place for budget setting, but there is scope to improve links between different documents.
Management comment	We will do this as part of next year's budget process and updating/aligning of the Councils Plans of WDC and SDC.



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 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.

Key findings

The Council has robust arrangements in place for reporting the risk management approach, and significant risks, to Members. The Council's Significant Business Risk Register (SBRR) is drafted following a review by the Council's Senior Management Team and the Leader of the Council. It is then reviewed quarterly by the Council's Senior Management Team and the Council Leader and then, in keeping with members' overall responsibilities for managing risk, by the Executive. The report highlights changes from previous report, with named individuals responsible for each action, control and mitigation. Actions are highlighted.

Internal Audit reports frequently to the Finance & Audit Scrutiny Committee. Reports are comprehensive and provide Members with the required levels of assurance required. Where issues are identified, these are clearly reported.

Despite the COVID-19 pandemic, Internal Audit was able to complete a sufficient amount of the planned work programme in order to provide a Head of Internal Audit Opinion.

The Council has robust and embedded arrangements in place around the prevention and detection of fraud. Members are provided with various reports setting out the approach and strategy. Officers are supported by Oxford City Council to investigate corporate frauds.

Appropriate checks and controls were put in place to administer the COVID-19 related grants which the Council passed on as an agent for the government. Over £60m of grants, comprising over 17,000 individual payments, were awarded, with only five, totalling £67,000, subsequently found to be fraudulent.

When preparing the budget and MTFs the Council undertakes modelling and scenario analysis, particularly regarding significant decision such as council tax increases.

While the Council has robust internal engagement as part of the budget setting process, there is less evidence of external engagement. While this has been more challenging during the COVID-19 pandemic, this is an area the Council can improve upon.

The Council has in place appropriate arrangements to comply with legislation and regulatory standards. This includes arrangements for officers and Members to declare any pecuniary or non pecuniary interests, as well as any gifts or hospitality received.

The finance team engages with budget holders to review financial performance and identify actions to resolve adverse variances on a regular basis, with any corrective action agreed and actioned. However, quarterly financial monitoring reports to Cabinet could be enhanced by the inclusion of relevant non-financial information. For example, the Quarter 2 budget report for 2021-22, reported to Cabinet in December 2021 discusses bereavement activity and additional waste collections. While the impact on the finances is reported, the activity levels are not.

In our audit plan presented to the Finance & Audit Scrutiny Committee on 7 July 2021, as well as a significant risk around financial sustainability we identified two further risks in relation to joint working with Stratford on Avon District Council and the establishment of a housing company. We set out the findings from our work below.

Joint working with Stratford on Avon District Council

The governance arrangements around the proposed merger are robust. The Council commissioned external consultants, Deloitte, to prepare a report on the potential benefits of the merger. This report, dated 27 January 2021, was used to inform the business case prior to formal agreement in February. The formal agreement followed presentation of the report. Within the, it is clear that sufficient resource is allocated (£100k a year) for project management.

There is a risk register which captures all of the risks we would expect. A report from July 2021 sets out the scrutiny of the process - notably that Finance & Audit Scrutiny Committee and Overview & Scrutiny Committee will have oversight, with frequent consultation between the two Chairs. Regular reports have set out the progress. We have been present at Finance & Audit Scrutiny Committee and witnessed challenge and scrutiny by Members.

In December 2021 both councils determined to pursue political merger and the formation of a South Warwickshire District Council. Alongside this service integration would also continue with joint management positions. We have not noted any issues that would require us to report at this time but this will be subject to on-going review as part of our 2021-22 work.

Partnerships

Partnerships PSP Warwick LLP (PSP) was incorporated as a Limited Liability Partnership on 26 March 2013 as a collaborative activity between the Council and PSP Facilitating Limited (PSPF). The primary role of the Joint Venture was to enable the Council to better realise the efficient management of its assets by unlocking value and reducing liabilities in relation to the Council's operational and investment properties, with the focus of the project being development of a new Council HQ on the Covent Garden car parking site and conversion of the Riverside House area to residential housing.

The project was challenging in the presiding economic and planning environment. On 13th May 2021, PSP Facilitating Limited and Warwick District Council formally agreed to dissolve the Partnership (PSP LLP), with the Council paying £500,000 towards the costs incurred by PSP LLP over the life of the project. The Council has sought and followed legal advice throughout this process and on the basis of the information and documentation we have seen we are satisfied the Council has taken appropriate consideration of that advice when making decisions.

Establishment of a housing company

During 2020/21 the Council created a wholly owned Local Housing Company (LHC) subsidiary named Milverton Homes Ltd. The Business Plan was approved by the Council's Cabinet on the 10 December 2020 and the Company was incorporated on 10 January 2021 with the initial purpose of the delivery of intermediate and market housing.

