

# Auditor's Annual Report on East Staffordshire Borough Council

2020-21

16 December 2021



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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

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the CCG has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors 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.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

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



## Financial sustainability

We did not identify any risks of significant weaknesses in the Council's arrangements for financial sustainability in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. However, the Council currently forecasts that 40% of its usable reserves will be used to balance the budget over the next 4 years, and we recommend that the Council identifies savings so that reserves can be built up in the future.

Our findings are set out in further detail on pages 6 to 8.



## Governance

We did not identify any risks of significant weaknesses in the Council's governance arrangements in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified. We made improvement recommendations in respect of the Council's risk management reporting.

Our findings are set out in further detail on pages 10 to 12.



## Improving economy, efficiency and effectiveness

We did not identify any risks of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness in our initial risk assessment. Our further work confirmed this view, with no significant weaknesses in arrangements identified, or improvement recommendations needing to be made.

Our findings are set out in further detail on pages 13 to 15.

# Executive summary



## Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 26 October 2021, following the Audit Committee meeting on 23 September 2021.

Our findings are set out in further detail on page 19.



# 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 16.

# 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 risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## 2020/21 outturn

East Staffordshire has historically performed well, with a record of strong financial and budgetary management. Despite the challenging environment in which it is operating, the 2020/21 outturn position for the council resulted in an increase in the General Fund of £10.9m, bringing the balance of usable reserves at 31<sup>st</sup> March 2021 to £28.3m. Within the overall balance on the General Fund, £8.2m relates to a new earmarked reserve holding Section 31 grant funding which is required to offset the deficit which arose on the Collection Fund in 2020-21 due to Covid-19 Business Rate Reliefs.

In addition to the Section 31 funding, the council received funding of £5.7m to support its response to the Covid-19 pandemic. This funding was used to provide discretionary grants to businesses and residents, as well as to address budget pressures arising from the pandemic. The Council has faced increased costs in some areas such as waste collection, and at the same time income generated (e.g. from car park charges) has decreased. The deficit on the provision of services for the year was £2.3m compared to a surplus of £0.2m in 2019/20. However, we recognise the exceptional circumstances that were faced in 2020/21 and do not consider that the budget challenges faced by the Council in the year have arisen from poor financial management.

## Financial pressures and risks to financial resilience

The Council identifies future cost pressures as part of its annual budget setting process which budget holders participate in. The Medium Term Financial Strategy (MTFS) incorporates future financial pressures and builds these into the medium term financial plans. The MTFS is developed with input from members and takes into account the strategic priorities set out in the Corporate Plan as well as key assumptions around costs and funding. Cabinet members have the opportunity to discuss the MTFS during its development, and approve the final version of the financial plan annually in February. The MTFS for the period 2021/22 to 2023/24 is supplemented by the Asset Management and Capital Strategy 2021/22, the Treasury Management Strategy 2021/22 and the Corporate Plan 2021/22 – these are also refreshed annually. The Chief Accountant and Corporate Management Team take the lead on ensuring that the Council's financial plans are consistent with its workforce plan and Corporate Plan, liaising with other senior management colleagues as appropriate.

The MTFS is based on a range of assumptions including those relating to pay awards and pensions increases, staffing vacancies, funding from central government, the council tax base and collection rate, interest rates on investments, funding from the New Homes Bonus scheme, and business rates multipliers and collection rates. The assumptions adopted by the Council are not overly optimistic. For example, increases in pay and pension costs have been incorporated, as well as a reduced tax base for Council Tax and Business Rates.

The Council has prepared a detailed analysis of the potential budgetary pressures it has identified. The key pressures are uncertainty in funding from central government, rising costs of waste management, increasing rates of pension contributions, and the impact of Covid-19. A thorough risk assessment of financial risks over the medium term has also been performed, delineating the impact/likelihood of the risk through a 'traffic light' system.

The areas of highest risk are considered to be uncertainties over funding from central government, the impacts of Covid-19 and Brexit, potential reductions in income from the Business Rates Retention Scheme, the sensitivity of income generating activities to external factors and general economic conditions, and challenges in managing cost increases in waste management.

In the budget for 2021/22, which forms part of the MTFS, three scenarios have been used to develop an understanding of the impact of different scenarios on the Council's financial performance and position – a pessimistic case, an optimistic case, as well as the mid case scenario which has been used for the approved budget.

