



Date: 24 February 2025

Members of the Audit and Governance Committee  
Cotswold District Council  
Trinity Road  
Cirencester  
Gloucestershire  
GL7 1PX

Dear Sirs and Madams

**Cotswold District Council – Auditor’s Annual Report**

We are pleased to attach our Auditor’s Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council’s officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

**BISHOP FLEMING LLP**

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# 1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cotswold District Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our External Audit Plan that we issued to the Council in July 2024.

## 2. Executive summary

### Results from the audit of the financial statements

We have completed our audit of the financial statements and gave an unmodified audit opinion 24 February 2025. See section 3 for more details.

On finalisation of the external audit, we also completed the component auditor procedures in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return. We have no matters to report from this work.




### Results on our work on other matters

We completed our review of other matters reported in the statement of accounts as part of our audit approach. There were no issues to report.




### Results from our work on VFM arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

<b>Financial sustainability</b>		We did not identify any significant weakness in the Council's arrangements. We have made one recommendation for improvement in this area.
<b>Governance</b>		We did not identify any significant weakness in the Council's arrangements. We have no new recommendations for improvement and two recommendations from 2022/23 remain ongoing.
<b>Improving economy, efficiency and effectiveness</b>		We did not identify any significant weakness in the Council's arrangements. We have no new recommendations in this area. One recommendation from 2022/23 remains ongoing.

#### Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

## 3. Audit of the financial statements

### Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We issued an unqualified opinion on the Council's financial statements on 24 February 2025.

### Key issues arising from the accounts audit

No key issues arose during the course of the accounts audit.

### Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit & Governance Committee on 28 January 2025.

## 4. Value for Money

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 for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.



## 5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

### Overview and 2023/24 outturn

The Council reported a deficit of £0.61m in its outturn against revenue budget for 2023/24. The initial budget for the year presented in the Medium-Term Financial Strategy (MTFS) was an expected deficit of £0.86m, so the outturn represented a favourable variance totalling £0.25m. This was driven by, among other factors, higher than anticipated treasury management income of £0.97m and a smaller draw on the revenue budget to fund capital expenditure of £0.30m. These favourable variances were offset by adverse variances that included an income shortfall of £0.24m on receipts from fees and charges, an additional transfer to reserves of £0.15m and an overspend on the waste services contract of £0.14m. The favourable outturn against budget resulted in a smaller draw on the Financial Resilience Reserve being required.

The Council's outturn against the Capital Programme was a net underspend of £1.53m. Of this underspend, £1.51m has been carried forward to the 2024-25 Capital Programme. An underspend was seen across several service lines, with the larger slippages of £0.58m, £0.36m and £0.24m being seen on Land, Legal and Property; Transformation and Investment; and Environment. There are various reasons that capital expenditure has delayed, but the Council has a clear plan to utilise the funds being carried forward into the next financial year, with commitments in place for many of the projects where slippage was seen in 2023-24.

The Council's balance sheet has seen an increase in net assets from £85.28m to £93.48m. The primary driver of this growth is an increase of £13.62m in the value of the Council's property, plant and equipment. This increase was largely the result of significant gains arising from the revaluation of assets in the year.

The Council's usable reserves balance has decreased slightly from £23.17m to £22.15m, with the increase to net assets being reflected in an increase in unusable reserves from £62.11m to £71.33m. Of the usable reserves held at year-end, the Council's General Fund balance has been held stable year on year, sitting at £1.76m as at 31 March 2024. £8.23m is held in earmarked reserves, which includes a balance of £2.51m in a Financial Resilience Reserve that is held to relieve budget shortfalls over the MTFS period.

### Financial planning and monitoring

The Council sets its budget and MTFS annually, with the 2023/24 budget being approved on 15 February 2023 by Full Council. The MTFS is updated twice a year in November and February. It is subject to regular review at these points by Cabinet and Council and is also presented to the Audit & Governance Committee and Overview and Scrutiny Committee for overview and challenge.

