

Auditor's Annual Report on Worcestershire County Council

2020-21

11 March 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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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 recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. 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. We have not identified any significant Value for Money (VFM) weaknesses, but have identified three opportunities for improvement which are set out in detail within our report. We have not had to apply any of our formal auditor's powers. Information on the powers we can deploy are set out at Appendix D.

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

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

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, with early forecasts initially suggesting an £8.1m impact for 2020/21. The Council have worked hard to manage this position, and have finished the year with a small surplus. There is evidence across the Council of where staff have being flexible and adapted to the challenges faced, working in different services or changing working patterns to deliver the best they could for the communities of Worcestershire.

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 one opportunity for improvement. Specifically:

- To review the minimum revenue provision charge to ensure it meets the statutory guidance and sufficient resource is available to support future debt repayments. The outcome of this review should be clearly reported to members.

Further details and a managements response is provided on pages 6-12.

Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place and the changes instigated as a response to the pandemic. 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. We have, however, made one improvement recommendation with regard to:

- Ensuring all remaining actions arising for the task and finish group p on risk management should be implemented, including a review of effectiveness.

Further details and a managements response is provided on pages 13-16.

Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness. Our work in this area has considered how the Council uses the information available to identify areas for improvement, how services are procured and how well it engages with partners. We have not identified any areas of significant weaknesses in arrangements. We have however, made a recommendation to further improve performance management by re-establishing historic arrangements that were suspended as a result of Covid-19. Further details and a managements response is provided on pages 17-21.

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 July to December 2021. Full details of our findings from the audit are detailed in our Audit Findings Report dated 21 September 2021, which an updated version shared with the Council dated 30 November 2021.

We identified no material errors or adjustments to the outturn position but did identify material disclosure errors in the group movement in reserves statement and the capital financing requirement note. In addition, we also recommended a number of adjustments to improve the presentation of the financial statements.

The draft financial statements were presented for audit in accordance with the agreed timetable and were supported by working papers of a similar quality to last year. The use of a new valuation expert this year has meant that communication has improved and access to explanations and working papers has been better than in prior years. We received prompt responses to our transactional based queries, with our more challenging judgemental queries taking longer. Additional time was required towards the end of the audit to resolve a number of technical audit queries.

This additional work and delays in audit sign off reflects the continuous raising of the bar and us as auditors providing greater challenge to We raised four recommendations during the course of our financial statements audit, and these are included opposite.

We gave an unqualified opinion on the Council's 2020/21 financial statements on 9th December 2021.

Issue and risk	Recommendations
Ten recommendations have been identified in relation to the IT control audit. A separate IT report has been shared with management providing the detail.	<p>Management should continue to implement the recommendations as set out in the detailed IT report.</p> <p>Management response</p> <p>Officers will consider and implement the recommendations identified in the IT control audit in 2021/22.</p>
As part of raising the bar, there is a much greater focus on the clarity of financial reporting, particularly in key areas that involve estimation and judgement.	<p>Management need to undertake a detailed review against the Code and determine if the level of disclosure remains appropriate. Particular areas of focus should be PPE, pensions and financial instruments.</p> <p>Management response</p> <p>Officers will perform a full review of disclosures as part of preparation work for the 2021/22 accounts.</p>
Disclosures relating to both critical judgements and estimation uncertainty lack the level of detail envisaged by IAS 540 and as described in the most recent FRC thematic review	<p>Given the additional focus on accounting estimates, management should consider working more closely with fund managers and other experts to ensure more detailed disclosures can be provided in relation to both estimation uncertainty and critical judgements</p> <p>Management response</p> <p>Officers will perform a full review of disclosures, and engage with experts as necessary, as part of preparation work for the 2021/22 accounts.</p>
The initial authorised journal posters listing provided by management totalled 104 authorised individuals. An analysis of the full journal population identified that 446 individuals had actually posted journals in year.	<p>We recommend that management review the number of authorised users who can post journals to ensure that it remains appropriate.</p> <p>Management response</p> <p>Officers will review the individuals authorised to post journals to ensure it is appropriate.</p>



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 21.

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.

As a result of the inherent uncertainty surrounding the funding of local government we identified in the audit plan a risk of significant weakness in relation to financial sustainability.

Outturn 2020/21

The 2020/21 General Fund outturn position was a £0.783m surplus against the original budget. This outturn position reflects financial pressures associated with the pandemic, particularly across the demand led services. The Council received significant financial support from the government to fund the costs of the pandemic, which totalled almost £88m. This additional funding was spent on a range of support, which included the provision of personal protective equipment (PPE), test and trace activities, additional funding for care providers, the provision of laptops to schools and top up payments for those self isolating.

During 2020/21 the Council looked to achieve planned savings where it could, and then utilised the additional funding it was provided with to ensure that no adverse organisational or service impact occurred in the year. This approach, led to the achievement of a small underspend which the Council have chosen to use to increase its financial resilience, allocated the surplus to earmarked reserves.

The original capital expenditure budget for 2020/21 was set at £139.9m in February 2020. This was revised during the year to £202.810m. The final year end position was a spend of £123.235m. It is not unusual to see significant slippage in the capital programme during the year and this was further compounded by the impact of Covid-19 during 2020/21.

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 Council avoided any knee-jerk reaction to the pandemic and did not reset the 2020/21 budget, instead adopting incremental changes to spend decisions to reflect the latest information available regarding demand and central government support.

Early on in the pandemic, when there was no certainty as to the level of government financial support, forecasts suggested a potential impact of £8.1m for 2020/21. Officers developed their own forecasting model and cashflow analysis tool to track changes to the financial position, and this was regularly reported. The forecasting tool enabled the Council to monitor the costs of the pandemic and report these through the monthly Covid-19 financial management returns to the government. As the financial year progressed and both costs and support became more certain, the net position reported to Members each quarter gradually improved.

Budget 2021/22

The 2021/22 budget was set based on the funding announced in the local government finance settlement and was predicated on the delivery of £7.1M of savings. The settlement is made up of baseline funding, plus additional grant funding for key areas of activity within the Council. The Council received an increase of 2.4% on the baseline and grant funding that was at least in line with the prior year. The Government also recognised the need to continue with a number of one-off grants to support local authorities in their response to the ongoing Covid-19 pandemic, and the Council factored these announcements into the budget as appropriate.

Covid-19 had a significant impact on previous assumptions made in the medium term financial plan and as a result the Council identified revised pressures of £26.8m, compared to when this had been previously reported in the forecast financial plan back in February 2020 as £9m.

Drawing together all of the income streams and the spending required on services, the Council reached a balanced budget position with a £3m use of reserves and the delivery of a £7.1m savings plan.

Of the £7.1m of savings identified for 2021/22, £3m is planned to come from projects within Worcestershire Children First, which is the wholly owned subsidiary of Worcestershire County Council. There is clear evidence of the company and Council working together to achieve shared goals in a challenging financial environment. Plans are in place to ensure that these savings are delivered, and reporting against these savings in 2021/22 suggest that these are on track.

Our work has confirmed that the budget is informed by the Medium - Term Financial Plan. Risks and assumptions relating to the budget are clearly set out and reported to Members.