The pessimistic budget anticipates higher costs, met by greater Covid-19 Financial Support from central government, and increased used of reserves to balance the budget. The Council has also considered a range of scenarios for the levels of funding from central government, and the associated impact on budget shortfalls.

The Council has reflected announcements from government which affect its financial plans, such as the review and reduction of the New Homes Bonus scheme, changes to funding arising from the Fair Funding Review and the Business Rates Retention system reset.

The Council has made appropriate provision for business rate appeals, and is not currently involved in any legal or regulatory proceedings which could impact on its financial sustainability.

### Funding gaps and savings plans

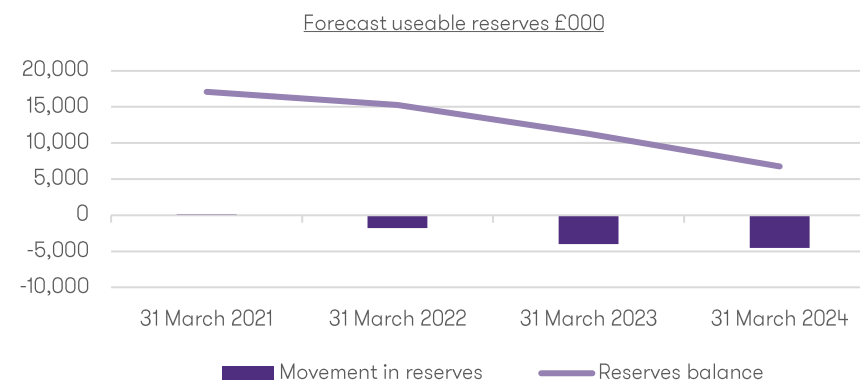
The Council has identified funding gaps over the period of the MTFS amounting to £7.8m. It intends to bridge these funding gaps by using existing reserves and windfall resources from business rates. In addition to the unallocated reserves which are planned to be used to cover the funding gap in the medium term, the Council also has specific reserves it can draw upon such as the Business Rates Reserve and New Homes Bonus Reserve. Over the past three years, the Council has performed better than average compared to other local authorities in the area, in terms of reserve cover compared to annual gross expenditure.

Reserves as a % of annual gross expenditure:

	31/03/2021	31/03/2020	31/03/2019
Average of 4 local authorities	35%	21%	19%
East Staffordshire Borough Council	35%	24%	21%

The Council recognises that use of these reserves to bridge funding gaps is not a sustainable solution in the longer term and that there is an ongoing requirement to identify and deliver savings, or increase income generation.

If funding gaps are not addressed, the MTFS forecasts show that reserve balances will fall by £10.3m by 31 March 2024 (a reduction of 60%), to £6.7m in total. This equates to 9% of the Council's gross expenditure for 2020/21. This is a significant reduction compared to the historical position of the Council – for example, at the end of 2019/20, the Council held reserves of approximately 24% of its annual gross expenditure. It is also lower than the average reserves historically held by other local authorities in the Staffordshire and Derbyshire area.



We note that the Council has a successful record of delivering savings, but this means that opportunities for further cost reductions in order to limit the use of reserves, or to rebuild reserves, are more limited. Potential areas for cost reduction have been identified, as well as opportunities to generate additional income. However, specific plans have not been developed as the council intends to revisit savings plans once there is greater certainty over future funding arrangements and we have made an improvement recommendation to develop more specific plans in this regard, as set out on page 17.

### Delivery of strategic and statutory priorities

Financial planning demonstrates a clear understanding of the cost of delivering core statutory services as distinct from discretionary areas of spend. The priorities identified in the Corporate Plan 2021-22 are Value for Money, Community Regeneration and Environment, Health & Wellbeing. These are further broken down into a number of more detailed objectives. Progress against the objectives is monitored with quarterly reporting to Cabinet, Council and Scrutiny Committees in place. Financial sustainability is part of a number of the objectives and targets, and is also the main focus of the MTFS. Therefore we see a coherent link between stated corporate strategic priorities and the design of the financial strategy.

In order to prioritise spending, the Council undertook a consultation with residents of the borough in late 2018. The results of the consultation showed that waste collection, parks and open spaces, and street cleaning were of highest priority to residents. In terms of discretionary spending, regeneration, indoor leisure and CCTV were most valued by residents. This has been reflected in the budget for 2021/22 as shown in the MTFS, where there has been spending growth on waste collection, CCTV and staffing for the new Towns Fund initiative as well as funding for a part time Climate Change Officer.

