

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

For the period 2021-22

December 2022



# Contents

Section	Page
Executive summary	03
Opinion on the financial statements and use of auditor's powers	05
Securing economy, efficiency and effectiveness in the Council's use of resources	06
Financial sustainability	07
Governance	10
Improving economy, efficiency and effectiveness	14
Follow-up of previous recommendations	17
Opinion on the financial statements	19
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	
Appendix B – Risks of significant weaknesses, our procedures and findings	
Appendix C – An explanatory note on recommendations	
Appendix D – Sources of evidence	
Appendix E - Key acronyms and abbreviations	



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# Executive summary



## Value for money arrangements and key recommendations

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020-21 Auditor judgment	2021-22 Auditor judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements or improvement recommendation made.	↑
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made.	No significant weaknesses in arrangements identified, but improvement recommendation made.	↔

- Dark Purple Significant weaknesses in arrangements identified and key recommendations made
- Blue No significant weaknesses in arrangements identified, improvement recommendations made
- Light Purple No significant weaknesses identified or improvement recommendations made

# Executive summary

## Financial sustainability



Despite the ongoing uncertainty in local government funding, the Council has managed to return favourable financial results. We are now reaching a time when the additional challenges of the current financial environment will need difficult decisions to be made if this position is to be maintained. We believe the Council has the tools to deliver financial sustainability and we have not identified any risks of significant weakness in respect of the Council's arrangements for financial sustainability. Our findings are set out in further detail on pages 7 to 9.

## Governance



Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council. 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. Our findings are set out in further detail on pages 10-13.

## Improving economy, efficiency and effectiveness



Tonbridge and Malling Borough Council has in place a robust framework to ensure effective delivery of services and priorities. We found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. Our findings are set out in further detail on pages 14-16.



# Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether the accounts: present a true and fair view of the Council's financial position; and have been prepared in accordance with the CIPFA/LASAAC Code of Practice on local authority accounting in the United Kingdom 2021-22.

We have completed our audit of your 2021-22 financial statements and issued an unqualified audit opinion on 29 September 2022, following the Audit Committee meeting on 26 September 2022. Our findings are set out in further detail on page 19.

## Statutory recommendations

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

We did not issue any statutory recommendations in 2021-22.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue any public interest report in 2021-22.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make any application to the Court in 2021-22.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure;
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue any advisory notice in 2021-22.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for any judicial review in 2021-22.

# Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their Annual Governance Statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



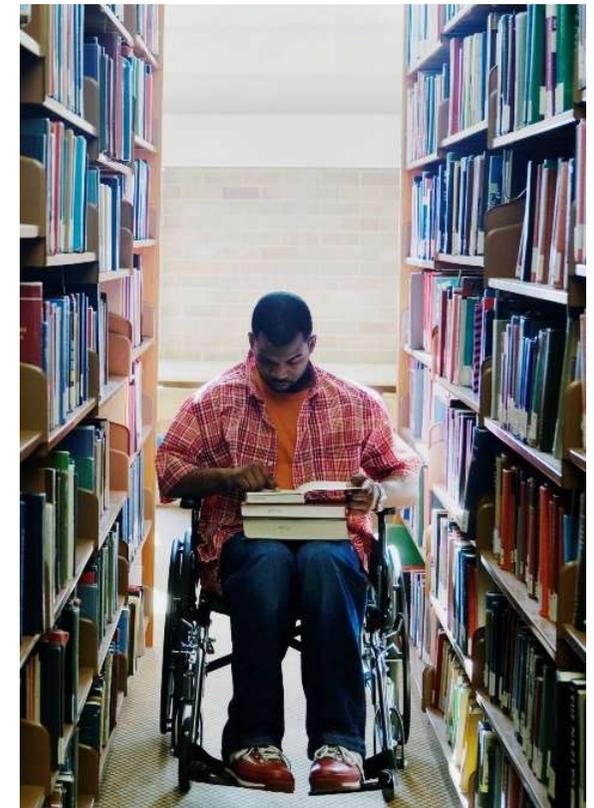
## Governance

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



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 16. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium term plans and builds them into its plans

The Covid-19 pandemic has been the largest peace-time emergency seen in this country since WWII. The knock-on effects to 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 commercial rents. While Government grants have covered part of the general shortfall, councils have been dealing with increased financial uncertainty. During 2021-22 we moved out of the cycle of lockdowns and other restrictions, and the after effects of the pandemic continue to make finances challenging for local authorities.