Up to 31 March 2021 there were no transactions, and the company was essentially dormant. Hence, there is not governance or accountability to scrutinise during 2020/21. We are satisfied that appropriate external advice has been sought in setting up the Company, establishing the business plan. As part of this the Council has agreed a facility for the Company to call down up to £57m of loans. During 2021/22 the company has also entered into a joint venture and the Council has agreed to provide additional borrowing up to £45m to the joint venture. These transactions have occurred during 2021/22 so will be subject to review in that year but we are satisfied that the Council has sought appropriate advice and considered the impact upon its Prudential Indicators and there are no immediate reporting matters.

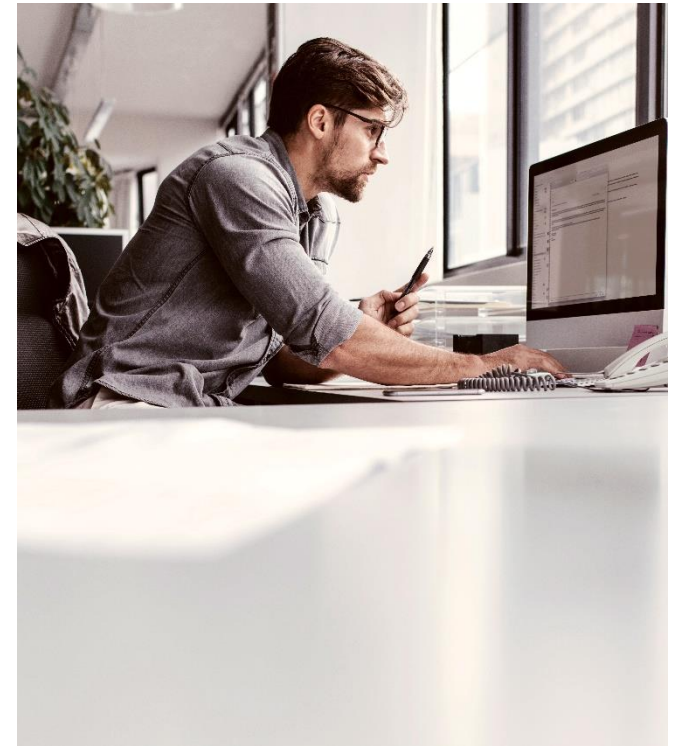
Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified two opportunities for improvement, set out overleaf.

Improvement recommendations

Governance

4 Recommendation	The Council should improve external engagement as part of the budget setting process.
Why/impact	As achieving a balanced budget each year becomes ever more challenging, it is crucial that the public, service users and other stakeholders understand the financial pressure the Council is under and the difficult decisions that Members are asked to make when setting the budget and council tax.
Auditor judgement	While the Council has robust internal engagement as part of the budget setting process, there is less evidence of external engagement. While this has been more challenging during the COVID-19 pandemic, this is an area the Council needs to improve.
Summary findings	External engagement in the budget setting process needs to be improved to ensure the buy-in and support of the public, service users and other stakeholders.
Management comment	With the close working with Stratford, a more pro-active approach should be possible, using the experience and resources from SDC. To be included within the Budget process for 2023/24.