Capital resources are used by the Council for projects which contribute to strategic priorities, such as waste management and regeneration. Capital resources have also been used to repay debt, reducing the burden on the revenue budget.

### 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 one opportunity for improvement which is set out in more detail at page 17.





# 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.

## Leadership and committee effectiveness

Appropriate leadership is in place. The Council is led by the Cabinet, which is supported by an appropriate committee structure. Senior management attend the Cabinet and Committee meetings to present reports and are open to questions during Committee meetings. The Cabinet and Committees are made up of elected Members.

When major decisions are required to be taken, internal consultation takes place with the Corporate Management Team, the Leader of the Advisory Group, Leader of the Opposition Advisory Group, and the Independent Alliance Advisory Group. External views are also taken into account where it is considered to be necessary, for example the 2018 public consultation on spending priorities. The results of internal and external consultations are taken into account before options are presented to Cabinet. The framework for decision making is set out in the Council's Constitution. The Corporate Governance Statement within the Constitution explains the overarching principles which must be followed, and requires Executive Decision Records to be maintained.

### Key decisions taken by the Council in 2020/21

- Agreement to provide financial support to the external leisure provider
- Procurement of a new vehicle fleet for the waste management service

During 2020/21, the Council decided to provide financial support to the external leisure provider in view of the financial challenges they faced due to the Covid-19 pandemic. A financial appraisal of the options for supporting the leisure services through the recovery from Covid-19 was produced to support decision making by Cabinet, and related Executive Decision Records were documented appropriately.

In February 2021, the Cabinet approved a decision to procure a new vehicle fleet for the waste management service. This decision was based upon a detailed analysis of the options for procurement, which included a financial evaluation, consideration of environment factors, and service delivery impacts. The analysis of options was prepared by Council officers, with input from a cross-party working group and supported by external expertise for development of the financial evaluation. We found that the Council's procurement policies and procedures had been followed, and the final decision was properly informed.

The two Scrutiny committees (Audit & Value for Money, and Community Regeneration, Environment and Health & Wellbeing) also examine decisions within their areas of remit. We have found that the members of the Scrutiny (A&VFM) Committee demonstrates appropriate challenge of financial and non-financial items. Meetings are well attended, and members have the skills to provide appropriate challenge on these items.

# Governance

## Risk Assessment and Monitoring

The Council has a Risk Management Strategy in place. Risks are identified at three levels – service risks (circumstances that may negatively impact on the operation or the budget of the Council), corporate risks (liabilities and dangers faced by the Council, mainly externally driven) and strategic risks (arising from decisions made by the Corporate Management Team or Cabinet regarding the Council’s objectives and activities). Within these levels, categories of risk are identified. Individual risks are scored for severity of consequences and probability of occurrence (for both threats and opportunities).

A risk register is maintained, and risks are reported quarterly to CMT and Cabinet (as part of the quarterly Revenue and Capital Outturn Report). The final outturn report for 2020/21 included 14 corporate risks and 13 strategic risks. The report includes the risk name, source of risk, risk treatment, risk scores and most recent review date. Daily management of risks is the responsibility of service managers, with oversight from CMT and Cabinet. Risks are RAG rated according to likelihood and impact, and the Council’s response to mitigate the risk is included in the report. However, the risk registers could be enhanced further and we have made an improvement recommendation in relation to this, on page 18.

The Council aims to reduce exposure to risks by promoting the concept of risk avoidance to all staff, ensuring that training is available for high-risk activities, and increasing awareness of risk management responsibilities for managers. The Council’s Risk Management Strategy acknowledges that total elimination of risks is not possible or cost effective.

## Internal Controls

The Council has engaged CW Audit Services to provide Internal Audit services. CW Audit Services have a dedicated professional team of auditors, who have a demonstrated history of extensive experience of working in both the public and private sectors.

Despite the challenges caused by the Covid-19 pandemic, internal audit have been able to complete the majority of their planned work for 2020-21. The internal audit work programme has been agreed for 2021-22 and this work has commenced.

The results of the work completed by internal audit in 2020-21 provides reasonable assurance that internal controls were operating as expected, including for the prevention and detection of fraud.