The Council presents quarterly performance reports to the Overview & Scrutiny Committee and to Cabinet that set out delivery against the annual budget. This approach ensures that financial targets, including cost-saving initiatives, are closely tracked against key performance metrics. This proactive governance framework supports the Council in responding to emerging financial challenges while maintaining fiscal sustainability.



There is no workforce strategy implemented at the Council, which is in line with prior year findings. We have included this within section 8 of the report within the prior year recommendations for follow-up. There is no evidence to suggest that progress has been made to implement a workforce plan during 2023-24, largely due to the ongoing Publica review referenced below.

The Council maintained a Council Priorities Fund held as a reserve through 2023/24 to ensure delivery against Council priorities. This has been further analysed, with funds allocated to specific priorities, such as housing delivery and transformation and change. In addition to the Council Priorities Fund, the Council holds a Financial Resilience Reserve that it plans to use to supplement budget shortfalls over the MTFS period.

### **Achieving efficiency savings**

In its 2023/24 outturn report the Council reported savings/increased levels of income of £0.97m. This included cost savings across several service areas and increased income including an increase in garden waste fees charged. Delivery of savings fell slightly short of the savings target of £1.01m. The Council's savings target in 2024/25 is £1.26m and, given the budget shortfalls projected it is important the Council continues to deliver on its increasingly ambitious savings targets.

The Council has established a Cabinet Transformation Working Group to support Cabinet in identifying and reviewing savings and transformation opportunities. The Group is continuing to work to develop the Council's savings programme to address the budget shortfall over the MTFS period and beyond.

### **2024/25 financial planning**

The Council presented the 2024-25 Budget to elected members in February 2024. The plan shows a balanced budget for the year and included an addition to reserves of £0.52m. All financial planning is completed based on provisional budget settlements issued by UK Government departments, which feed into the Council's overall planning assumptions with adjustments made in respect of the final settlement and support from local government finance specialists such as Pixel and LG Futures.

In November 2023, the Council approved a Publica Review report including indicative costs and mitigation options for returning the majority of services to the Council. Further detail in relation to the Publica outsourcing arrangements can be found within the 'Improving efficiency, economy and effectiveness' section of our report.

The Council's transfer of services from Publica should give them greater control over their financial planning going forward. However, when compiling the Budget there was no clear transition plan in place to evidence the cost pressures of the transition period, including staffing costs and other implementation costs, which could cause uncertainty for the Council's finances. The MTFS set out the approach to financing the one-off costs and that the review/transfer must be contained within the financial envelope of the MTFS. An ear-marked reserve of £0.5m has been set aside to fund the one-off costs of transition, but the Council should closely monitor the future ongoing costs that may arise after the transition period from Publica to service delivery in-house. We have raised a recommendation to this effect.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made a recommendation for areas of improvement at section 8.***

## 6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

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

### Risk management

The Strategic Risk Register (SRR) clearly identifies relevant strategic risks and is presented and reviewed annually by the Audit and Governance Committee. The previous Auditor's Annual Report (2022/23) included a recommendation to review the SRR more regularly. We have seen evidence that progress is being made in risk reporting, however this is not likely to be completed until the 2025/26 year. The recommendation will remain outstanding until then. We will review the position further in our 2024/25 work for progress.

The Risk Register details the risk owner and responsible officer for each risk along with the appropriate corporate objective. For each risk identified, the register details the RAG rating, the progression of the risk score, how the risk is currently being managed and further actions to reduce the risk.

The Council's Governance Structure is made up of one Leader, one Deputy Leader, and five other Cabinet members. Each Cabinet member has assigned responsibilities for an area of the Council allowing them to consider levels of risk in each area.

Internal Audit's report on Risk Management gave a 'Low Reasonable' Assurance rating on the Council's arrangements in the 2023/24 progress report of April 2024 highlighting that the processes in place were appropriate but more could be done to embed them within the Council.

