

# Auditor's Annual Report on Tonbridge and Malling Borough Council

2020/21

December 2021



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We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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) in 2020 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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## Appendices

- A – The responsibilities of the Council
- B – An explanatory note on recommendations

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

# Executive summary



## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority 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 Authority'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 Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

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



## Financial sustainability

Despite the uncertainty, and the challenges posed by COVID-19, the Council has maintained a good financial position. The Council has proposed a balanced budget for 2021/22 although this does rely on the use of some reserves although far below the current holdings. As at 31 March 2021, the Authority held £36m of reserves, including £10m to meet the 2020/21 collection fund deficit in respect of business rates, and £0m in borrowings.

This places the Council in a strong financial position. However it is under pressure to identify savings in the years ahead.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Council.

Further details can be seen on pages 7-10 of this report.



## Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements in relation to governance.

Further details can be seen on pages 14-17 of this report.



## Improving economy, efficiency and effectiveness

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements or improvement recommendations in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 21-22 of this report.

## Opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on September 29<sup>th</sup> 2021 following the Audit Committee meeting on September 27<sup>th</sup> 2021. Our findings are set out in further detail in the Audit Findings Report shared at that meeting.





# Key recommendations



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 Authority. We have defined these recommendations as 'key recommendations'.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

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

# Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources

All local authorities 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 Authorities 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) 3, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Authority 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 Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority 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 7 to 26.



# Financial sustainability



## We considered how the Council:

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

## 2020/21 and ongoing financial pressures

The covid-19 pandemic has been the largest peace time emergency seen in this country since WWII. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both Council Tax and Business Rates. There has also been a loss of commercial income in such areas as car parking and commercial rents as people stayed at home and business were forced to close. The Council does not have a large property portfolio but does have some property holdings in borough. Covid has hit rental income but in the medium-term income levels are expected to return to pre Covid levels. While government grants have covered part of the general shortfall, councils have been with increased financial uncertainty.

Throughout the huge uncertainty of last financial year, the Council worked to minimise expenditure in all areas where appropriate and some of the capital programme was paused or delayed due to Covid-19. Alongside this, new, essential activity was introduced, such as the community support hub and bringing those who are homeless into accommodation, to address the impact of the pandemic on the residents of the district.

Precepts for 2020/21 for County, Fire and Police services were set in February 2020 before the effects of the pandemic were realised and as such district councils have had to pay these over as planned, while collection rates have been down, providing added pressures on cashflow.

Some services were suspended for example, parking enforcement, while some staff were diverted to Covid related work including paying out Covid related support grants across the district.

The Council set its budget for 2020/21 in February 2020. The pandemic started in March and it became clear over the next couple of months that it would have a fundamental impact on the Council's finances. The Cabinet were briefed on the financial impact of Covid in June 2020. At that time, it was projected that the Council would forego between £4m and £5m in income and incur additional costs in the region of £350k. This shortfall was funded by a mixture of additional savings and use of reserves. The final outturn for the General Fund was a small underspend which allowed larger than expected contributions to be made to reserves. This is laudable performance given the income losses incurred by the Council due in part to receipt of significant levels of Government Grant but also due to strong budgetary control. This outcome will have positive benefits for the Council's financial resilience in 2021/22 and beyond. A balanced budget was set for 2021/22 in February 2021. The 2021/22 budget does still, however, expect a reliance on reserves and savings as recovery begins. Review of Council papers indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

The future financing of local government is still unclear. A planned government long term spending review was postponed from 2020 due to the pandemic and the current local government settlement only covers the 2021/22 year. The date of the long-term review, whilst announced in the October 2021 budget statement, is yet to be confirmed with the expectation that 2022/23 will also be covered by a one year settlement.

The Council has a detailed financial plan covering the years to 2030/31. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

# Financial sustainability

## 2020/21 and ongoing financial pressures (continued)

Lack of information on future funding is a national issue but we have seen pre pandemic that the Council has a sensible approach to financial planning and budget management.

Financial plans are discussed at Council, Cabinet and Finance Innovation & Property Advisory Board. The Council has a history of transparency in financial matters. However, financial plans are not discussed with wider stakeholders through an annual consultation exercise, we were informed this had happened in the past but there were no plans at present to reinstate this process.

## Savings plans

The Council prepares a savings and transformation strategy. The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. This strategy was reviewed during 2020/21 to reflect the changes in financial circumstances engendered by the pandemic. The revised strategy identified that in total over the next 4 years a sum of approaching £1.4m will need to be delivered in savings or transformation contributions

The final budget is approved by Council. The Council has a history of delivering on savings and on its budget. Savings delivery is monitored at Cabinet as part of the Medium Term Financial Strategy Report. The last update on this was provided in July 2021.

As part of the 2021/22 budget setting, budgets have been reviewed and changes to the budget were made adjusting for pressures, new initiatives, expected cost increases and income changes. The current financial plan highlighted a potential use of reserves of £2m in the medium term with required savings as previously mentioned of £975k. The Council has a healthy reserves position so this expected draw down is not of immediate concern. At 31st March 2021, the Council held a healthy level of usable reserves of £36m, including £10m to meet the 2020/21 collection fund deficit in respect of business rates. The Council has been prudent in its' funding assumptions and the Council Tax base and the Council is hoping collection fund balances should be better than expected and thus not requiring the predicted level of use of reserves.