The Council’s Constitution includes a Code of Conduct which applies to all officers and members, a Whistleblowing Policy and an Anti-Fraud and Corruption Strategy. These are designed to prevent and help detect any instances of fraud.

## Budget setting

The Council has developed guidelines to support the annual budget setting process. A detailed budget review is undertaken in October, for the following budget year. The process includes meetings between staff from the Financial Management Unit and budget managers., with a parallel process for capital and discretionary revenue bids. Once the internal engagement and consultation process is completed, a Star Chamber is convened of the Leader and Deputy Leader of the Council together with senior management, to further review the budget proposals. Subsequently, the budget is presented to the Cabinet and full Council in February.

The Council undertook a public consultation process in late 2018 to identify priorities amongst the local population it serves. Responses to the consultation have been taken into account when setting budgets.

## Budget and performance monitoring

The Council operates a monthly budget monitoring process. Heads of Service are provided with monthly monitoring reports, and can also monitor their budget areas via reports from the self-service module of the finance system. The impact of all variances on the financial position of the Council, particularly those which impact on reserves, is carefully considered. Where variances are identified, Heads of Service are expected to take appropriate action and escalate any problems to the Chief Finance Officer.

Financial performance is a key objective for senior officers of the Council. Heads of Service are specified for each service area in the quarterly outturn report. Although responsibility is delegated on a day to day basis to individual managers within each service, Heads of Service retain overall responsibility.

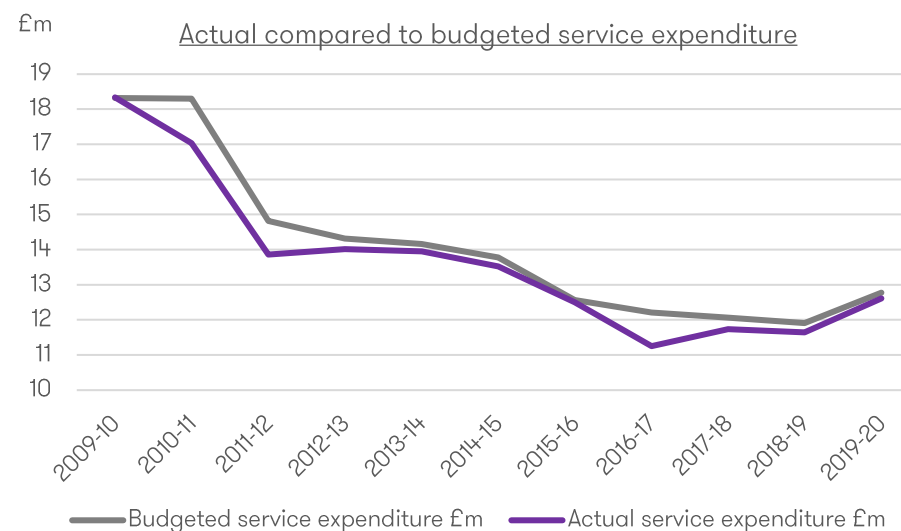
At the level of the Cabinet and Scrutiny Committees, budget monitoring reports are produced quarterly. The quarterly outturn report includes a high level overview of performance against budget, followed by an appendix which details income and expenditure for each service line, compared to the expected outturn for the quarter. Variances are analysed in detail, with all forecast pressures given a risk rating and detailed action plan. We found that the level of detail in the quarterly outturn report is appropriate to facilitate decision making.

A separate Corporate Performance Report tracks the performance of the Council against the targets set out in the Corporate Plan. This is reported alongside the budget monitoring information in the quarterly outturn report. Links between corporate performance and budget monitoring are clearly noted in the quarterly outturn report.

The impact of all variances on the financial position of the Council, particularly those which impact on reserves, is carefully considered. Any actions required in response to variances require approval of the Chief Accountant. We found that the level of detail in the quarterly outturn report is appropriate to facilitate decision making.

## Financial management and reporting

Analysis of historical data from CFO Insights shows that the Council's actual service expenditure has been within a small margin of difference to the budgeted service expenditure. Furthermore, actual expenditure has not exceeded budgeted expenditure.



There is no evidence of serious or pervasive weaknesses in the Council's processes for preparing its financial statements. The current and prior year audits did not identify any material errors. The standard of draft accounts has been good in previous years and there is no history of failure to meet statutory reporting deadlines. Unmodified audit opinions have been issued for the 2020/21 and previous financial statements.