The impact of borrowing and investment activity is reflected in the revenue budget. It is clear from the strategy that there is a balance between mitigating risk and optimising borrowing. Internal cash balances are being utilised temporarily to support the capital programme and this avoids the need to borrow from PWLB. Through careful, timely treasury management the Council is able to minimise borrowing costs and maximise funding for front line services.

As part of the budget setting process, managers within the Council assess their expenditure and income forecasts. Increases in demand led services, additional cost pressures and areas for investment are all considered, alongside areas where efficiencies could be made or additional income generated. There are clear policies to consult with stakeholders where efficiencies lead to changes in policy or established practices. There are key examples where this has worked well over recent years, including the transition to a new structure for the Council, and way of working.

Proposals on the budget are subject to review and scrutiny by a range of stakeholders, including elected members through the scrutiny process, as well as meetings with both Trade Union representatives and the Schools Forum.

Overall we found no evidence of significant weaknesses in the Council's budget setting arrangements and have not identified any improvement recommendations in respect of this process.

Medium term financial strategy (MTFP)

The MTFP is updated regularly and then formally approved annually in February as part of the annual revenue budget setting process.

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 the Adult Social Care Precept, business rate income, council tax increases, increases in demand led services, as well as pay and contractual increases.

The ability of the Council to plan into the medium term is impacted by the absence of any long term commitments over funding. This combined with the delay in the fair funding review, as well as the reset of the business rate retention scheme results in less certainty and the need for greater scenario planning.

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	32,157	42,598	74,755

The Council have continued to review the impact of Covid-19 on the MTFP. Savings plans have been revisited to ensure they can be delivered, with a reset of baseline savings and efficiency targets for the 2021/22 and 2022/23 financial years. In addition, officers and members are keen to capture some of the benefits of working more flexibly across the organisation, and this is also been factored into medium term plans.

Due to the timing of this report, the 2022/23 budget has now been agreed, which has further updated the MTFP, the latest position is shown below. This reflects an improving, but still challenging position.

Cumulative budget gaps identified in the February 2022 MTFP

Year	2022/23	2023/24	2024/25	2025/26	Total £m
Budget gap	0	10,571	12,215	9,683	32,469

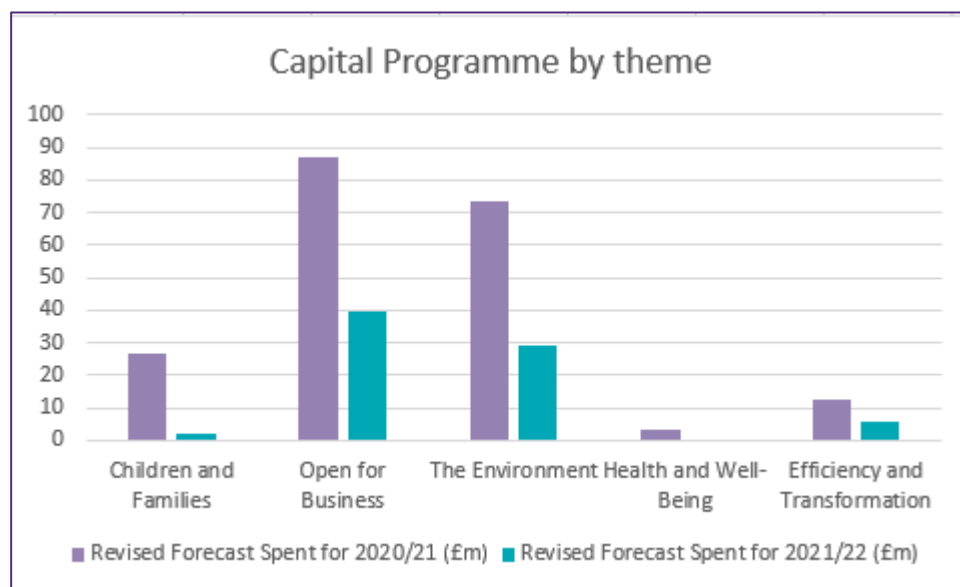
Both officers and members are aware of the challenging financial environment they operate in, and medium term financial planning continues to ensure that plans are in place to close the forecast gap in future years.

We have found no evidence of significant weakness in the Council's financial planning arrangements.

Capital strategy and treasury management

The Council approves the Capital Programme, Capital Strategy and Treasury Management Strategy annually as part of the budget setting process.

The Council approved a £391.6m Capital Programme in February 2021 covering the period 2020/21 to 2022/23 and beyond. Of this, £76.3m was profiled to be spent in 2021/22, of which £40.9m was forecast to be funded from borrowing and £23.5m from Government Grants. The £76.3m forecast spend for 2021/22 is less than half of the forecast spend for 2020/21. This is demonstrated on the graph below. Despite the fall in the capital programme, the highest spend area remains open for business. Major schemes within the capital programme support corporate priorities, most notable schemes within 'open for business' include the Worcester Southern Link Road improvements, and the work on the Shrub Hill Industrial site.



Updating this for the latest position, the 2022/23 budget has approved a capital programme of £468.815m which includes the 2020/21 outturn and runs to 2023/24 and beyond. Of this, £199.517m is now forecast to be spent during 2021/22, with £92.7m of this funded from borrowing.

In line with all other local authorities, the Capital Programme can be funded in a number of ways. This includes directly from revenue, the use of capital receipts or the use of grants. Invariably though, it is heavily reliant on borrowing. The Council's underlying need to borrow, to support the activities of the Council is monitored through a set of indicators which are reported annually. These indicators are included within the treasury management strategy, and this was approved by both Cabinet and Council in February 2020, for the 2020/21 financial year. One of these indicators is the Capital Financing Requirement (CFR), which acts as a summary of the effect of the financing and affordability decisions taken by the Council to fund capital expenditure.

There have been a number of recent high profile cases nationally where Councils have failed to appropriately calculate their CFR and as a result undercharge borrowing costs to revenue. This in turn has ramifications for financial resilience and for 2020/21 was a particular area of opinion audit focus across all our Local Government audit bodies.

Our opinion audit identified that the Council had been incorrectly disclosing the financing of its Energy from Waste Plant Private Finance Initiative in the calculation of its CFR indicator. As a result, material changes were made to the disclosures in the financial statements, to reflect the correct position. These adjustments had no impact on the reported position of the Council at the 31 March 2021.

The CFR is an important indicator, as it is one of the measures that ensures capital investment decisions, in particular the level of borrowing, are taken that are affordable. To further assist Councils in ensuring this borrowing is undertaken on an affordable basis, there is statutory guidance in place which requires an annual amount to be set aside for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). The broad aim of this is to ensure that sufficient funds are available to meet the costs of future debt repayments.

In 2020/21 the Council made a combined revenue charge of £13.6m in respect of MRP. This was reviewed against the statutory guidance, and it was identified that there were two capital schemes where the Council had failed to cap the estimated life of the asset at 50 years. This resulted in a potential cumulative undercharge of the MRP of £2.1m. The continued use of these higher asset lives could result in the Council not setting aside a sufficient level of funds to support future debt repayment, impacting on future financial sustainability decisions. While this is not considered a significant weakness, we have raised an improvement recommendation that management review the appropriateness of the MRP charge to ensure it does not expose the Council to financial risk in the future and the outcome of this review is clearly reported to members.