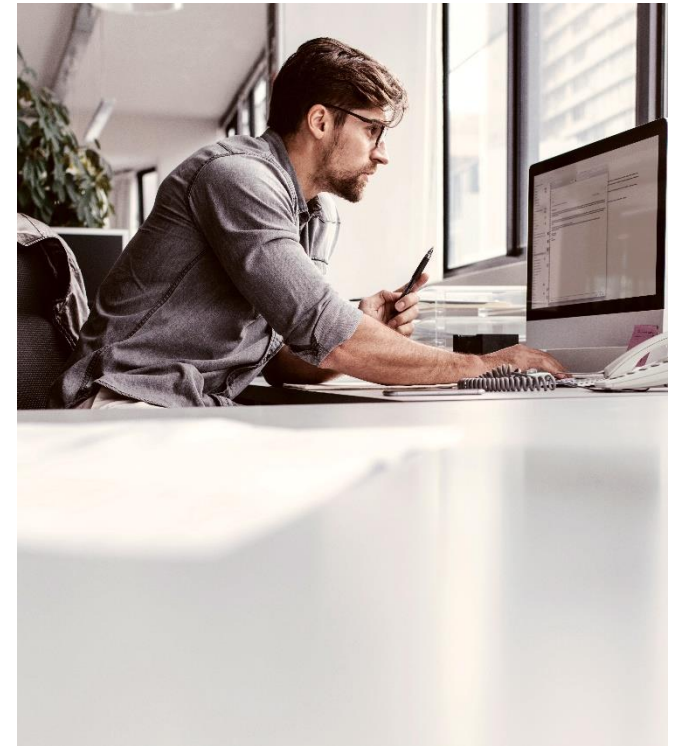


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

5 Recommendation	The Council should include relevant non-financial information, for example, around activity levels, with the quarterly financial monitoring reports.
Why/impact	Providing a full picture to decision makers is crucial. By not providing relevant non-financial information alongside financial information the context of that information can be lost.
Auditor judgement	Quarterly financial monitoring reports to Cabinet could be enhanced by the inclusion of relevant non-financial information. For example, the Quarter 2 budget report for 2021-22, reported to Cabinet in December 2021 discusses bereavement activity and additional waste collections. While the impact on the finances is reported, the activity levels are not.
Summary findings	Financial reporting could be improved with the inclusion of relevant non-financial information.
Management comment	A joint approach should be taken by WDC and SDC, using the enhanced resources for performance monitoring that should come from the joint working between the two councils. To be considered as part of the approach to recommendation 6.



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, 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.

Key findings

Quarterly performance reports are presented to Senior Management Team. Each portfolio is included, with a number of KPIs, with trend analysis and narrative explanations. Few of the KPIs have targets though, so it is difficult to see whether performance is on track or not, and whether corrective action is required. The reports are shared with all Councillors.

The Council undertakes some benchmarking of costs and performance, and obtains expert external support for large scale projects. However, there is scope to widen the extent to which benchmarking is used to help identify areas which can be improved. This is an area for improvement.

The Council identifies and pursues lower cost options for service delivery. Examples include joint working with Stratford on Avon District Council and the decision to become a partner in the new Materials Recycling Facility. Both of these were supported by business cases.

The Council has robust arrangements in place to ensure that Members are kept informed of progress regarding the development of key partnerships, such as with Stratford on Avon District Council.

The Council engages with stakeholders, including the public, where appropriate to determine local priorities for resources or savings for opportunities. For example, the investments in Newbold Comyn and the Climate Change Emergency response, as well as re-charges for Housing Revenue Account services.

When undertaking significant commercial ventures, for example the establishment of a new local housing company, reports presented to Members clearly consider the risk and rewards. The Council also ensures that appropriate external expert advice is sought where necessary.

The Council has appropriate arrangements in place to monitor the performance of key service providers or sub-contractors. For example, the Council delivers its Disabled Facilities Grant (DFG) function through the Home Environment Assessment and Response Team (HEART) shared service. A Review of the HEART Service has been undertaken on behalf of the HEART Board and reported to February 2021 Overview and Scrutiny Committee. The findings have informed an improvement plan that the HEART Board are monitoring and the Host authority (Nuneaton and Bedworth Borough Council) is implementing.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified two opportunities for improvement, set out on the following pages.

Improvement recommendations



Improving economy, efficiency and effectiveness

6 Recommendation	The Council needs to improve performance reporting by including targets for Key Performance Indicators.
Why/impact	Lack of clarity over targets for Key Performance Indicators (KPIs) makes it very difficult for recipients of the information to decide on the extent of corrective action required, if any.
Auditor judgement	Quarterly performance reports are presented to Senior Management Team. Each portfolio is included, with a number of KPIs, with trend analysis and narrative explanations. Few of the KPIs have targets though, so it is difficult to see whether performance is on track or not, and whether corrective action is required.
Summary findings	Performance reporting is reasonable, but could be further enhanced with the inclusion of targets.
Management comment	The approach to performance management for both SDC and WDC will be progressed during 2022/23, noting the more established performance reporting at SDC. However, WDC believe that setting targets can have a perverse effect and distort priorities. Therefore, the approach is to seek to improve performance over time. To be progressed by Corporate Management Team.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

7 Recommendation	The Council needs to expand the amount of benchmarking undertaken to include more services.
Why/impact	Benchmarking against other councils allows for improvements to be identified, which could provide a better service to users, or reduce costs for the same level of service.
Auditor judgement	The Council undertakes some benchmarking of costs and performance, and obtains expert external support for large scale projects. However, there is scope to widen the extent to which benchmarking is used to help identify areas which can be improved. This is an area for improvement.
Summary findings	Benchmarking is limited to a few areas of the Council, and there is scope to widen this to more service areas.
Management comment	We will look at that as part of our revised service planning process that we will be doing jointly with SDC.



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

COVID-19 arrangements



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

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

Key messages

The arrangements set up as a response to COVID-19 continue to be in place, with Officers able to work remotely, using MS Teams as required, but also with the opportunity to return to the offices at Riverside House if they wish.

Committee meetings have reverted to "in-person". The "Step Back Review" reported to Executive in March 2021, and provided a fair and balanced appraisal of the Council's response. The report made a number of recommendations, to which the Corporate Management Team has responded, with Executive then considering further. The report does not highlight any significant weaknesses.

Governance and internal control systems have continued to work appropriately.