While savings potential has been affected by the effects of the pandemic, from our experience in previous years, Tonbridge and Malling has a history of successful delivery on savings and we have no reason that this will not happen going forward post Covid.

## Financial Planning

We found a robust financial planning process which ties in with corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Human Resources Strategy (incorporating the workforce strategy) was last updated in 2019. From review of the document, it is unclear how this ties in with corporate plans and the budget. The development of such a document should be seen as a priority given the workforce challenges all organisations face.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Finance team is well established with significant experience of managing the Council's finances. We feel the Council has a positive financial culture and an appropriate 'tone from the top' set by the Chief Executive officer. The ongoing management of the Council's financial position over recent years is evidence of this. In challenging times, it is vitally important that a strong financial culture is maintained.

Budget holders receive monthly budget reports. The onus is on budget holders to flag issues with finance rather than regular meetings being held. £5k variances must be reported to the Director of Finance and Transformation. Finance carry out independent review of significant elements of the budget such as salaries and income so are aware of the position.

The Council has a Capital Plan and has adopted a Capital Strategy and Capital Planning process which are regularly reviewed to reflect changing circumstances. Other than funding for the replacement of assets which deliver services as well as recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure. Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the capital annual allowance. Priority is given to those schemes that generate income or reduce costs. The annual capital allowance is currently set at £250,000. The Capital programme largely consist of maintenance and improvement items and contains no major schemes. The capital programme is overseen by Cabinet, while projects are subject to an appraisal and approval process.

# Financial sustainability

## Financial Planning (continued)

The current corporate strategy covers the period 2020 to 2023 and was agreed in February 2020. The current areas of focus are:

- Achieving Efficiency
- Embracing Effective Partnership Working and Funding
- Valuing our environment and encouraging sustainable growth
- Innovation

The understanding of drivers of risk in the Council budget are strong and variances from budget are understood. However, there remain fluctuations in variances to budget which may indicate further work is required, either to arrive at more accurate assumptions / a better understanding of cost pressures in the budget, or to ensure budgetary adherence is improved by budget holders. Some variance is inevitable as some services are demand led and is difficult to predict. The Covid-19 pandemic has also made it more difficult to predict future costs and demand as the Council has experienced a 'difficult-to-predict-and-plan-for' year. However, in emerging from the pandemic, a return to the norms of budgetary monitoring and financial discipline will be required to ensure financial success. It will be equally critical to ensure that budget holders, and the Council as a whole, on signing up to future budgets, are held to account for any future failure to deliver the budgets agreed to. The Council will also need to be cognisant, early on, of pressures to budgets, with effective early warning systems to identify risks and ensure corrective action is taken. It is equally critical there are effective monitoring and assessment arrangements in place to understand whether future budgetary overspends are the result of unavoidable / unforeseeable cost pressures, or deficiencies in budgetary and financial discipline within directorates. Previous experience has indicated to us that the Council is well equipped to deal with the challenges ahead as long as a strong financial culture is maintained.

Statutory and discretionary spend is not clearly differentiated in the financial planning reports which underlie the budget and MTFP. Whilst discretionary spends are the areas which come under scrutiny when savings plans are being considered, it would not be clear to a resident that there is a distinction between statutory and discretionary spend.

## Managing risks to financial resilience

2020/21 has been a unique year for financial management of dealing with a pandemic including the temporary cessation of some services to deal with Covid demands and a changing profile of demands on services.

Within the corporate risk register, the Council has identified the risk of not balancing the budget. It is noted that the latest Strategic Risk Register indicated the risk was marked as "red" for inherent risk but "amber" after application of current controls. Ways in which the Council is managing this risk include budget monitoring, the savings and transformation strategy, the MTFP and use of reserves. Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Cabinet meetings. A list of financial risk is included in budget papers sent to members when setting the Council's budget. It is evident that the Council has built up its reserves in the "good times" for any "rainy day".

As the Council emerges from the pandemic, and the 'new normal' begins to be established – crucially, a normal which once again comes with financial constraints – the organisation should assess what Covid working patterns and arrangements should continue in the post pandemic world. Our work indicates the Council will face significant financial challenges in future years and we will monitor this response in those years. Members must ensure they own these challenges and ensure the Council is on a sound financial footing. We have seen from recent reports involving Croydon and Slough, the importance of members taking the right financially prudent decisions at the right time.



# Financial sustainability

## Medium term financial planning

In 2020/21, an additional role of the Council was to support the response to the pandemic. The response was coordinated at a county level by the Kent Resilience Forum (KRF), of which Tonbridge and Malling Borough Council is a member. The Council has paid out £38 million in Covid grants, supported local residents and business and providing advice to business. Planning for 2021/22 has been challenging as the pandemic has provided increased uncertainty around future funding. In November 2020, a one-year funding settlement was announced and the next year's funding settlement is due for announcement shortly at the time of writing.

We found a robust financial planning process which ties in with corporate objectives. There is evidence of staff working collaboratively across the Council as opposed to silo working. Service provision is aligned to the funding envelope.