Reserves

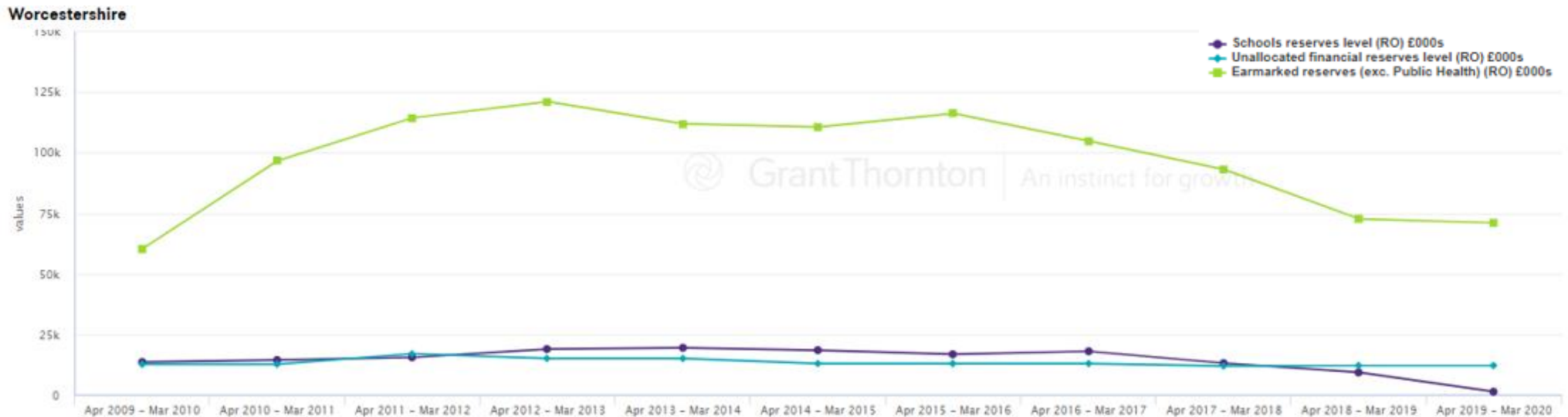
The Local Government Act 2003 requires the s151 Officer to report on the robustness of estimates within the budget and the adequacy of levels of reserves. As part of the 2021/22 budget the recommended level of General Fund (GF) balance of £12.2m was assessed as sufficient. This equates to 3.4% of the budget requirement. To inform the decision on the sufficiency of the general fund balance the s151 officer performs a risk assessment, and this is included as part of the budget reporting to members. Key elements of risk that the s151 officer has considered in making the assessment include;

- The level of savings required in year to balance the budget, and any risks associated with achieving these
- The lack of certainty over funding beyond 2021/22, and
- The need to make provision for unexpected demand on services due to unforeseen events, such as changes in care provision or adverse weather.

While the s151 officer has concluded that estimates within the budget are robust and the level of reserves is adequate, he also highlights that there is no opportunity for a further call on general fund reserves during 2021/22.

The Council's earmarked reserves provide additional sources of risk mitigation and financial resilience in addition to the General Fund balance. As at 31 March 2021 the Council had £114.7m of earmarked reserves. Included within these reserves are £17.8m which are not available to support the core spend of the Council, removing these balances gives an adjusted position of £96.9m. This is a net increase of £38.4m from the prior year position. Most significant increases were £3.1m to the reserve for open for business, which is designed to fund measures to support growth in the local economy, and £6.4m for future capital investment. The graph below shows how reserve levels have fluctuated over time, and while reserves have been falling over recent years, the unallocated reserve (GF) remains relatively stable, and earmarked reserves remain above the levels seen in 2009/10. School balances remain low, representing the challenging financial environment.

Reserve Levels



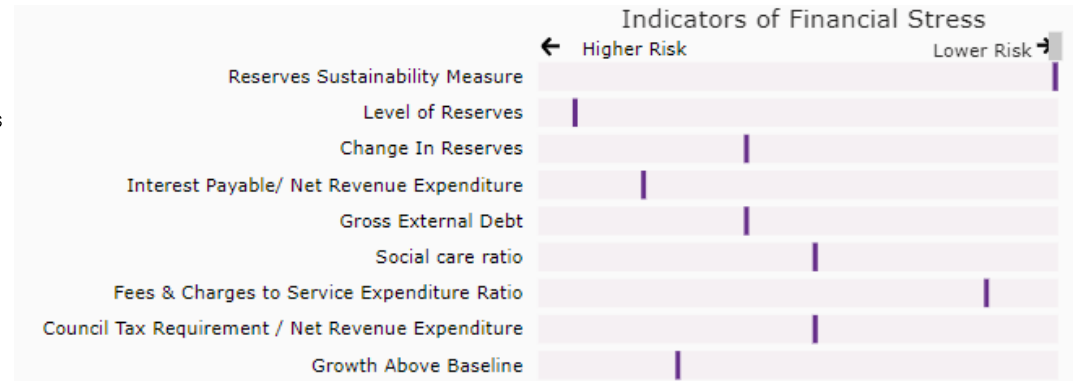
The data above is based on the 2019/20 Revenue Outturn submissions to the government.

Reserves - continued

When considering the financial sustainability picture, the Council reviews a range of indicators. These include the indicators published annually by CIPFA as part of their financial resilience index. The index compares Worcestershire with its nearest neighbours, and produces indicators of financial stress. The table opposite shows the results for the 2020-21 financial year.

The data shows that reserves remain low when compared to their nearest neighbour authorities, however increases in the current year have improved the position. Officers and members have demonstrated a sound understanding of the position, and continue to balance the level of reserves against the overall financial control environment.

Overall we consider the Council has adequate levels of reserves in place, and an agreed strategy to mitigate financial risk.



Consistency between financial and other corporate plans

The Corporate plan covers 2017 to 2022, and articulates four priorities.

Priority: Children and Families

Vision and Objectives

We are focused on improving outcomes for all children, young people and families in Worcestershire. Our ambition is to see more children and young people **achieving their full potential in education** and being fully prepared to live happy, healthy, independent and prosperous adult lives.

Keeping children and young people safe is a key priority for this Council and its partners. When the only safe option, for those vulnerable children and young people most at risk, is to come into our care, we will focus our efforts on providing a positive care experience in order for them to thrive and achieve their maximum potential.

Priority: Open for Business

Vision and Objectives

Worcestershire has **one of the fastest growing local economies in the country**. Being "Open for Business" remains the key priority for the Council. This is vital if both individuals and businesses are to achieve their full potential and if Worcestershire is going to continue to prosper.

A successful and growing local economy will generate wealth for residents and businesses, and this growth will increase Council income, enabling us to invest more in those areas that our residents and businesses tell us are most important to them.

Priority: Health and Well-Being

Vision and Objectives

It is our priority, working with partners, to ensure Worcestershire residents are healthier, live longer, have a better quality of life and **remain independent** for as long as possible.