### Standards

The Council's Constitution includes a range of requirements which are intended to help members and officers to comply with legal and regulatory standards, as well as a comprehensive policy on gifts and hospitality. The Council has established a Standards Committee, which considers the reports of the Monitoring Officer on complaints and breaches of the Code of Conduct. In addition, all officers and members are required to make annual declarations of interest, and to declare relevant interests at any Council meetings.

In the Monitoring Officer's Annual Report made in February 2021, it was reported that five member conduct complaints had been received relating to Borough and Parish Councillors. We are satisfied that the Monitoring Officer has taken appropriate steps to assess and investigate these complaints.

We have not noted any evidence of significant non-compliance with the Council's constitution, nor with regulatory, statutory or professional standards. We have not been made aware of any serious data security breaches.

### 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 an opportunity for improvement, set out in more detail on page 18.

# 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.

## Self assessment of performance

The Council has a good focus on the assessment of its performance. Quarterly, the Council reviews its performance against key performance indicators set out in the Corporate Plan, which align with the three corporate priorities. Performance is reported to the Corporate Management Team, Cabinet, Council and Scrutiny Committees. In 2020/21, there were 81 performance indicators, of which performance was rated green on 88%, amber for 4% and red for 8%. For each indicator with a red or amber status, the performance report includes an update on progress and causes of delays. The Covid-19 pandemic was cited as a contributory factor for failure to meet targets in 4 of the 11 indicators assigned red or amber status.

A detailed analysis of performance is presented as an appendix to the report, with responsible officers named.

The Council uses a subscription to LG Futures to measure the Council's performance against other local authorities, and to identify areas for further scrutiny and review. This led to waste collection services and cultural services being identified as areas where improvements to performance could be made.

The Council has conducted benchmarking of performance against other local authorities using the CIPFA "Nearest Neighbours" model, in terms of percentage of council tax and business rates collected, and the time taken to process Housing and Council Tax Benefit claims and changes. In each of these categories, the Council ranked in the top two performing local authorities.

## Outsourced Leisure Contract

The Council's 2016/17 Corporate Plan included undertaking an options appraisal for the future delivery of the Council's Cultural Services. Following the options appraisal, a procurement exercise was carried out which led to the award of a 10-year contract for management of leisure facilities and services to an external provider, SLM. Over the contract period, which began in February 2019, total savings of £6.9m were anticipated. The Covid-19 pandemic has however reduced the opportunities for savings to be made.

### **Management of the leisure contract**

The Council and leisure provider have established a Partnership Board, which is used to monitor performance. The Council has a Leisure Service Contract Officer, who manages the contract. Contract management activities include site visits to facilities, meetings with SLM staff, desktop research and remote access to SLM systems. Monitoring activities take place monthly, and results and actions identified are shared with SLM.

A quarterly performance report is presented to the Corporate Management Team, Scrutiny (A&VFM) Committee and other Council members. The performance reports for 2020-21 did not identify any significant contractual concerns.

### **Impact of the Covid-19 pandemic**

The Covid-19 pandemic had a significant affect on the use of leisure facilities operated by SLM, which reduced the income the leisure provider was able to generate. Throughout the period of restrictions being in place, the Council continued to pay the agreed management fee. In addition, financial support for the leisure provider was agreed by the Council in August 2020. In 2020/21, £0.3m was paid to SLM. The Council has forecast that it will pay a maximum of £0.5m in financial support in 2021/22, the based on actual performance of SLM during the first quarter of the year, the total payments are likely to be less than the maximum amount.

This financial support has been agreed on an open book basis to support fixed and ongoing cost pressures faced by the leisure provider. The arrangement for 2020/21 was that the Council would cover any shortfall on the provider's actual net operating costs (excluding any profit element), capped at 10% above the forecast net operating costs.

The provision of financial support was initially agreed in August 2020, and reviewed in October 2020 and March 2021. The Council has now approved support arrangements to be in place until 31 March 2022. However, the terms of support have changed for the 2021-22 financial year, with an aggregate cap of 5% being applied to forecast net operating costs and a profit sharing arrangement of 75:25 in favour of the Council. The Council forecasts that the maximum costs associated with the financial support to the leisure provider will be £0.47m in 2021-22.

Profit sharing arrangements will apply to all future contract years where a surplus over tendered performance is achieved, until the cost of the Council's support during the Covid-19 pandemic is recouped.