However, the Council does not have an up-to-date workforce plan or people strategy which has been reviewed to reflect the demands of the "new normal". As a sector, local government is facing a recruitment and retention challenge. The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is clear. We would recommend the Council invests in a workforce review for the medium term.

## 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 several opportunities for improvement which are set out overleaf.



# Improvement recommendation



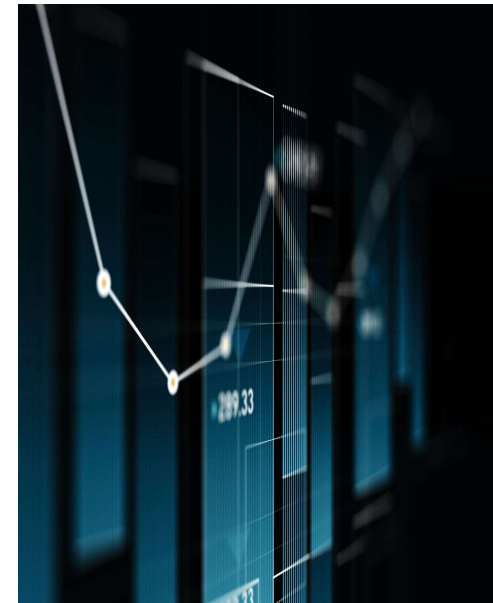
## Financial Sustainability

**Recommendation** Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

**Why/impact** This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside of or in addition to its statutory obligations.

**Summary findings** No distinction is made in the financial information reported to TCWG between statutory and discretionary spending.

**Management comment** Officers will consider how this approach could be implemented.



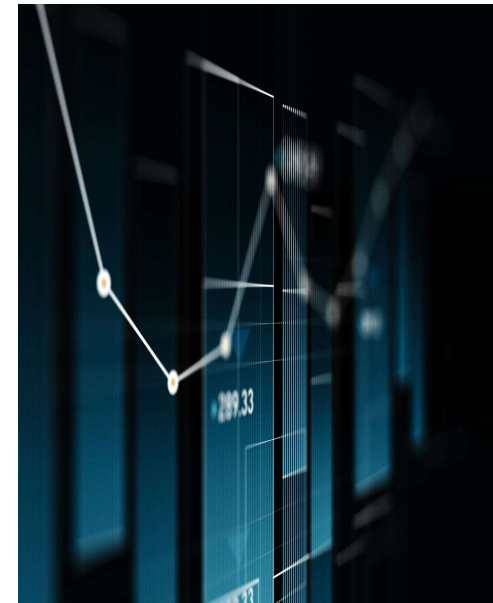
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Financial Sustainability

<b>Recommendation</b>	Consideration should be given to completing an annual public consultation exercise when preparing the budget.
<b>Why/impact</b>	This could help gauge resident appetite for certain savings plans and increase representation and participation.
<b>Summary findings</b>	There is a lack of external stakeholder consultation in budgeting process
<b>Management comment</b>	Officers will consider how this approach could be implemented.



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

# Improvement recommendation



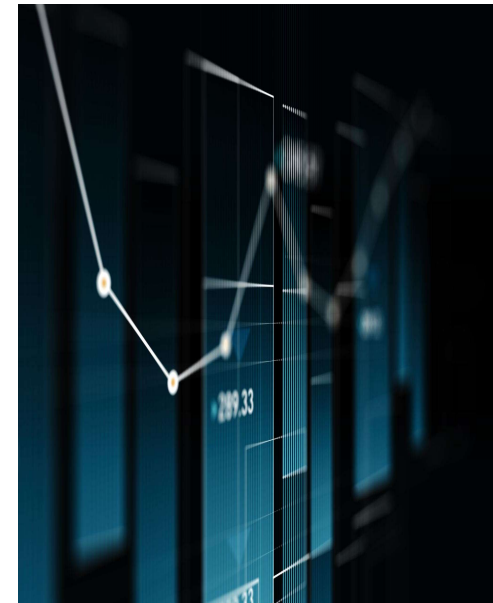
## Financial Sustainability

**Recommendation** The Human Resources Strategy should be updated to tie in to the latest corporate plan and budget as well undertaking a workforce review.

**Why/impact** This would help the Council to make decisions regarding the workforce in relation to the strategic objectives of the Council

**Summary findings** The Human Resources Strategy was last updated in 2019 and it is now unclear how it relates to the budget and any potential savings plans

**Management comment** Officers will consider how this approach could be implemented.



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

# 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.

## Monitoring and assessing risk

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all element of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the “truth to power”.

The Annual Governance Statement for 2020/21 notes “Risk management practices are embedded within the organisation through the annual service and strategic planning processes, which is used to develop the Council’s vision and objectives. This ensures that risks to the achievement of the Council’s objectives are identified and managed appropriately”.

Risk Management was reviewed by Internal Audit in July 21 and was provided with “adequate” assurance. The report recommended, inter alia, management team should review the strategic risk register prior to its submission to Audit Committee, that training should be organized on risk management and risk registers should be updated in real time.

Based on our review of your risk management processes, we concur with this view but see scope for small improvements in the organisation. The risk management policy was approved in January 2020 and there is separate guidance to staff on the risk management process. Roles and responsibilities are clearly defined and the guidance describes the process for identifying, assessing, evaluating, escalating, allocating and monitoring risk.