We will work together with partners and communities to enable Worcestershire residents to **make responsible choices** when planning their lives to achieve the best possible outcomes. We will enable individuals to become or remain independent, self-reliant and an integrated part of their local communities.

Priority: The Environment

Vision and Objectives

Our **environment is one of the county's key features**, providing easy access to the countryside and a wealth of stunning scenery. Our country parks, open spaces and woodlands provide great walking and cycling opportunities which support our health and well-being vision.

Worcestershire is a diverse county with fantastic examples of a historic and natural environment, which contributes to the unique character of the county.

The quality of the environment, and the recreational, cultural and heritage offer - which includes the distinction of being Elgar's county - is crucial to the success of Worcestershire's tourism economy. It also provides an attractive place to invest in a new business or to grow an existing one.

A sustainable environment is important for people's wellbeing, the economy and for the natural environment.

Consistency between financial and other corporate plans - continued

2021/22 is the final year of the five year corporate plan, and as a result, budget setting and the review of the financial plan was considered on an incremental basis. Decisions on new investments are clearly articulated in the budget report, and these are linked through to the areas of the corporate plan. For example, the 2021/22 budget report included the following investments aligned to the plan;

- Open for Business - £23m to support local business and recover following the impact of Covid 19
- Health and Wellbeing- £11.5m to fund the demand led pressures faced by Adult Social Care
- Children and Families - £7.7m to continue the improvement journey in Children's safeguarding
- Environment - £131m investment in the local environment and key infrastructure projects.

Savings proposals are also considered in light of the corporate plan, and these are challenged and reported regularly to both officers and members.

Our work in this area demonstrates a coherent link between corporate priorities and the design of the budget.

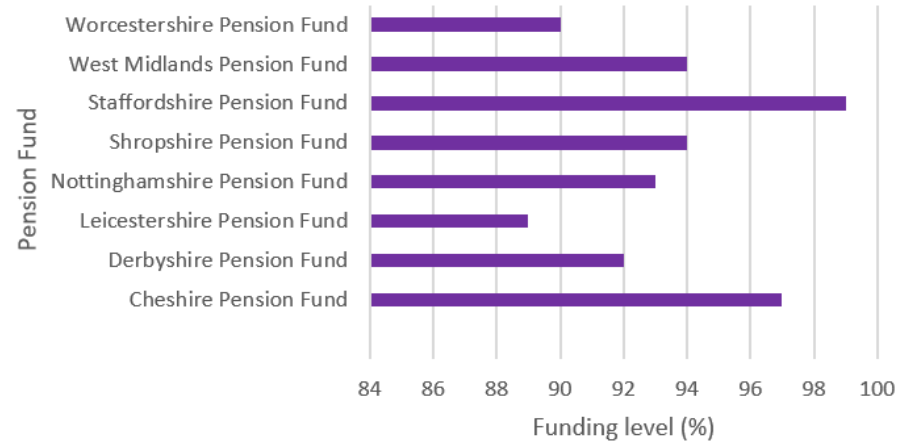
The Pension Fund

Worcestershire County Council are the administering authority for Worcestershire Pension Fund, and as a result are required to;

- put in place arrangements to ensure that the pension fund manages its resources to ensure that it can continue to deliver it's services,
- has arrangements in place to make informed decisions and manage risk, and
- uses information about its costs and performance to manage the service.

A key measure of how resources are managed within the pension fund is the funding level. Every three years, the Fund commissions a formal valuation of the fund from an independent actuary. This valuation produces a funding level. The funding level is the level to which the liabilities of the fund, (payments that will be required to members of the pension fund) match the fund's assets. A funding level of less than 100% implies that there is a deficit between the fund's assets and liabilities.

The most recent formal valuation of the fund was at 31 March 2019, and this gave a funding level of 90%. The chart opposite compares the funding level of Worcestershire Pension Fund, with the other members of the LGPS Central Pool.



Based on the 90% funding level, the actuary has set a common rate of contributions of 17.5% of pensionable pay per year, to meet the long term funding objective, of ensuring that assets equal 100% of the projected liabilities of the fund.

The Department for Levelling Up, Housing and Communities have commissioned further work from the Government Actuary's Department (GAD) on each of the 88 local government pension funds, with the objective of providing an update on the March 2019 actuary valuations that were undertaken. The results of this work from GAD were published in December 2021, and this has indicated that the funding level for Worcestershire Pension Fund has risen from 90% to 103%.

The fund has a Funding Strategy Statement, which is published alongside it's annual report, and this sets out how the fund will maintain the stability of contributions in the future, while meeting it's long term objectives.

From our work undertaken in this area, we have not identified any significant weaknesses.

Conclusion

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses.

Improvement recommendations



Financial sustainability

1 Recommendation	The Council should review the MRP charge to ensure it meets the statutory guidance and sufficient resource is available to support future debt repayments. The outcome of this review should be clearly reported to members.
Why/impact	The MRP is required to ensure that sufficient funds are available to meet the costs of future debt repayments. Any under provision of this balance will impact on the financial sustainability of the Council in future years.
Summary findings	In 2020/21 the Council made a combined revenue charge of £13.6m in respect of MRP. This was reviewed against the statutory guidance, and it was identified that there were two capital schemes where the Council had failed to cap the estimated live of the asset at 50 years. This resulted in a potential cumulative undercharge of the MRP of £2.1m.
Management comment	We will continue to review the Council's MRP provisions in line with regulations and will update the Audit and Governance Committee during 2022.



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 supported the community, businesses and the delivery of critical services through the pandemic and adapted governance arrangements as required. The cabinet were fully consulted on how arrangements needed to be adapted, and officers were given authority to take appropriate action, which included authorising expenditure and making temporary changes to policy. The response focused on the implementation of the 'Gold' command structure and in line with Government guidance, moving away from business as usual activity and establishing an emergency planning approach to meeting statutory duties.

Updates were provided to Cabinet on a regular basis, with formal reports produced detailing the initial responses in key service areas, and then as the pandemic developed, how the Council needed to operate to bring about recovery. Virtual committee meetings were held during the year, including Full Council, Cabinet, Audit and Governance and Overview and Scrutiny panels. Members of the public were able to attend and take part.

Officer decisions made in dealing with the Covid-19 response were reported on the Council's website, and these included;

- The provision of personal protective equipment,
- The development of Here2Help (a community action scheme to support those in need),
- Adult Social Care Access Centre, and
- The purchase of care.

As a longer term response to the pandemic, the Council co-ordinated a joint response group 'The Worcestershire Covid-19 Economic Response, Recovery and Resilience Group'. This includes representatives from all local authorities across Worcestershire and a range of other stakeholders.

All of the above provides evidence of appropriate actions being taken to address the risks and challenges presented by the Covid-19 pandemic.

Managing risk

In April 2020, the risk management function transferred to the Internal Audit Team, and a new Risk and Assurance Manager was appointed. The risk management process during the year largely focused on the Covid 19 response, and as such a flexible approach was adopted that enabled ongoing monitoring alongside responding to emerging risks. Risk assessment was undertaken by risk owners and then escalated to senior officers as required. Reporting continued on a quarterly basis to the Audit and Governance Committee.