### Internal control

The Audit and Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Another key element of internal control is the role of Internal Audit. The Council's Internal Audit is provided by the South West Audit Partnership (SWAP), who have a representative at each of the Audit Committee meetings to present any audit findings. The Audit and Governance Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting.

Through our review of the Internal Audit reports, along with review the Audit & Governance Committee minutes and supporting documents, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

Internal Audit completed their work for the 2023/24 financial year and the Head of Internal Audit opinion stated that the Council has a "generally sound system of governance, risk management and control in place". Through review of the Internal Audit reports we have seen improvement recommendations made that are generally responded to positively and implemented by management.

The Council has a Counter Fraud and Enforcement Unit which gives bi-annual updates to the Audit Committee. There is a named Counter Fraud Officer for the Council who reports on progress and attends all Audit and Governance Committee meetings.

### **Budget setting and budgetary control**

Budgets are agreed/set in consultation with budget holders taking into account the level of available resources and the need to maintain financial sustainability. They are then presented for consultation with the Cabinet with review of the performance against the prior year undertaken alongside budget holders before being approved at a Full Council meeting.

The budget setting process for 2023/24 considered past performance, analysis and impact of global events such as the war in Ukraine and domestic issues such as interest rates, public confidence following the mini budget in September 2022 and risk scenarios linked to the MTFS. We have seen through Committee papers including those presented and discussed at Cabinet and Full Council that budget setting is considered at all levels from budget holders, portfolio holder for Finance, the Chief Executive, Deputy Chief Executive, S151 Officer and Senior Leadership Team. Within the monitoring reports seen, it is clear that budget holders are held to account for delivering budget or developing mitigating actions. Minutes of the Overview and Scrutiny Committee show quarterly monitoring and scrutiny. Budgets are presented for approval at Cabinet. We have seen the 2023/24 budget was approved at Cabinet in the meeting of 6 February 2024 and then by Full Council later on 21 February 2024.

Quarterly reporting of capital projects to Overview and Scrutiny Committee and Cabinet evidence monitoring and oversight of capital matters.

Sufficient evidence has been seen through review of minutes to provide assurance that the budget setting and monitoring processes are reported and discussed with leaders throughout the year. Analysis of budget variations and explanations were included in the reporting.

### **Decision making**

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made. An example of this is the investigation and reporting around Publica discussed at all levels of governance, before Cabinet approval to proceed with the Human Engine recommendations to repatriate services back into Council. This is covered in section 7 below.

There is an appropriate culture set by senior officers, driven by the code of conduct set out in the Council's Constitution. This includes appropriate levels of engagement by the leadership team with other senior members and attendance at governance meetings. Leadership also ensure that the appropriate experts are consulted for unusual or complex transactions such as the Publica transition reports.

### **Ensuring appropriate standards**

The code of conduct for members and officers gives clarity and guidance in connection with standards expected. We have seen compliance with the standards as an example in the gifts and hospitality declarations which are included on a register and on the council website.

We have not encountered any examples of gaps in standards during the course of our work and have been assured by management that no serious data breaches have occurred. The Audit and Governance Committee receive cyber security update reports to enable monitoring of the adequacy of cyber security arrangements.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements.***

## 7. Improving efficiency, economy and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

### Assessing performance and evaluating service delivery

The Council reports its performance against its key objectives quarterly with a Council Priority and Service Performance Report to the Overview and Scrutiny Committee and Cabinet with a detailed assessment of performance against the budget. This report monitors the reasons for movements to identify where actions should be taken for improvements to be made. The Council reports its financial performance against its budgets and Annual Performance Report at quarterly meetings. This report identifies the Council's progress in the year towards achieving its budgeted position. The Council also takes part in the Local Government inform steering group, where local government bodies compare performance across the year and share knowledge and expertise.

The Council also received quarterly reports from Publica that cover service delivery in all areas. These are then reviewed and an improvement plan developed if any specific weakness or recommendations are identified.