The Council Strategic Risk Register is reported regularly to the Audit Committee and Cabinet. It was last reported to Audit Committee in September 2021. The Strategic Risk Register contains 17 risks which in our expected range of risk (5 to 15 risks) to allow adequate review of those threats to Council objectives. Risks are scored and the risk register contains five “red” risks relating to finance, Brexit the Local Plan and the Waste/Recycling contract.

The risk register format is clear showing current and target risk score, lead officer, consequences, current mitigations and actions required. The risk register does not document a number of potential factors including direction of travel, sources of risk and assurance and dates of last next review. The Council should consider developing information provided to Members and Senior Management regarding risk and this can be linked to the three lines of defence model advocated by the Institute of Internal Auditors.

We understand Members and officers have received training on risk in the past. The Council could strengthen its risk management framework further by developing a full training programme for all levels of staff in tandem with the new risk management policy and providing greater clarity of the relationship between all the risk registers used across the Council, including strategic, operational, project and partnership risk. These should align to ensure that there is a clear golden thread of risks that runs up and down the organisation.



# Governance

## Monitoring and Assessing Risk (continued)

From October 2021, Internal Audit services are provided by Kent County Council. Prior to that the service was provided in house with management resources provided by Kent County Council. Although the agreed plan had to be adjusted because of the pandemic, Internal Audit provided sufficient fieldwork and completed reports within the year and the Head of Internal Audit Opinion provided to the Council by July 2021. Progress reports highlighting key issues and findings on reviews are reported to Audit Committee periodically. The Head of Internal Audit Opinion concludes that “the Council has a framework of governance, risk management and control substantially contributed to the proper, economic, efficient and effective use of resources in achieving the Council’s objectives during 2020/21”. Review of the Annual Internal Audit Opinion indicates a wide breadth of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

Internal audit presented one limited assurance reports in 2020/21. This related to the Waste Contract and found weaknesses in income collection around garden waste subscriptions. Internal Audit will continue their work in this area in 2022.

Counter fraud services are also provided by Kent County Council. The Annual Internal Audit Opinion makes reference to this service. The Counter Fraud Team assisted the Council’s participation in all of the government led counter fraud initiatives and undertook pro-active exercises designed to protect valuable Council Tax and Business Rate revenue collection. They also support the distribution of Covid Business Support Grants by checking applications for potential fraud and error.

Counter fraud operations are underpinned by a Member code of conduct and a whistleblowing policy. These documents were last updated in January 2021 and are subject to annual review meaning that the council anticipates updating in January 2022. The officer code of conduct is detailed within the constitution but is undated so we are unable to conclude as to its appropriateness. The anti-fraud, bribery and corruption policy was last updated in January 2021

The annual work plans for internal audit are currently approved and overseen by the Audit Committee. From our attendance at Audit Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

## Budgetary Setting Process

The Government’s challenging financial landscape has made this a unique year for financial planning. The Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions about future income streams. Our previous knowledge of the Council informs us that arrangements are in place with the Council to model the uncertainties in the system notwithstanding the factors that are outside the Council’s control. We understand that the model medium term financial strategy is a living document, constantly updated following discussions across the council. Given the approach, we have seen evidence of the scenario planning.

Budgets are discussed with budget holders, senior leadership and members prior to approval at Council level.

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments.



# Governance

## Budgetary control

Budget managers have access to finance system and can review budgets at any time. Budgets are monitored by Finance on key high-risk areas. Meetings are held on an ad hoc basis with budget holders, furthermore the accountancy team review the budgets under their control raising questions with the services as required. Review of Cabinet papers indicates that variances are adequately identified and explained.

The Finance team is duly qualified, stable and experienced. The S151 Officer is the Director of Finance and Transformation and sits on the Management Team.

It is clear that financial delivery is a key objective from the top down. 2020/21 has been a tough year financially for Tonbridge & Malling and without a concerted effort across the council the year end position could have been troubling for financial sustainability.

We consider budget management arrangements to be robust and we have found no areas of concern during our work.

## Leadership and committee effectiveness/decision making

From review of papers and discussions with staff, we believe the Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

It is evident from our review of papers that sufficient information is provided to members and they challenge and hold senior management to account appropriately. The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

Covid-19 brought some unique challenges to the Council and some decisions had to be taken on a short timescale. However, as will be seen in our section on Covid in this report, we feel that appropriate arrangements were put in place to facilitate both agile decision making but also appropriate scrutiny and authorization in line with the wishes of the Council.

The Council is well established but they have recently selected a new leader following the stepping down of the previous incumbent in July 2021 after many years in the role. The Council is now working with the new leader to decide on priorities going forward and we will monitor how these develop. The Council has had a high turnover of members in recent years. We have no concerns as yet in relation to risks related to this high turnover of Council members but recognise the risks which might lead to inadequate understanding of the organization and the financial landscape leading to poor decision making. The importance of maintaining a strong financial culture is vital in the context.

Financial and operational activity appears well planned with no need for reactive actions and short-term remedies. Even during the height of the effects of the pandemic response have been deliberate and thought out.