During the year a task and finish group was commissioned by the senior leadership team to review the way risk is managed. The group reported in October 2021, with its overarching finding that the Council had an inconsistent approach to risk management, with the strategy in place not fully embedded. Key areas for improvement included;

- The need to update the Corporate Risk Strategy
- Risk training to be provided for all accountable staff
- Risks to be formally considered on a quarterly basis by the senior leadership team and cabinet.
- Risks to be challenged by a refreshed Corporate Risk Management Group.

The Council has continued to make improvements to arrangements during the year and has used its learning of managing risks during the Covid-19 pandemic as a way to fully embed more dynamic risk management. Corporate risks are collated centrally on a risk management system, and these are reviewed for consistency and common themes. Operational risks are held within departments and these are managed and updated on an operational basis.

Our work has not identified any significant areas of weakness with the Council's arrangements for managing risk. We do, however, recognise that there are a number of recommendations from the task and finish group report that are yet to be implemented. We have therefore included an improvement recommendation to ensure all required actions are taken and then a review of effectiveness is performed to determine if the changes have had the intended impact.

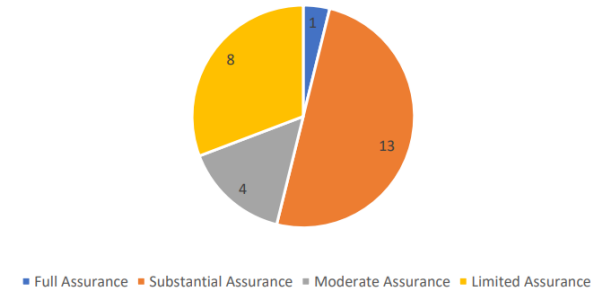
Internal control

Internal Audit is provided by an in house team. The Internal Audit Plan for the 2020/21 financial year was approved by the Audit and Governance Committee in March 2020 and this included a number of key themes that would be audited throughout the course of the year, recognising the need to have sufficient flexibility to respond to rapidly changing events. Progress against the audit plan required changes and resource updates have been provided to members on a quarterly basis.

The development of the in house Internal Audit team has led to a change in focus of internal audit coverage. The work is focusing much more on the overall framework of policies and procedures in place and working to streamline them in a way that can be applied and understood across the organisation. The focus is very much around areas for improvement, rather than highlighting where things have gone wrong, as a result there is evidence that officers across the Council are engaging earlier with Internal Audit and responding in a more proactive way when actions are needed.

There were 31 audit themes and 12 grant certifications in the Audit Plan for 2020/21, with 26 assurance audits, 3 advisory reports and 13 grant certifications being completed. The levels of assurance assigned to the assurance reports are shown in the following pie chart.

Assurance audit ratings



The audits covered a range of departments, and included 17 audits of individual schools, as well as work on debt management, financial forecasting and the Covid-19 response. There was no work on key financial systems during the year, however, work is planned on the general ledger for 2021/22.

This work performed by Internal Audit resulted in the Chief Internal Auditor providing a moderate assurance opinion for the 2020/21 financial year. A moderate assurance opinion indicates that the system of control is generally sound, however some of the expected controls are not in place and/or are not operating effectively, increasing the risk that the system does not meet the Council's objectives.

From our work we have found no areas of significant weakness in the management and reporting on internal control.

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. These are contained within the constitution which is publicly available on the Council website. The constitution was last updated in December 2019, and work is currently ongoing to update this and ensure it remains fit for purpose.

Registers of interests and gifts and hospitality registers are maintained for both officers and members. These are reviewed regularly, and at least annually to ensure all appropriate disclosures are made.

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. Through our review we are not aware of any instances where officers or elected members have not complied with the necessary standards. We note that while the S151 Officer is a member of the Senior Management Team, the Monitoring Officer is not. Instead the monitoring officer reports to the Chief Executive through the Strategic Director of Commercial and Commissioning. There is no evidence that this arrangement isn't operating appropriately. We have not identified any significant weaknesses with regard to the Council's arrangements for ensuring adherence to laws and regulations or ethical standards.

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.

Detailed budget reports are provided to the senior leadership team on a monthly basis, which includes an explanation of significant variances and assumptions used, a forecast outturn position, risks to the budget and actions for each chief officer to take. This process is well embedded, and has enabled the Council to continue to deliver in line with the original budget agreed by Full Council in February 2020. Public reporting on the budget is done via the cabinet, who receive financial monitoring reports at least five times a year.

As the financial year progressed the overall forecast outturn position improved as the costs of the pandemic and associated government funding became more certain. The month four position was a forecast deficit of £1.6m, with a small surplus forecast by month 9 and a final outturn surplus achieved of £0.783m.

The financial impact of Covid-19 was monitored through working papers developed to support the submission of the monthly financial management returns to the government. Key areas of costs such as adult social care and children's placements were monitored monthly as were key areas of income pressure, such as council tax. Costs and pressures were identified comparing actuals to budget and these working papers supported the quarterly budget monitoring reported to Members.

There was no requirement during the year to implement additional controls on expenditure, with the budget managed effectively through the existing systems already in place at the Council.

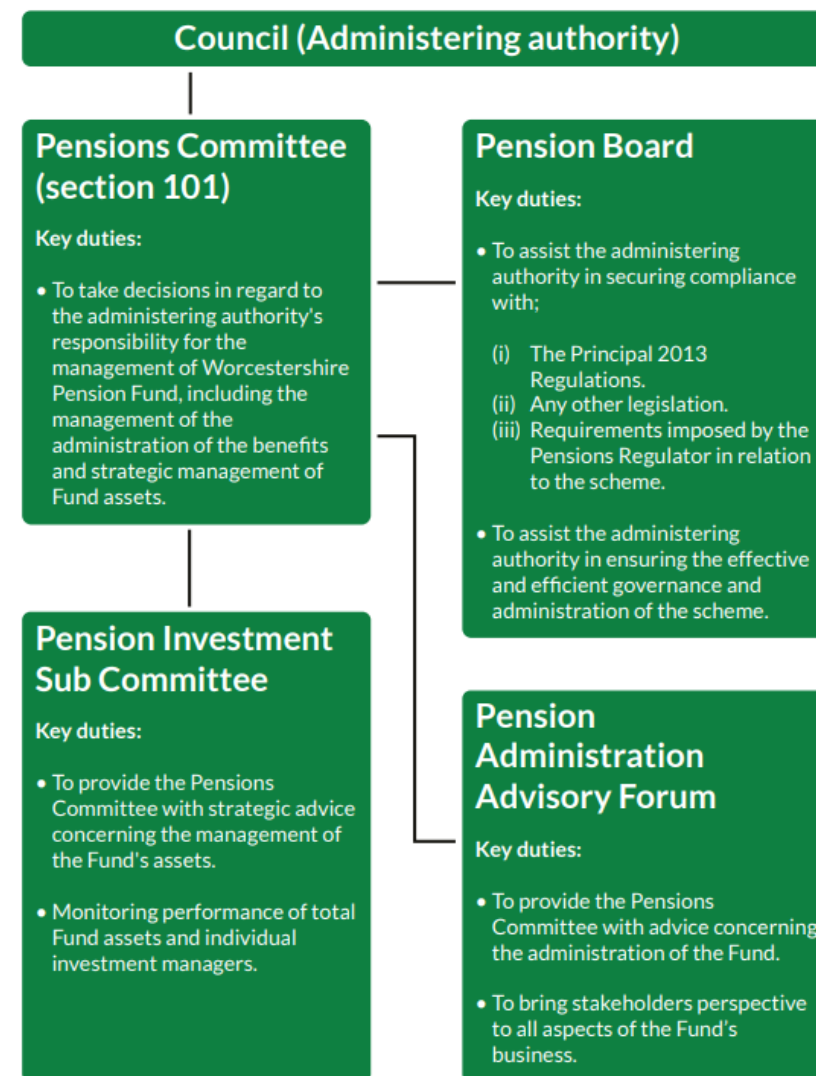
We have not identified any significant weaknesses with regard to the Council's arrangements for budget monitoring.