Peer challenge is a core part of the Local Government's Association's (LGA) sector support offer to councils and includes a range of support for councils. We note that the last corporate peer review was undertaken at the Council in 2022. The peer review report was published for the Full Council meeting on 18 January 2023. The report highlighted a number of areas where the Council has made good improvements since the last review, and went on to develop an action plan to address the further development areas.

### Publica outsourcing arrangements

The Council are one of four authorities that outsource many core functions (including much of the finance function) to Publica Group limited (Publica). Publica is a 'Teckal company' owned by Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council, established in 2017.

Since 2017 Publica has delivered council services on behalf of Cotswold District Council. A Local Government Association independent peer review at the Council in 2022 made recommendations around the Council satisfying itself that the arrangements with Publica represented value for money. It went on to recommend that an options appraisal be undertaken, considering the appropriateness of some services remaining within Publica. . Subsequently, an options appraisal was undertaken by the consulting firm, Human Engine, which recommended that that the majority of services should move from Publica back to the councils, leaving Publica to deliver reduced number of back office and customer services for the Councils. Cotswold District Council agreed with the recommendation and the Chief Executive has organised a detailed transition plan that initially covers phase 1 of the transfer which took place 1 November 2024, in conjunction with partnership authorities.

The Human Engine report identified a number of services that should be considered for repatriation to the Council including: Strategic Finance; Accountancy; Insurance; Economic Development; Tourism; Parking; Property and Estates; Communications; Community Safety and Engagement; Business Intelligence; Corporate Performance; Organisational Development; Electoral Services; Democratic Services; Member Services; Waste; Grounds Management and Leisure.

The Council are in the course of this transitional process with phase 1 approved and completed. Phase 2 is currently planned for July 2025. Frameworks for accountability and responsibility are being established with a "hub and spoke" model Programme office (central team), led by an appointed Interim Programme Director. Overview and scrutiny of the programme are seen in reports from the Interim Programme Director into the Overview and Scrutiny Committee and Cabinet. We will consider monitoring and oversight in more detail in our 2024/25 work.

## Partnership working

The Council participates in a wide range of local partnerships and has a track record of working with strategic partners to develop strategies and translate those into actions for the Council to deliver. The Council's two key partnerships are with Publica and Ubico. It also employs dedicated Counter Fraud and Enforcement Officers to investigate allegations of fraud and abuse and to assist in maximising revenue and loss avoidance. These officers also provide services to other local authorities in the area.

The Council maintains oversight and monitoring of Publica and Ubico, with regular meetings occurring within the senior management team. These are reported annually to the Overview and Scrutiny Committee and the Cabinet who review the progress made within the partnerships in line with the framework for partnership working.

The Council uses a wide arrange of communication channels to ensure key stakeholders are consulted. We have seen evidence of this through their communication of key budget messages.

## Commissioning and procuring services

The Council has a procurement and project management strategy in place, updated in July 2023. This outlines how procurement services are outsourced to Publica, and the communicated vision is for demonstrate value for money through effective commissioning and procurement whilst minimising impacts on the environment.

There is no evidence that suggests the Council is failing to operate a fair procurement exercise for significant contracts.

Throughout the year, monitoring of contracts is undertaken through the Publica Performance report which sets out all services and how they have performed against previous quarters. There are also regular performance reports to monitor the performance of key providers and sub-contractors as well as monthly portfolio holders' meetings to ensure performance of commissioned services is operating effectively. Any underperforming areas have been seen to be thoroughly reviewed and a plan to resolve issues put in place.

