

Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	AUDIT COMMITTEE – 21 JULY 2022
Report Number	AGENDA ITEM 12
Subject	EXTERNAL AUDITOR VALUE FOR MONEY CONCLUSION 2020/21
Wards affected	ALL
Accountable member	Cllr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: Mike.Evemy@cotswold.gov.uk
Accountable officer	Jenny Poole, Deputy Chief Executive Email: Jenny.Poole@Cotswold.gov.uk
Summary/Purpose	To present the external auditor's conclusion on the arrangements in place to secure value for money at the Council during 2020/21.
Annexes	Annex A – Grant Thornton Auditor's Annual Report 2020/21
Recommendation/s	<i>a) For the Audit Committee to consider and note the report, the auditor improvement recommendations and the management responses.</i>
Corporate priorities	Always refer to named priorities from the corporate plan.
Key Decision	NO
Exempt	NO
Consultees/ Consultation	Chief Executive, Director of Governance and Development, Publica Business Manager for Finance.

I. BACKGROUND

- 1.1. The Council's external auditor (Grant Thornton) is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, known as the Value for Money conclusion. The auditor's Annual Report for the 2020/21 financial year is attached at Annex A to this report. The Annual Report also contains details of the unqualified audit opinion issued with regard to the audit of the Council's financial statements for 2020/21.

2. MAIN POINTS

- 2.1. The auditor has not identified any significant weaknesses in arrangements but have identified five opportunities for improvement which are set out in detail within the auditor's report. The auditor has not found it necessary to apply any of the formal powers available to the auditor.
- 2.2. The Value for Money audit has focused upon three areas: financial sustainability, governance and improving economy, efficiency and effectiveness. The opportunities for improvement in each of these areas are set out below together with the management responses.



Financial sustainability

1 Recommendation	The Council should carefully monitor its investment strategy so that forecast additional savings (new sources of income and reduced costs) are generated in line with the assumptions in the MTFS.
Why/impact	Generating additional income and reducing costs based on the investment strategy is critical to the medium to long term financial sustainability of the Council.
Auditor judgement	New income forecast to be generated by the investment strategy, along with reduced costs, is a key assumption in the MTFS.
Summary findings	The Council must ensure investment projects progress in line with assumptions in the MTFS and the implementation of the strategy is carefully monitored to ensure the generation of additional revenue income and savings targets are realised.
Management comment	Management accept the recommendation and has put in place a Capital Programme Investment Board, comprising of a cross-party group of Members to consider business cases for investment, monitor and drive delivery of the Recovery Investment Strategy.



Financial sustainability

2 Recommendation	The Council should ensure continued close in year monitoring and timely corrective action will be required to ensure savings are delivered and service redesign with partners are successfully implemented.
Why/impact	The COVID-19 support provided by government will cease and this, combined with the need to manage more significant funding gaps in 2022/23 and 2023/24, will present a bigger challenge for the Council. This includes increased levels of savings required in these years, as well as the inevitable increased strain on services due to the cost of living crisis.
Auditor judgement	Increased uncertainty and the scale of funding gaps in the MTFS require close in-year monitoring to ensure planned actions to manage the gap are realised.
Summary findings	Reduced funding and increasing cost pressures mean that the Council must deliver planned savings, efficiencies and costs reductions to ensure financial sustainability.
Management comment	Management accept the recommendation. The Council has already commenced the refresh of the Council's MTFS and preparation for the budget in 2023/24. Engagement with the Cabinet will commence in July 2022. The Council receives monthly financial performance reports from Ubico, which will identify the impact of inflation, particular on the cost of vehicle fuel and employee costs. Similarly, Publica provide an update on a quarterly basis to its Board which is shared with Council Officers. Car parking revenue, has been significantly affected by the Covid-19 pandemic, as demand reduced. The income stream is reported weekly to the Cabinet Member along with other performance metrics. Information from quarterly budget monitoring is used to inform development of the budget for 2023/24 and the MTFS



Governance

3 Recommendation	The Council should consider mapping risks to corporate objectives.
Why/impact	For each risk reported to Cabinet, relevant key controls and sources of assurance should be set out and RAG-rated. Adequate evidence that risks are mapped to corporate objectives and allocated to a named senior officer should detailed.
Auditor judgement	Each risk should be mapped to corporate objectives and this detail included in risk register.
Summary findings	Each risk is described, attached to controls, scored, RAG rated and assigned to a responsible senior officer. Risks are coded, however not mapped to corporate objectives.
Management comment	This recommendation will be considered by the Risk Management Group of officers and management support its implementation.



Improving economy, efficiency and effectiveness

4 Recommendation	To undertake a review of 2020/21 Revenue Outturn data to understand variances in unit costs with statistical neighbours.
Why/impact	To identify why the Council, for some service blocks, has very high comparative unit costs, to determine if there is any potential for savings and efficiencies beyond those already planned.
Auditor judgement	To ensure that the Council has considered all potential for additional savings and efficiencies, given the ongoing and significant financial challenges over the medium-term.
Summary findings	Our analysis of 2020/21 RO data has highlighted variances in unit costs between the Council and its nearest statistical neighbours. It will be important for the Council to understand the reasons for these variances.
Management comment	This recommendation will be implemented through the budget setting process for 2023/24.



Improving economy, efficiency and effectiveness

5 Recommendation	The Council should continue to drive these planned improvements with Publica, including reviewing the effectiveness of planned changes to contract monitoring, governance and reporting arrangements from Publica to key Council decision makers
Why/impact	These planned improvements are critical to managing medium-term budget pressures, which need to be monitored effectively by key decision makers.
Auditor judgement	The Council is progressing recommendations made by the LGA Corporate Peer Challenge to reset their relationship with Publica. Given the significance of the Council's partnership with Publica, this reset is critical to ensure ongoing economic, efficient and effective service delivery.
Summary findings	The Council has recognised the need to reset their relationship with Publica and the changes planned need to be fully implemented.
Management comment	Agreed, the Council is working closely with the Publica Executive Directors, Group Managers and Business Managers to find solutions to the financial challenges facing the Council. A Transformation working group is due to be set up to oversee the Publica Service Improvement Programme. The Chief Executive and Leader of the Council will continue to embed the improvements to governance arrangements which will make Publica more accountable for improving economy, efficiency and effectiveness.

2.3. The management team will work with colleagues in Publica to implement the actions from the external auditor recommendations.

3. FINANCIAL IMPLICATIONS

3.1. There are no direct financial implications from this report.

4. LEGAL IMPLICATIONS

4.1. The Council's external auditor (Grant Thornton) is required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, known as the Value for Money conclusion. This report satisfies the requirement and reports the outcome to the Audit Committee, the body charged with governance responsibilities for the Council.

5. RISK ASSESSMENT

5.1. There are no risks directly arising from this report. By implementing the actions associated with the auditor's recommendations, the Council's arrangements for securing economy, efficiency and effectiveness will be strengthened.

6. BACKGROUND PAPERS

6.1. None.