The Council is using funding from the National Leisure Recovery Fund grant (amounting to £0.24m) and Covid-19 contingency funds to mitigate the financial impact of the support provided to the leisure provider.

We consider that these actions have succeeded in supporting the leisure provider and therefore protected leisure services in the borough, whilst at the same time limiting the financial risks to the Council (through the cap on the costs to be covered by the Council as well as the profit-sharing mechanism which allows the Council to recoup the costs of support) and contributing to the achievement of corporate priorities of the Council (Value for Money Council and Environmental Health & Wellbeing).

### **Smarter Waste Review**

The Council established a project to consider a review of waste collection services in 2019, noting that "waste collection is one of the most fundamental statutory services provided by the Council and arguably the most high profile in terms of resident participation and expectation. As such, the Council strives to ensure the service is provided as efficiently and effectively as possible, ensuring value for money."

Our review of documents relating to the Smarter Waste Review found evidence of detailed consideration of the options available to the Council and external factors such as legislation relating to waste management and recycling. This included the commissioning of a report to assess the performance and cost effectiveness of an outsourced service delivery for waste collection services. Financial analysis produced for the Council showed that outsourcing of waste collection services would be unlikely to deliver cost efficiencies for the Council whilst maintaining the current level of service for households. As a result, the Council is now exploring other options.

Alongside this, in February 2021, the Council completed a procurement exercise for a new fleet of vehicles to be used by the waste management service. The new contract is due to commence in Autumn 2021. New contracts will also be needed for garden waste and dry recycling, as current contracts expire on 31 March 2022.

## Partnership working

The Council works with a range of partners, including the outsourced leisure provider, Civil Contingencies Unit (CCU) / Staffordshire Resilience Forum (SRF) and Staffordshire County Council (SCC).

The Council, along with 23 other public sector bodies in Staffordshire and Stoke on Trent, is a member of the SRF. At the start of the Covid-19 pandemic, the SRF established a number of groups and operational sub-groups to coordinate the local response and help members, communities and other stakeholders to develop a plan for recovery from the pandemic.

The partnership approach demonstrated by the SRF is intended to promote greater economy and efficiency, achieving positive outcomes through sharing existing resources, capabilities and knowledge for the benefit of Staffordshire's communities. Membership of the SRF helps the Council to meet its duty as a category one responder, to plan and prepare for emergencies.

The Council and SCC are working in partnership on regeneration works in Burton upon Trent. Improvements to Station Street started in March 2020 and were completed in October 2020. The second phase of improvement works in the High Street, commenced in January 2021 and were completed in July 2021. In both cases, the Council provided funding and the projects were managed by SCC as the landowner.

The Council monitored the progress of the projects closely, attending monthly progress meetings involving all partners to the project, and producing monthly project management reports. These reports show that any issues raised have been dealt with appropriately.

The Council is currently working in collaboration with SCC and other partners on proposals for Towns Fund projects in Burton upon Trent. Business cases for seven projects are in development, with one project being led by the Council and the remaining six projects by either SCC or other partners in the local area. This process is being overseen by the Council's Business Assurance Group, chaired by the Chief Executive. Business cases will be submitted to MHCLG in March 2022.

## Procurement

The Council has a Procurement Policy in place, which outlines principles of best practice, the procurement process for appropriate thresholds, and roles and responsibilities of the Programmes and Transformation Team, and service managers.

The Procurement Policy requires procurements deemed to be high value or high risk to include exploration of alternatives which could provide a more cost effective outcome. The Procurement Policy also requires consideration of other factors such as local economic factors, social value, ethical procurements and climate change and sustainability issues.

Our review of the documents relating to the procurement of a vehicle fleet for waste management services in February 2021 found that the procurement policy and processes had been followed by the Council. The procurement process included an options appraisal and the decision was based on consideration of factors including financial impacts, legal, sustainability and legislative developments.

## Conclusion:

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks relating to the economy, efficiency and effectiveness of use of resources.



# COVID-19 arrangements



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

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

## Financial sustainability

The Council's MTFS incorporates the forecast impacts of the pandemic on financial sustainability. £1.3m of contingency costs have been included in the budget for 2021-22, and £0.7m for 2022-23. These budget allowances are intended to cover additional cost pressures and reductions in income arising from the pandemic. The Council has identified the key areas of risk as local economic impacts on income sources such as car parking, planning, business rates and council tax, as well as cost pressures arising from increased local council tax and homelessness support and the longer-term impact of the pandemic on the pension fund and asset values. Because of the high levels of uncertainty in the future impacts of the pandemic on financial sustainability, the Council intends to continue to monitor the situation carefully.