The waste and recycling contract is highlighted as a "red risk" on the corporate risk register. A new contractor (Urbaser) was appointed in March 2019 jointly with Tunbridge Wells Borough Council and new service delivery arrangements commenced in September 2019. The risk register states that contract performance has been unsatisfactory in terms of missed collections and uncompleted rounds. The service has been affected by the pandemic and the national shortage of HGV drivers. It was agreed with the contractor to suspend garden waste collections for a period to allow for focus to improve the recycling and general waste collection service. It is estimated that the cancellation of these services will cost the council £1m per annum in lost revenues while they're halted. It should be noted that this is the gross cost and it is anticipated that the service will be reintroduced by 1 April 2022 at which time the service will have been suspended for a nine-month period. This has also had a knock-on effect on the street cleansing service. The last update to the Street Scene and Environment Advisory Board in November 2021 indicated there had been some improvement in services but continues close monitoring of the contract is still required to help to ensure the risk of contract failure does not materialize.

In late 2020 the Planning Inspector's made a preliminary decision that there had been a failure of the Duty to Cooperate on the part of the council with its local plan. The council objected and wrote to the Inspector in January 2021. Despite the Council's arguments to the contrary, the Inspector's response subsequently confirmed their initial decision and invited the Council to either withdraw the Local Plan or request a Final Report from the Inspectors. The Council responded inviting them to prepare their Final Report. The Inspector's Final Report with a covering note from the Planning Inspectorate were duly issued. The report sets out the Inspectors justification for reaching their conclusion; that there was a failure of the Duty to Cooperate in respect of unmet housing need coming from Sevenoaks and the knock on impact this would have on Tonbridge and Malling.

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# Governance

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## Monitoring and ensuring appropriate standards

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements.

Our work has not uncovered any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

Officer and Member conduct is set in codes of conduct within the constitution. Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. There is a member protocol on gifts benefits and hospitality. The gifts and hospitality register are retained by the Monitoring Officer and is available for inspection on request. Officers are advised on the rules related to gifts and hospitality and registering of interests and a register of gifts and hospitality for officers is held by the Chief Executives office. We we found no evidence of adverse outcomes of interests, gifts or hospitality not being declared. In July 2021, the Council decided to resubmit a revised Local Plan in order to ensure a Local Plan is adopted as soon as possible. Work is now progressing on this matter with a view to submitting a revised Local Plan in early 2023. Preparation of a local plan is an onerous exercise and taking up significant members and senior officer time. The Council will need to be mindful that this exercise does not distract members and key officers from the other issues the council finds itself dealing with and the focus remains on providing all services to the required standard to ensure resident satisfaction and value for money.

## 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 some opportunities for improvement, set out overleaf.

# Improvement recommendation



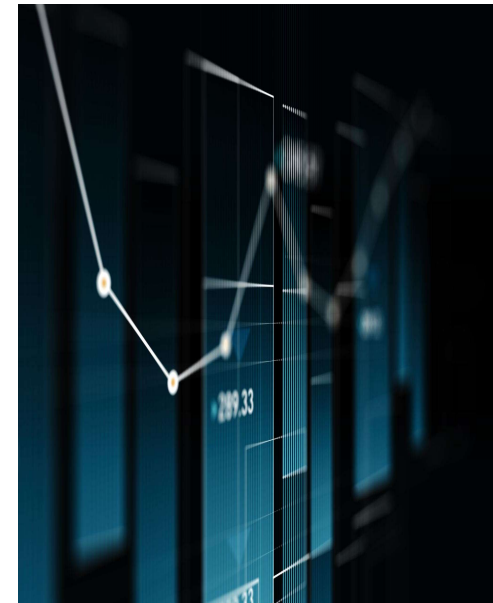
## Governance

**Recommendation** A risk training programme should be implemented for all staff levels based on the new risk management policy

**Why/impact** Improve understanding of how the risk registers are used across the council, ensure that they all align and are used appropriately.

**Summary findings** Members and officers have received risk training in the past but not since the new risk management policy was introduced.

**Management comment** Officers will consider implementing programme.



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

# 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.

## Performance review, monitoring and assessment

This year has been incredibly challenging one for public services as a whole and Tonbridge and Malling are no different. Kent was the first to see the Alpha variant of Covid-19 and this has meant the county has been particularly hard hit by the pandemic. The first six months of the year were spent getting to grips with the unique challenges of the pandemic, as services adapted to this unknown threat and challenges of the first lockdown. Tonbridge & Malling played its part in the county wide effort to support residents and local business. Local Government will face yet more challenge as it moves from the Covid response stage to the task of supporting long-term economic and social recovery.

In respect of the performance management of the Corporate Plan objectives, we were informed that while some performance indicators are included within the annual accounts and selected performance indicators are reported to relevant committees, there is no comprehensive suite of key performance indicators which are reported to Cabinet or wider stakeholders. There is also currently no lead officer for performance management at the Council. We understand that the new leader may be developing a suite of key performance indicators but this is still at a formative stage.

Failure to develop this framework in a timely fashion may lead to an increased risk that the corporate objectives are not achieved. A formal project plan for this should be developed. Once a set of performance measure is agreed, an annual performance report should be published which gives a narrative of Council performance and publishes a suite of performance indicators comparing performance over a number of years.