The Pension Fund

Overall responsibility for managing the Pension Fund lies with the Council. The responsibility for the management and administration of the fund is then delegated to the Chief Financial Officer. The Chief Financial Officer is advised by the Pensions Committee and also take appropriate advice from the Fund's actuary and the Fund's appointed investment advisor. The Pensions Committee received recommendations from the Pension Investment Sub-Committee to enable it to discharge its responsibilities effectively. These governance arrangements are set out annually in the governance policy statement, which is published as part of the pension fund annual report. This demonstrates that the fund is compliant with the guidance. The picture opposite outlines, some of the key governance features of the pension fund.

From the work undertaken, we have not identified any significant weaknesses in the governance arrangements for the Pension Fund.

Worcestershire Pension Fund Governance



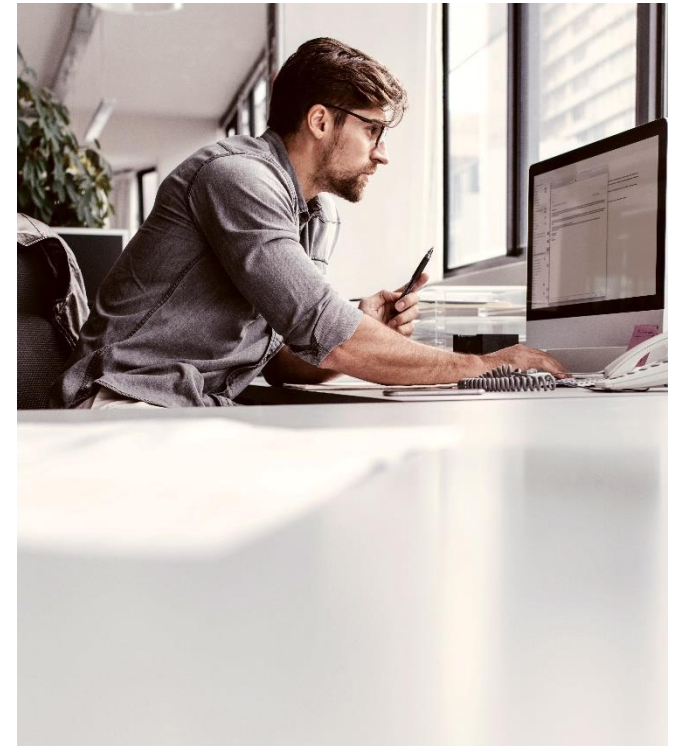
Conclusion on Governance

Our Audit Plan did not identify any risks of significant weakness in relation to Governance, and our detailed work in this area has not identified any additional risks to consider. We have not made any key recommendations in this area, but have noted one recommendation for improvement, set out overleaf.

Improvement recommendations

Governance

2 Recommendation	All remaining actions arising from the task and finish group on risk management should be implemented, including a review of effectiveness.
Why/impact	Risk management is an essential part of delivering good governance, enabling Council's to ensure they are not adversely impacted by threats that could have been foreseen.
Summary findings	The officer task and finish group reported it's findings on risk management practices in October 2020. It's overarching finding was that the Council had an inconsistent approach to risk management, with a strategy in place that was not fully embedded.
Management comment	An update on the implementation of actions arising from the task and finish group will be included in the year end report presented to the July Audit and Governance Committee.



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

Improving economy, efficiency and effectiveness



We considered how the Council:

- 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 Council's Corporate Plan runs from 2017 to 2022 and articulates the four priorities of health and well being, open for business, children and families and the environment. The plan looked to change the role of the Council to one which is about enabling individuals, families and communities to do more for themselves, while still being there for the most vulnerable in society.

The Corporate Plan is supported by service plans and a range of indicators to enable officers and members to monitor performance and track delivery. Historically, these have been reported via a quarterly balanced scorecard, which has been published on the Council's website. Performance information has been shared regularly with the senior leadership team and a performance board. A 'Star Chamber' arrangement is used to understand where performance was not in line with expectations and agrees ways improvements could be made. Officers acknowledge that during the 12 months of 2021/22, the focus has not been on these 'business as usual' arrangements, and the efforts of both officers and members have been diverted into the pandemic response and recovery.

While some of the formal performance management processes have been put on hold, there has remained scrutiny of performance through the overview of scrutiny boards who continued to receive a range of reports. There are six scrutiny boards in place, covering the priorities from the Corporate Plan and overall corporate performance on the budget. A review of the minutes from these boards demonstrates an element of challenge and that mitigating actions are being taken when performance is seen to be dipping.

Management structures have changed during the course of the year in response to Covid-19, but also as the senior leadership team has stabilised and matured. A focus on the shape of the organisation prior to the impact of Covid-19 meant that management capacity had been improved and teams felt enabled to make decisions. A chief officer group is now in place that sits below the senior leadership team who make decisions where there is already policy in place or the scheme is already funded. This leaves the senior leadership with greater time to focus on overall strategy and new policies.

Following the outcome of the elections in May 2021, the Council have been working on the new Corporate Plan. It is anticipated that this will build on similar themes as currently in place, but will evolve to also look to harness the relationships and partnerships that have developed during the response to the pandemic to produce a plan that will deliver for Worcestershire as a whole.

As the plan develops, it is key that formal mechanisms are established to monitor performance against the plan objectives, and that this is formally reported to both officers and members, including the cabinet. Performance reporting should demonstrate clear links to the financial position, and should not be considered in isolation.

Our review of the Council's arrangements for managing performance has not identified any significant areas of weakness but arrangements could be improved by developing more formal performance reporting through to cabinet.

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

The Council does not routinely undertake financial comparisons or benchmarking of service performance with other local authorities. Instead, it considers benchmarking in a more targeted way when looking at individual service areas.