The Council received Covid support funding of £2.7 million in 2020-21. We have not seen any evidence of this funding not being used for the purposes intended.

The Council distributed £41.8 million of support grants to local businesses and residents during 2020-21. The distribution of grants has been reported monthly to Cabinet.

The Council has monitored costs relating to Covid-19 and reported these to MHCLG monthly since April 2020. In addition, the financial impacts of Covid-19 have been reported in the quarterly outturn reports.

## Conclusion

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

## Governance

Whilst the Council already had arrangements in place for working from home, some adjustments to decision making processes were made to allow decisions to be discussed via video conference and electronically authorised using email.

The most significant change in activities for the Council was the administration of business support grants funded by central government. Internal audit supported the Council to develop an appropriate procedure for administering these claims, including approval of payments and appropriate segregation of duties. Internal audit have also performed work on the implementation of the grant schemes, with no significant issues identified.

No special arrangements were introduced by the Council in response to the pandemic; existing policies and procedures have been relied upon to control Covid-19-related spending.

The corporate risk register has also been updated to ensure Covid-related risks and mitigations are recorded and monitored.

## Improving economy, efficiency and effectiveness

The Council is a participant in the Staffordshire Resilience Forum, which has facilitated a multi-agency response to the COVID-19 emergency. The Council had existing business continuity plans and a Major Incident Plan in place, which were used when appropriate to mitigate the impact of the pandemic.

Since May 2020, the Cabinet has received a Covid-19 Emergency Planning Update which sets out the latest situation and responses by the Council and local partners. A Recovery Framework has been developed, which sets out the recovery work which is planned to take place at different levels – national, county, borough and ward.

The Council has assessed the impact of the pandemic on its Corporate Plan priorities and an Executive Decision was taken in September 2020 to revise 25 targets. This included agreeing targets for 10 indicators, amending 4 targets, the deferral of 8 targets, the deletion of 2 targets and the introduction of 1 new target. Reporting against performance has continued to take place via the quarterly performance reports to Cabinet and the Scrutiny Committees.



# Improvement recommendations



## Financial sustainability

<b>1 Recommendation</b>	We recommend that the Council takes steps to address the depletion of its reserves over the medium term. The Council should develop specific savings and efficiency plans to mitigate the funding gaps forecast to arise over the medium term. A specific plan would allow progress to be monitored and increase accountability for delivery, and help to ensure that there is a real focus on realistic and achievable recurrent savings.
<b>Why/impact</b>	In the MTFS 2021/22 – 2023/24 the Council has identified funding gaps of an estimated £7.8m. It intends to bridge these funding gaps using windfall resources and existing reserves.
<b>Auditor judgement</b>	Use of reserves to bridge funding gaps is a short term option. The Council's ability to take this approach is reflective of past prudence and successful financial management, but this will not be sustainable in the long term. If the Council does not develop savings and/or income generation plans to mitigate the budgetary shortfalls, there is a heightened risk that the Council's reserves will fall below adequate levels, in contravention of the CIPFA Financial Management Code.
<b>Summary findings</b>	In the MTFS 2021/22 – 2023/24, the Council anticipates that £10.3m of usable reserves will be needed to balance the budgeted expenditure. This is 60% of the usable reserves balance as at 31 March 2021.
<b>Management comment</b>	The Council updates its Medium Term Financial Strategy on a regular basis and current forecasts establish a significant reduction in the need to draw upon reserves in the short to medium term, The recommendation has been noted and will be considered as part of the current refresh of the Medium Term Financial Strategy to be approved in February 2022.