The Council have a Data Quality Policy which has been reviewed in September 2020. The policy sets out the Council's data quality standards, roles and responsibilities for data quality and the Council's expectations in regard to system and processes.

Benchmarking has been used to assess performance in the past but with the focus on dealing with the pandemic over the last 20 months, understandably resources have not been available to focus on service improvement. We would suggest, especially given the need for significant efficiencies in the medium term, a return to looking to see how other Councils provide services with a view to introducing best practice and providing value for money.

A review of benchmarking data from the CFO Insights (CFOI) tool by Grant Thornton shows two trends to bring to the attention of the Council based:

1. The number of individuals being prevented or relieved from homelessness dropped between 2010 to 2018
2. Within Kent the Council has the 11th of 12 lowest homeless prevention per 10,000 households figures

Infographics for this are considered on the following page.

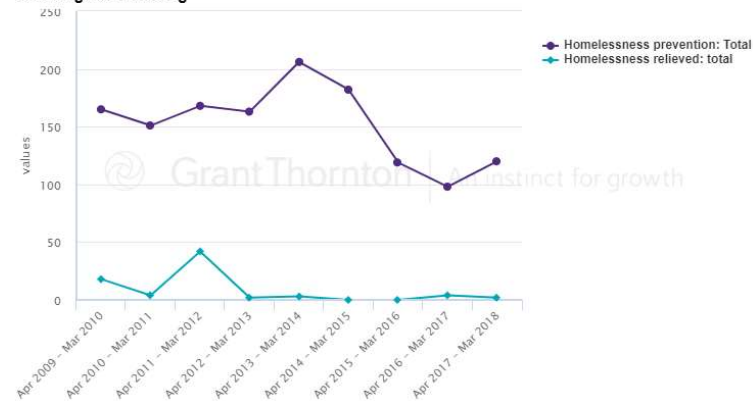


## CFO Insights – Homeless data for Tonbridge and Malling District Council

### Outcomes: Homelessness prevention & relief

How have prevention and relief outcomes changed over time?

#### Tonbridge and Malling



This data has been taken from information published by the Ministry of Housing, Communities and Local Government. As part of this work, we are not making a value judgement on these data-driven indicators, but are sharing them given the focus at the Council on improving outcomes for homelessness and understanding how costs have increased. The Council's own assessment is able to use the latest data.

As part of this work we have considered whether these indicators show potential significant weaknesses. Part of sound governance is to identify problems and take action. The Council has engaged a consultant to identify how prevention outcomes can be improved and intends on implementing their findings and new processes in 2022.

### Outcomes: Homelessness prevention & relief ^

What is the scale difference in the numbers of homelessness prevention and relief among my peer geographies? Who is achieving better outcomes to me?

#### Homelessness prevention & relief: per 1,000 Households (2017/18)

Top (1)		Area (11)	Bottom (12)
Area	Ashford	Area Tonbridge and Malling	Area Dartford
Count	32.39	Count 2.36	Count 1.80
Rank ↑	Area		
3	Maidstone		6.67
4	Tunbridge Wells		5.09
5	Gravesham		4.15
6	Thanet		3.82
7	Swale		2.86
8	Folkestone and Hythe, (Shepway from 01/01/2009 to 31/03/2018)		2.74
9	Dover		2.68
10	Sevenoaks		2.43
11	Tonbridge and Malling		2.36
12	Dartford		1.80

# Improving economy, efficiency and effectiveness

## Evaluation of services

The Corporate Strategy is used by officers to deliver services and to inform their recommendations to service committees. Councillors use it to inform their decisions too. The current Corporate Strategy runs until 2023. At its meeting on 3rd June 2020, Cabinet agreed an addendum to the Corporate Strategy to provide a strategic framework for the Council's covid recovery plan, underpinned by three themes (Review, Re-orientation and Recovery), and within the context of the county wide recovery "cells"

As previously mentioned, the Council does not have a comprehensive approach to performance management and we would recommend that this issue is address as during 2022.

## Partnership working

Partnerships and in particular shared services have been seen as a cost effective and efficient way to provide services by the Council for a number of years. Partnerships have been entered into with neighbouring councils in Kent to provide key services such as refuse collection, building control and internal audit. The Council is flexible in its approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. Leisure Facilities are run by the Tonbridge and Malling Leisure Trust.

The Council also works with other agencies to co-ordinate and improve services and value for money.

The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.

## Procurement

Procurement support services across the organisation delivering front line and back-office services. The Council has a Procurement Strategy last approved in 2017. The strategy covers partnering, e-procurement, procurement with small to medium size enterprises and the voluntary sector and sustainable procurement. Given recent events and the adoption of a revised Corporate Strategy in 2020, and the introduction of the National Procurement Strategy for Local Government in England in 2018, we feel the document is in need of review. It should be noted that The National Procurement Strategy provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy which would be useful when refreshing the in-house strategy.

The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. This is defined as considering the optimum combination of whole life cost and the quality necessary to meet the customer's requirements. In conjunction with relevant legislation and the Council's Constitution (particularly the Financial Procedure Rules and Contract Procedure Rules).

We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Council has no significant commercial ventures.