It has also been noted that the Council monitors its waste contract to ensure that Ubico Limited (the Council's waste collection provider) are meeting their obligations with regards to the environmental services provided.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.***

## 8. Recommendations

### KEY:



Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

### Current Year Issues

Publica transition financial planning	FINANCIAL SUSTAINABILITY
 <p>In November 2023, the Council approved a Publica Review report including indicative costs and mitigation options for returning the majority of services to the Council.</p> <p>When compiling the Budget, there was no clear transition plan in place to evidence the cost pressures of the transition period, including staffing costs and other implementation costs, which could cause uncertainty for the Council's finances.</p>	<p><b><u>Recommendation</u></b></p> <p>The Council should closely monitor the costs of the transition period from Publica to in-house service delivery to ensure that it does not breach its MTFS position of a balanced budget. We note that subsequent to the financial year-end, management has put arrangements in place to monitor this more closely and we expect this recommendation to be resolved for 2024/25.</p> <p><b><u>Management comment</u></b></p> <p>The MTFS approved by Council in February 2024 set out the approach to due diligence and funding methodology. Council received reports on Phase 1 in March 2024 and July 2024 with the July report including an estimate of the one-off cost and enduring impact of the proposed changes. Cabinet have received regular updates through the quarterly financial reports and the Draft Budget 2025/26 and MTFS Update report in November 2024.</p> <p>An update was provided to Council in February 2025 as part of the 2025/26 Revenue Budget.</p>

**Prior Year Issues reported by the predecessor auditor – Ongoing**

Frequency of review of the strategic risk register	GOVERNANCE
<p>The Audit and Governance Committee did not assess the Council strategic risk register between 29 September 2022 and 13 November 2023, despite meetings being held within this period.</p>	<p><b><u>Prior Year recommendation from Grant Thornton</u></b> We recommend the Council ensures that the strategic risk register is presented to the audit and Governance Committee quarterly.</p> <p><b><u>Management comment 2022/23</u></b> Audit and Governance Committee reviewed the strategic risk register at their meeting on 30 November 2023. The Council is currently considering improvements to the reporting of risk management including frequency updates to cabinet and Audit and Governance Committee to align with sector best practice.</p> <p><b><u>2023/24 update</u></b> We note that the strategic risk register was reviewed in November 2023. However, the frequency of review remains annual. We concur with our predecessor auditors that more frequent review of the risk register is necessary for members to remain adequately apprised of the Council's strategic risks. While we have seen evidence that the Council is actively evolving its approach to risk reporting, this recommendation will remain outstanding for this year.</p>

Audit & Governance Committee – Self-assessment	GOVERNANCE
<p>During 2023 the council has taken steps to enhance further that audits and Governance Committee arrangements by the recruitment of independent members. There is an opportunity for the committee to assess additional development needs through the completion of the self assessment and evaluation tool kit that performs part of the CIPFA guidance.</p>	<p><b><u>Prior Year recommendation from Grant Thornton</u></b> We recommend the council's conduct a self assessment exercise during 2024, in line with the CIPFA guidance, which will support the audit governance committee to evaluate its impact and identify areas for improvement.</p> <p><b><u>Management comment 2022/23</u></b> A self assessment exercise is currently underway and is due to be reported in July 2024.</p> <p><b><u>2023/24 update</u></b> We have not yet seen evidence of the self-assessment exercise, which was due to complete after the financial year of which this report relates. Therefore the recommendation remains unresolved.</p>



Reporting on Environmental Services Innovation Programme (ESIP)	IMPROVING ECONOMY, EFFICIENCY & EFFECTIVENESS
<p>The activities of the ESIP could have implications for the type and level of service delivery commissioned through Ubico and have subsequent consequences to the Councils financial planning and financial sustainability.</p>	<p><b><u>Prior Year recommendation from Grant Thornton</u></b>  We recommend to the council provides an updated report, to those charged with governance, in respect of the environmental services innovation programme (ESIP), and related CTWG activity, and how this will:</p> <ul style="list-style-type: none"> <li>- Shape service delivery and impact future environmental services procurement</li> <li>- Impact the Council's financial planning</li> </ul> <p>We also recommend the report includes a road map of ESIP/CTWG activities and milestones including a proposed model of governance to ensure the effective oversight and to support transparency.</p> <p><b><u>Management comment 2022/23</u></b>  The council ensure members are updated on environmental service improvement activities through the quarterly financial reporting to Cabinet which will include updates from CTWG.</p> <p><b><u>2023/24 update</u></b>  We have seen evidence of a financial update on the activities of Environment Services quarterly cabinet financial reporting, however these are light on the strategic and forward planning points recommended by the predecessor auditor. We therefore consider that the recommendation remains unresolved.</p>