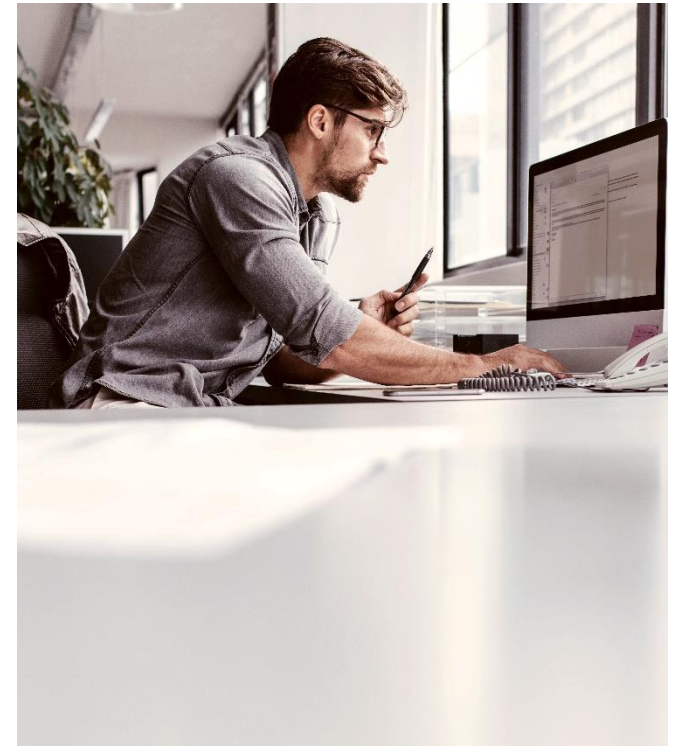


The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Governance

<b>2 Recommendation</b>	We recommend that the Council refreshes the reporting of risks to include clear articulation of the individual managers who are responsible for managing each risk. The risk registers could also be expanded to show the likelihood and impact of risks at the both an inherent and residual (after mitigating actions have been taken into account) level.
<b>Why/impact</b>	Analysis of the residual risk would increase transparency and understanding of the effectiveness of mitigations which have been put in place to address risks. Named officers responsible for the individual risks would demonstrate clearer ownership of risks.
<b>Auditor judgement</b>	Risk registers are an important tool which is used to report and monitor the most significant corporate and strategic risks which have been identified by the Council.
<b>Summary findings</b>	Risk registers are in place and are reported on a quarterly basis within the quarterly outturn reports.
<b>Management comment</b>	This will be considered as part of a Review of the Risk Management Strategy in 2022/23.



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

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 26 October 2021.

## Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 23 September 2021.

## Issues arising from the accounts

All adjusted and unadjusted misstatements and disclosure issues identified for the Council's 2020/21 financial statements are disclosed in the 20/21 Audit Findings Report, Appendix A.

## 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.

## 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.

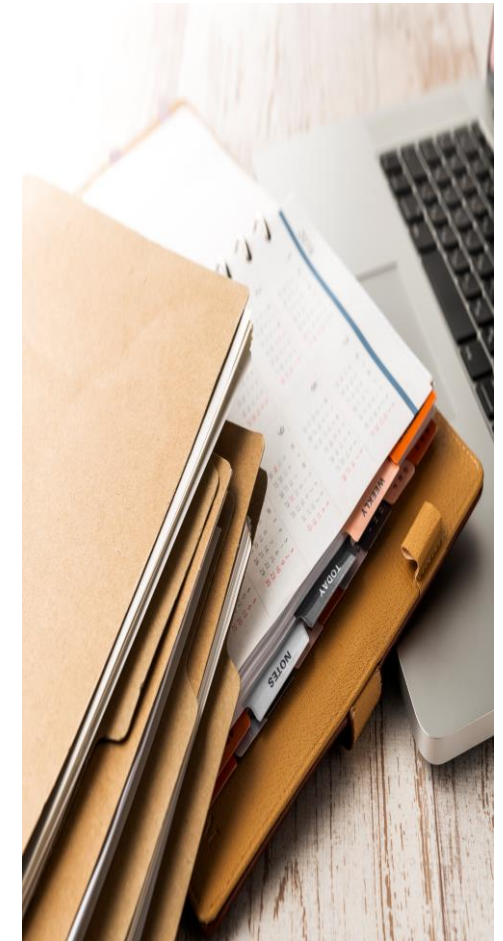
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 - 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	17-18

# Appendix C - Use of formal auditor's powers

We bring the following matters to your attention:

## Statutory recommendations

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

We did not make any statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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 any public interest reports under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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 make any applications to the court under Section 28 of the Local Audit and Accountability Act 2014.

## 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 any advisory notices under Section 29 of the Local Audit and Accountability Act 2014.

## 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 make an application for a judicial review under Section 31 of the Local Audit and Accountability Act 2014.



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