## Conclusion

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

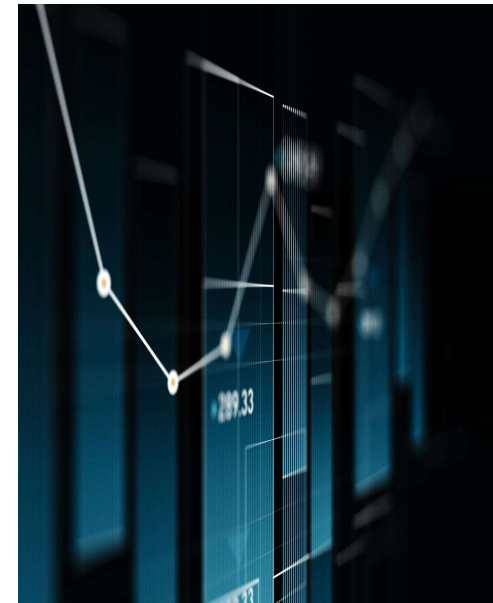


# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	The Council should formally identify their key performance indicators and develop a system of monitoring performance and annual reporting against this suite
<b>Why/impact</b>	There is a risk the Council's performance monitoring is not sufficiently reviewed or aligned to an agreed set of key performance indicators. Failure to develop this framework in a timely fashion may lead to an increased risk that the corporate objectives are not achieved
<b>Summary findings</b>	While some performance indicators are included within the annual accounts and selected performance indicators are reported to relevant committees, there is no comprehensive suite of key performance indicators which are reported to Cabinet or wider stakeholders
<b>Management comment</b>	Although the council does not perform a 'batch' report of all performance indicators compared to other bodies, performance of the council and partners is measured by the Service Management Teams and Members. Services are accountable to the Corporate Management Team who are responsible for taking action to correct adverse performance. The Leader and Deputy Leader are currently considering the key performance indicators used by the council in conjunction with management.



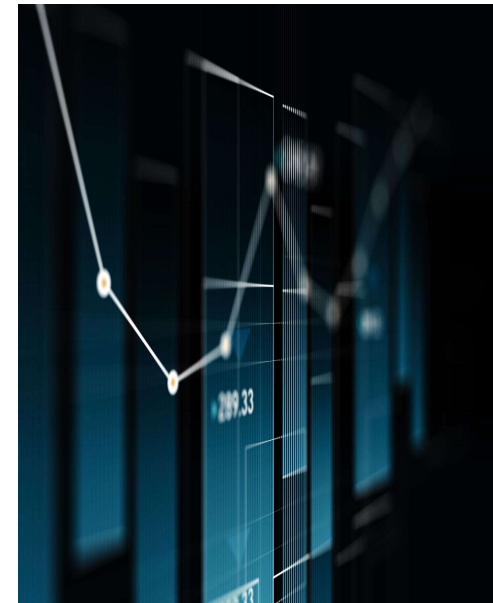
The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendation



## Improving economy, efficiency and effectiveness

<b>Recommendation</b>	The Council should re-introduce the benchmarking practices used pre-pandemic looking to see how other Councils provide services with a view to introducing best practice and providing value for money.
<b>Why/impact</b>	The Council needs to identify efficiencies in the medium term to form a realistic savings plan.
<b>Summary findings</b>	During the pandemic resources have been used to focus on service improvement and delivery but not on comparison to other councils to identify ways to deliver the same services as efficiently as possible.
<b>Management comment</b>	Although the council does not perform a 'batch' report of all performance indicators compared to other bodies, performance of the council and partners is measured by the Service Management Teams and Members. Services are accountable to the Corporate Management Team who are responsible for taking action to correct adverse performance. The Leader and Deputy Leader are currently considering the key performance indicators used by the council in conjunction with management.



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

# Improvement recommendation



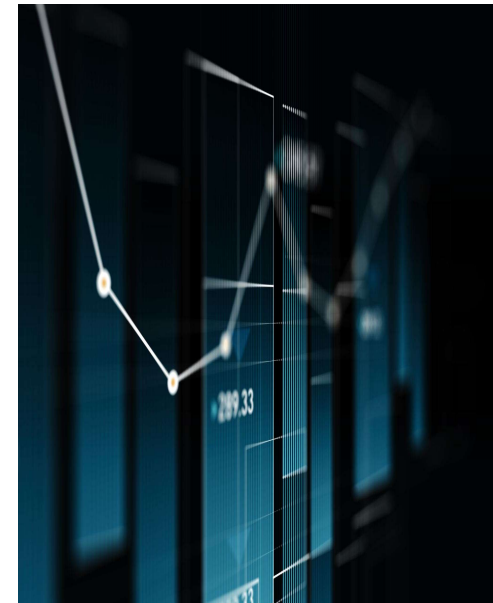
## Improving economy, efficiency and effectiveness

**Recommendation** Consideration should be given reviewing and updating the Procurement Strategy.

**Why/impact** Given recent events and the adoption of a revised Corporate Strategy in 2020, and the introduction of the National Procurement Strategy for Local Government in England in 2018, we feel the current Procurement Strategy is in need of review

**Summary findings** The Council has a Procurement Strategy last approved in 2017.

**Management comment** Procurement strategy to be reviewed and considered for updating.



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



# COVID-19 arrangements



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

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

## COVID-19 arrangements

On 15 March 2020 based on epidemiological forecasts, the UK government said everyone should avoid all "non-essential" travel and contact with others, avoid crowds, and work from home if possible. Those with symptoms, and their household, were asked to self-isolate. Pregnant women, people over 70, and those with certain health conditions were asked to self-isolate for longer. On 20 March 2020, the UK governments closed all schools, restaurants, pubs, indoor entertainment venues and leisure centres, with some exceptions. On 23 March 2020, the government imposed a lockdown on the whole population, banning all "non-essential" travel and contact with people outside one's home, and shutting almost all businesses, venues, facilities, amenities and places of worship. People were told to keep apart in public. Police were given power to enforce the lockdown, and the Coronavirus Act 2020 gave the government emergency powers including local authorities.