The benchmarking that we undertook using our management tool 'CFO Insights', compared the unit costs for a range of services and identified areas where the unit costs were very high or very low in comparison to other county councils. This data was based on the latest available, which was for the 2019/20 year end. These have been discussed with the finance team as summarised below:

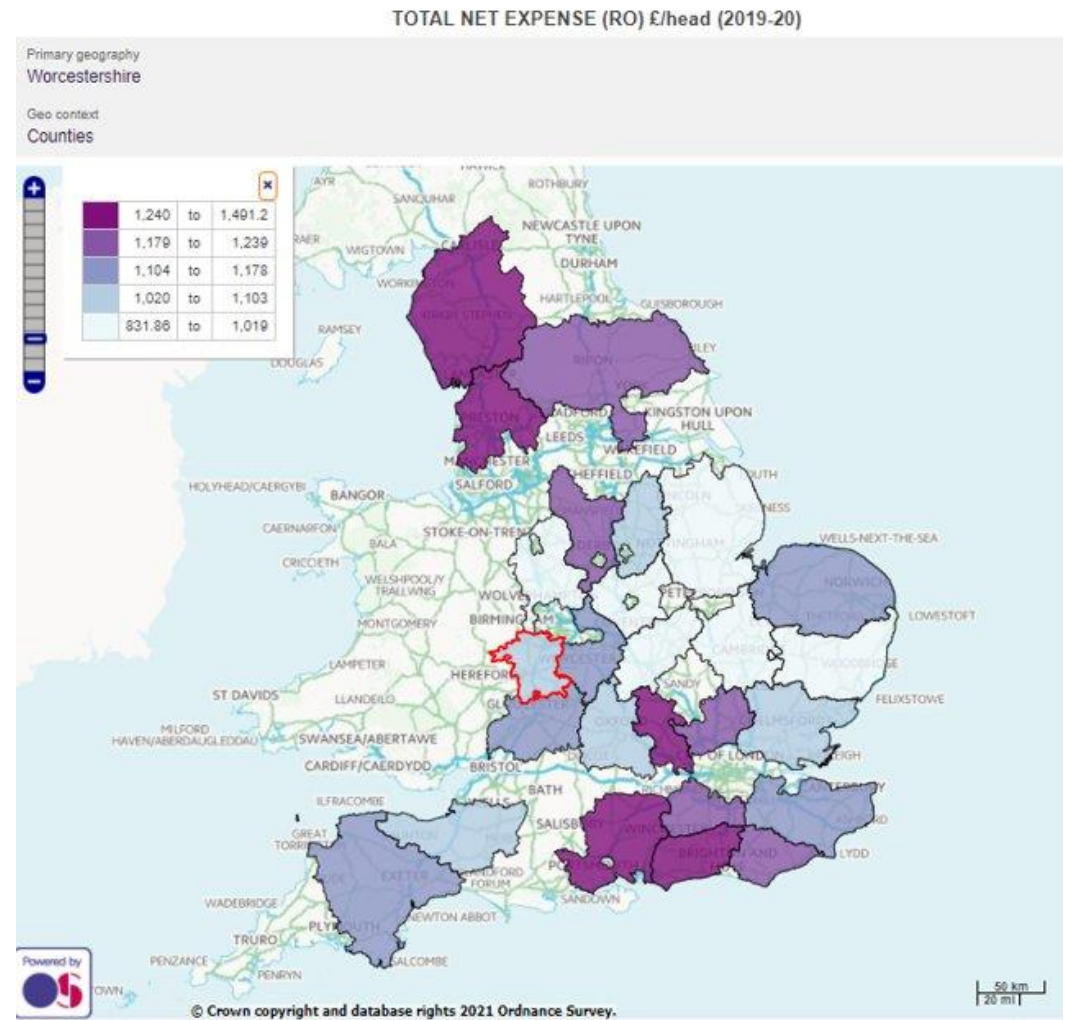
- Cost for highways and transport services - this focuses on revenue expenditure, which has been low in recent years because the County has chosen to invest through the capital programme in infrastructure. As a result, less ongoing maintenance is required when compared to others that have not invested to the same extent. This investment links into the corporate priority of open for business.
- Costs for culture, in particular archives and libraries are high when compared with others – the key driver for this is the private finance initiative (PFI) scheme of The Hive, which is the city centre library operated in partnership with the University.
- Similarly there are high cost in the areas of waste minimisation, recycling, agriculture and animal health – again this is related to the PFI scheme and waste recycling and incinerator plant which is shared with Herefordshire Council. While the costs are high compared with others, they are in line with the budget and expectations of the Council.
- Spend on public and sexual health is high when compared to others- finance officers have explained that this is where they have targeted certain preventative measures, and that they have used the public health grant to fund these initiatives.

Where we have identified potential outliers when compared with others, officers have had a clear understanding on why the data suggests either high or low spend when compared to others. This understanding is mirrored by members, and this knowledge is reinforced during strategic planning, when an overall context of the County is provided as part of the annual budgetary setting process.

The chart below, shows that Worcestershire is a low spending county per head of population when compared to other county councils. The data is based on the 2019/20 Revenue Outturn submissions to the government.

How does total service spend vary across my peer geographies? ^

Total service expenditure per head (Actuals latest period)



The Pension Fund - Benchmarking

The pension fund collects data on a range of different indicators relating to administration, governance and oversight costs. These are published as part of the pension fund annual report. Based on the latest publicly available information the comparative data for 2019/20 for total administration, governance and oversight costs are on average £35.70 per member, compared to £25.60 for Worcestershire. For investment management the average is £209.70 compared to Worcestershire which is £226 per member. This data is considered by the Pension Board.

Investment performance is also benchmarked regularly, and this is reported to the Pension Investment Sub Committee. For 2020/21 the fund underperformed its benchmark performance target by 1.5%, however it still performed well, increasing in value and comparing favourable with other LGPS funds. The fund performance was in line with the benchmark over 3 years, and over 5 years it outperformed by 0.8%.

Significant partnerships

The Council has always recognised the importance of working in partnership with others. The impact of the pandemic has meant that relationships have deepened and matured as the Council has worked collaboratively with others to get things done. During the initial phase of Covid-19, the Local Health and Resilience Partnership to 3 times weekly and became NHS Gold when a full multiagency focussed response was required.

Officers from the Council worked with health professionals and responded by extending the Urgent Care and Community Hospital Teams to a seven day a week service, operating from 8am-8pm. Public Health also worked with Age UK to scale up the Home from Hospital discharge scheme and Independence at Home support. These changes were made possible by redeploying staff and a real focus on doing the right thing.

The challenge of ensuring access to the right support for the homelessness population was met by working closely with the district councils. A homeless task force was set up bringing together not only the district councils, but also other stakeholders such as the police and the CCG. This partnership working has developed easy access routed into health services for the homeless population which will have long term benefits as the recovery from the pandemic begins.

2020/21 was the first full year of operation of Worcestershire Children First (WCF) which was created to deliver children's services on behalf of the Council following a Direction issued by the Secretary of State. In November 2021, the Council received formal confirmation that the Direction would be removed, confirming the significant improvement made in services since the 2016 Ofsted inspection. This would not have been possible without the commitment of both officers and members of the Council and members of the company board to continue to work together to deliver the required improvements.

A key strand of the business plan for WCF is the need to work in partnership with the County Council. There is a recognition that the plan for the company is not just about it's own priorities and visions for children and families, but also important to see them as members of the Worcestershire Community.