## Prior Year Issues reported by the predecessor auditor – Resolved

Capital Programme – Forecast underspend	FINANCIAL SUSTAINABILITY
<p>The Council's current capital programme is currently forecast to be underspent</p>	<p><b><u>Prior Year recommendation from Grant Thornton</u></b>            We recommend the Council places a specific focus on reviewing the current processes, and associated oversight, of the Council's capital programme to further strengthen existing planning, estimation and management to ensure the timely delivery of the Council's capital programme.</p> <p><b><u>Management comment 2022/23</u></b>            The Council has reviewed the capital programme estimates from 2023/24 to 2027/28 to ensure expenditure profiles are robust and reflect delivery timescales. The Council will continue to review the capital programme as part of the quarterly financial reporting to Cabinet and recommend adjustments as appropriate to minimise underspends and slippage.</p> <p><b><u>2023/24 update</u></b>            We have seen evidence of quarterly capital programme review reports being taken to Cabinet and Overview and Scrutiny Committee that provide progress updates on capital projects, as well as considering budget, actuals, variances, committed expenditure and forecast out-turn. We are satisfied that there is sufficient monitoring now in place. We consider this recommendation to be resolved.</p>

Frequency of updates on the work of the Cabinet Transform Working Group	FINANCIAL SUSTAINABILITY
<p>The Council's MTFS 2023/24 to 2027/28 identifies that significant financial challenges are impacting the Council in the medium term. The CTWG is tasked with identifying savings and efficiencies, to address revenue budget gaps of £8m. Outcomes of the CTWG activities are included in budget setting papers annually however more frequent updates regarding the work of the CTWG could strengthen oversight and governance arrangements.</p>	<p><b><u>Prior Year recommendation from Grant Thornton</u></b>            The Council has put in place arrangements to identify alternatives to the use of reserves to support budget gaps in the council MTFS. However, the current lack of identified savings and alternative to the use of reserves presents risk to the council's financial stability.</p> <p>The CTWG is performing a vital role in supporting the council maintain financial stability and more frequent progress updates would enhance existing oversight and governance arrangements and support transparency.</p> <p><b><u>Management comment 2022/23</u></b>            Cabinet Transform Working Group (CTWG) has provided support to Cabinet in developing a planned savings programme for 2023/24 and over the MTFS period. CTWG have also provided challenge to key delivery partners to address the adverse variation on the revenue budget forecast in Q1 2023/24. This can be evidenced in the emerging Q3 monitoring which indicates a balanced budget position will be achieved for the financial year.</p> <p><b><u>2023/24 update</u></b>            We have seen evidence of frequent budget updates and reviews taking place, as well as evidence of questions and challenge from members resulting in adjustments. We're therefore satisfied with the arrangements in place and consider the matter closed.</p>

Introduction of a partnership strategy and register	IMPROVING ECONOMY, EFFICIENCY & EFFECTIVENESS
<p>The introduction of a partnership strategy and register would help ensure partnership working is considered in decision making process, help support partnership management with the Council, ensure transparency of partnership arrangements, and further strengthen the Council's wider governance arrangements.</p>	<p><b><u>Prior Year recommendation from Grant Thornton</u></b>  We recommend that the council develops and approves a partnership strategy and association partnership register, to include:</p> <ul style="list-style-type: none"> <li>- A central record of council's partnership activity, including partnership governance arrangements.</li> <li>- An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register at.</li> <li>- Best practice information for officers in respect of partnership management.</li> </ul> <p><b><u>Management comment 2022/23</u></b>  The Council will develop a partnership strategy to improve existing governance arrangements and in view of changes arising from the transfer of services from Publica.</p> <p><b><u>2023/24 update</u></b>  We have seen evidence of the transition strategy being presented and reviewed. We therefore consider the recommendation resolved.</p>



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