In response to the covid-19 pandemic, the multi-agency Strategic Coordination Group declared the coronavirus pandemic a major incident on 24 March 2020 and Kent and Medway went into a national lockdown on that date. These measures did not significantly change through the whole financial year 2020/21. The first six months of the year was spent largely adjusting to the demands of the pandemic with new services being introduced and the payment of grants to support residents and local business. Staff were seconded to help with Covid related work and this had a knock-on effect to day-to-day services.

To manage the response, the Council initiated daily "Business Continuity" (BC) virtual meetings, with an extended management team to include key staff leading on a number of themes relating to service delivery and to initiate any response to requests from the government and the Kent Resilience Forum.

The Leader, Deputy Leader and Cabinet Member with responsibility for emergency planning had virtual meetings at least weekly with the Chief Executive and Deputy Chief Executive.

As part of Brexit planning, Members approved emergency decision making provisions within the Constitution. This has ensured that decision making has continued during the pandemic with consequential Decision Notices being published in order to ensure transparency.

In March there was an impact on business as usual and delivery of services mainly from staff working at home and some self-isolation, some services were unable to function during the initial lockdown such as parking enforcement. Decisions around any necessary changes to internal controls were discussed with senior managers and escalated if necessary. The Council started a food delivery service for those shielding in partnership with NHS volunteers at the request of government and procured personal protective equipment to help staff carry out their roles. An initial assessment of the costs and loss of income of immediately apparent changes was also carried out and reported to management and members

The pandemic has had significant financial effect on the Council predominately through the loss of income from such things as commercial rents and car parking. However, operational changes have led to a change in expenditure profile which have partially offset losses.

# COVID-19 arrangements

## COVID-19 arrangements (continued)

In the early stages of the pandemic the Government announced various funds to provide financial support for business (Small Business Grant Fund, the Retail, Leisure and Hospitality Grant Fund and the Local Authority Discretionary Grant Fund [LADGF]). Local authorities were made responsible for delivering grants to eligible businesses.

Member meetings went on-line and all staff started working from home where possible to reduce the risk of spread of the disease. Other measures were put in place to ensure the safety of those who still had to work in the community.

The Council's response to the Covid-19 emergency included providing temporary accommodation for rough sleepers and people at risk of homelessness, supporting vulnerable residents including setting up a Community Hub from which the delivery of food and other supplies to the vulnerable were managed and the Council distributed millions of pounds in Business Grants.

Nevertheless, there is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has commenced some scenario modelling on the potential impact on the Council Tax base for the number of households from which full Council Tax can be collected, to understand how this may affect the Council's core funding in the immediate future. In the short term any unexpected shortfall in funding will be met from reserves.

The Council received additional grant funding to cover costs incurred as a result of Covid-19. This funding was utilised in a variety of ways. The Government also announced a support package to partly cover the irrecoverable council tax and business rate loss of income in 2020/21, whereby 75% of losses incurred will be funded by Government Grant.

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

The Council was kept up to date with the situation through regular updates through reports to Cabinet.

## Conclusion

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



# Opinion on the financial statements



## Audit opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on September 29<sup>th</sup> 2021 following the Audit Committee meeting on September 27<sup>th</sup>, in line with the national deadline September 30<sup>th</sup> 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, Annual Governance Statement or the Pension Fund financial statements.

## Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 27 September 2021.

## Issues arising from the accounts

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

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and on the whole the supporting working papers continue to be of a good standard.

## Whole of Government Accounts

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

We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline.

## 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.

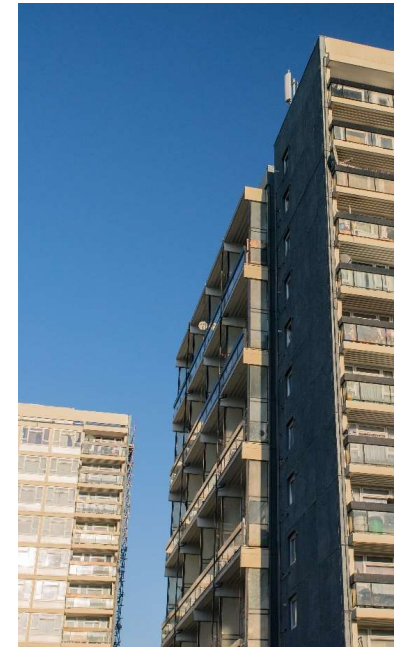
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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	FS p. 11-13 Governance p. 18 3Es p. 22-24



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