The Council established robust arrangements to process business support grants. Where fraudulent claims have been identified these have been reported appropriately.

The Council has managed the impact of COVID-19 on its leisure services provider, Everyone Active, appropriately. A report to Cabinet in July 2021 set out the challenges presented by the pandemic, the national context, local arrangements, and the financial implications for 2020/21 and forecast for 2021/22. The Council and Everyone Active have agreed an "Open book" approach, with all transactions supplied to Council officers along with actuals for each income and expenditure line. This allowed the Council to monitor all income and expenditure at a time when it was underwriting the service.

Conclusion

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the COVID-19 pandemic.

We have not identified any improvement recommendations.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 9 December 2021.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Finance & Audit Scrutiny Committee on 3 November 2021.

Whole of Government Accounts

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

We are still waiting for the workbook and guidance from the government department. Until those are received officers are unable to complete the return for us to undertake our work.

Preparation of the accounts

The Council provided draft accounts in line with the national timetable. In our Audit Findings Report, presented to Finance & Audit Scrutiny Committee on 3 November 2021, we highlighted some of the challenges experienced during our audit, and made four recommendations for improvement.

Issues arising from the accounts:

The key issues were:

- An updated actuarial report resulting in an increase in the Council's share of pension fund assets of £2,851k, and a corresponding reduction in the net liability.
- Our audit our work on property valuations was again challenging. It took a long time for us to be satisfied that the revaluations provided by the external valuer, Carter Jonas, had been properly reflected in the financial statements.
- Our audit work on cash & cash equivalents took a lot longer than planned. Officers prepared a revised bank reconciliation which resulted in a net movement of £1m between bank current accounts and short-term debtors.

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 (or equivalent):

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

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

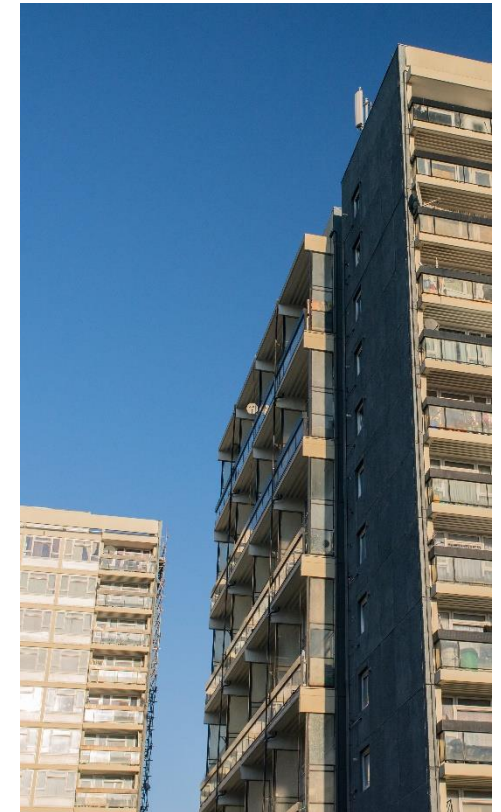
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



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

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

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Financial sustainability was identified as a potential significant weakness, see page 5 for more details.	We reviewed the Council's Medium Term Financial Strategy and financial monitoring reports and assessed the assumptions being used and savings being achieved.	The Council is in a relatively healthy financial position but needs to ensure that savings plans are realistic, especially for major transformational projects. The Council also needs to ensure that real savings are distinguished between costs met from other sources. There is a cumulative deficit of £1,186k to 2026/27.	Appropriate arrangements are in place, but three improvement recommendations raised.
Governance around the planned merger with Stratford on Avon District Council was identified as a potential significant weakness, see page 8 for more details.	We reviewed progress and governance and oversight arrangements.	The governance arrangements around the proposed merger are robust. The Council commissioned external consultants, Deloitte, to prepare a report on the potential benefits of the merger. This report was used to inform the business case prior to formal agreement in February. Finance & Audit Scrutiny Committee and Overview & Scrutiny Committee have oversight, with frequent consultation between the two Chairs. Regular reports have set out the progress.	Appropriate arrangements in place, no further action taken.
Governance around the formation of the new housing company was identified as a potential significant weakness, see page 8 for more details.	We reviewed the arrangements established by the Council to ensure appropriate governance and oversight.	Up to 31 March 2021 there were no transactions, and the company was essentially dormant. Hence, there is not governance or accountability to scrutinise. We are satisfied that appropriate external advice has been sought in setting up the Company and structuring the loan.	Appropriate arrangements in place, no further action taken.

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	11-15

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 did not make any statutory recommendations.

Public interest report

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

We did not issue a Public Interest Report.

Application to the Court

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

We did not apply to the Court.

Advisory notice

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

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

We did not issue an Advisory notice.

Judicial review

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

We did not apply for a judicial review.