County Council priorities of open for business, the environment and health and well being are as important for the children and families supported by WCF as they are for the whole Worcestershire community. There is a real commitment to work together to get the best outcomes for young people and their families.

There is a clear understanding of the interdependence of the Company and the Council, but equally an understanding of the different roles that members of the board play, compared to the roles played by members of the Council. Governance structures are appropriate and there are arrangements in place via the WCF Quality Assurance Framework to analyse business and performance information on a regular basis. While this information is primarily for the company, it is shared with officers of the Council and with members of the cabinet as part of ongoing monitoring.

The Council continues to recognise the importance of Children's services, and following submission of a detailed business plan from WCF, has approved a further investment of £7.9m as part of the proposed budget for 2022/23. Further funding has also been set aside for potential pressures on the placements budget that could arise following recovery from the pandemic.

Our work has not identified any areas of significant weakness regarding how the Council works with its strategic partners.



Procurement of services

The procurement of services falls under the remit of the Director of Commercial and Commissioning. In recent years, the activity of the procurement team has changed to ensure that it is fit for purpose and more closely aligned to the needs of the Council. The team has expanded, allowing a greater understanding of the challenges faced in procuring the right services for the Council at the right price.

In prior years, the team has focused much more on the strategic position looking at big service contracts and securing the best solution for their provision. The impact of Covid-19, has meant that the efforts of the team have had to be diverted to support the overall Council response. In particular, the team has:

- Established a PPE centre at the community equipment site, to source, stock and distribute PPE items to care home, domiciliary care providers, personal care assistants, hospices, GPs, dentist, funeral directors, district councils and schools.
- Created a food preparation and distribution hub to deliver food boxed to individuals in crisis and catering packs to street kitchens and food banks.
- Arranged alternative temporary accommodation for hospital discharge, rough sleepers and homeless.
- Agreed contracts for additional care home beds and domiciliary care support for hospital discharge.

As the impact of Covid-19 has stabilised, the team have been able to focus on key projects that would directly improve service delivery, however, there have been delays to activity in several areas identified on the forward plan. This has been reported through to members, and the arrangements have been open to scrutiny. In addition, officers have recognised the need to refresh the procurement strategy in light of the restructure of the commercial service following the impact of the pandemic. A revised strategy is due to be finalised after the publication of the revised Corporate plan.

One area of more unusual procurement activity to note is the involvement of the Council in West Mercia Energy (WME). WME is a publicly owned energy brokerage operating as a public buying organisation. There are four member authorities in the arrangement, including Worcestershire County Council. WME is managed via a Joint Committee, and there are two members of the Council that sit on the committee. WME distributes a portion of trading surpluses between the member authorities.

While the operation of a joint committee as a public buying organisation for energy is unusual, it does not present the same level of risk associated with owning or part owning an energy company. Many public sector bodies buy energy via a public buying organisation, rather than buying directly, and this arrangement has operated without significant issue for a number of years. Like other Council's, increasing energy costs will continue to place pressure on budgets in future years, and officers and members are looking at ways to mitigate this wherever possible.

An annual report is prepared for members on the activity of WME, including a discussion of the risks. The most recent report notes the challenges faced by the market and the increasing costs of energy, which would increase the financial pressure to the Council. The Council's commercial team continues to monitor the evolving position and is working through the implications of different procurement strategies and contracting models. It is acknowledged that this is a fine balance between mitigating the impact of increasing unit costs, whilst minimising risk.

Our review of the Council's arrangements for the procurement of services has not identified any significant areas of weakness.

Conclusion on Improving Economy, Efficiency and Effectiveness

The audit plan did not identify any risks of significant weakness in relation to improving economy, efficiency and effectiveness, and our detailed work in this area has not identified any additional risks to consider. We have made one improvement recommendation in this area.

Improvement recommendations



Improving economy, efficiency and effectiveness

8 Recommendation	Formal arrangements to monitor progress against the new Corporate Plan should be put in place, following their suspension due to Covid-19 related activities.
Why/impact	Understanding and challenging current performance is key in ensuring that the Council can achieve its objectives.
Summary findings	Historically, performance has been reported via a quarterly balanced scorecard, which has been published on the Council's website. Performance information has been shared regularly with the senior leadership team, and a performance board, plus star chamber arrangements were in place to understand where performance was not in line with expectations. Officers acknowledge that during the 12 months of 2021/22, the focus has not been on these 'business as usual' arrangements, as the efforts of both officers and members have been diverted into the pandemic response and recovery.
Management comment	The Council's Corporate Plan is due to be refreshed shortly. Alongside this plan, and post COVID-19 monitoring, the Performance Board and improved monitoring arrangements will be in place for 2022.



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

Opinion on the financial statements



Audit opinion on the financial statements

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

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit and Governance Committee on 21 September 2021 and then with a final update on 30 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.

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:

- We identified no material errors or adjustments to the outturn position but did identify material disclosure errors in the group movement in reserves statement and the capital financing requirement note.
- In addition, we also recommended a number of adjustments to improve the presentation of the financial statements.
- We raised four recommendations for officers to consider in the preparation of the 2021/22 financial statements.

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

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



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.

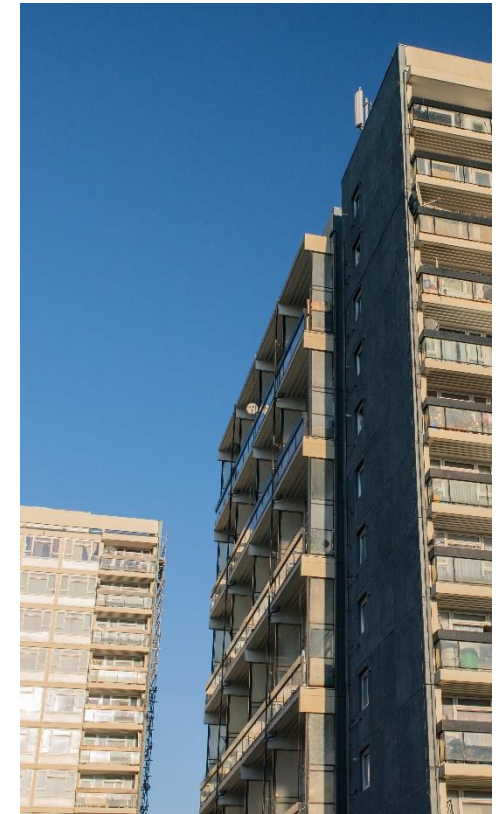
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 as a potential significant weakness, see page 6 for more details.	We have considered the outturn report for 2020/21 and progress made towards closing the gap in future years. We have discussed with officers the arrangements in place for identifying savings and monitoring those.	Our work in this area has already been reported as part of our financial sustainability section of this report on pages 6-12.	Appropriate arrangements in place, one improvement recommendation raised.
Governance was not identified as a potential significant weakness, see pages 13 to 16 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, one improvement recommendation raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 17 to 21 for more details	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, one improvement recommendation 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	Page 12 Page 16 Page 21

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.