2021-22 brought another one-year settlement from Government making it difficult to undertake any longer term planning with any certainty. When setting the 2021-22 budget in February 2021 the Council identified a budget gap over the five years of the Medium Term Financial Strategy (MTFS) of £0.475m, increasing to £2.35m upon review in February 2022. If savings and additional income are not identified to address the budget gap it will need to be covered through use of General Fund reserves.

For council tax the Council currently assumes a £5 per annum increase, or 2.3% for Band D properties. This is typically achieved and in line with other similar councils, and therefore not unreasonable. Furthermore, a return to business rate pooling, using the existing baseline, will enable the Council to retain a share in the proceeds of business rates growth.

The Council has a Savings & Transformation Strategy which is reported alongside the MTFS. The actual net spend for 2021-22 of £14.96m was £2.14m less than the original budget set by the Council in February 2021. Whilst this was due in part to receiving additional Covid funding from Central Government, with an element of savings included. In planning the 2022-23 budget a budget gap of £2m over the next three years was identified. Officers and Members are aware there cannot be a reliance on use of reserves to fund budget deficits going forward, and after the May 2023 elections some difficult decisions about continuation of some discretionary services will need to be made. Assumptions used in setting the budget are clearly stated in budget papers and appear reasonable.

The final 2021-22 outturn for the General Fund was a small underspend which allowed larger than expected contributions to be made to reserves. This is good performance given the income losses incurred by the Council, and is due in part to receipt of significant levels of Government grants but also due to strong budgetary control. This outcome will have positive benefits for the Council's financial resilience in 2022-23 and beyond. A balanced budget was set for 2022-23 in February 2022 however it does expect a reliance on reserves and achievement of savings.

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 2022-23 financial year. The date of the long term review, whilst announced in the October 2021 budget statement, is yet to be confirmed.

# Financial sustainability

Whilst longer term planning is problematic with a high level of uncertainty over future Government funding, the Council appropriately plans over the medium term and has a MTFS over a ten-year period from 2021-22. Given the uncertainty of the financial regime, the Council's 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. 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 (FIP) – replaced by Finance, Regeneration & Property Scrutiny Committee from May 2022. 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 are informed this has happened in the past but there are no plans at present to reinstate this process.

## How the body plans to bridge its funding gaps and identifies achievable savings

The Council prepares a Savings & Transformation Strategy, the purpose of which is to provide structure, focus and direction in addressing the financial challenges faced by the Council. The Strategy was reviewed during 2021-22 to reflect changes in financial circumstances. The revised Strategy identified that over the next four years a total of £2.14m will need to be delivered in savings or transformation contributions. A challenging target.

The final annual budget is approved by Council each February. Savings delivery is monitored at Cabinet as part of the regular MTFS report, the last update being provided to Cabinet in November 2022. The Council has a history of delivering on savings and to budget.

As part of the 2021-22 budget setting process budgets were reviewed and changes made to adjust for pressures, new initiatives, expected cost increases and income changes. The Council has a healthy reserves position (£36m of usable reserves at 31 March 2022). Plans to use reserves to fund budget deficits in the short term to fund budget deficits is not of immediate concern but must be monitored closely.

The Council has been prudent in its funding assumptions and setting of the council tax base, with the expectation that Collection Fund balances will be better than planned which will reduce the need to draw on reserves.

While savings potential has been affected by the effects of the pandemic, the Council has a history of successful savings delivery. In 2021-22 savings of £0.365m were delivered against a target of £0.1m. The Savings & Transformation Strategy sets out the plan for the Council to deliver savings in 4 tranches: tranche 1 £0.35m to be delivered by April 2023; tranche 2 £0.5m to be delivered by April 2024; tranche 3 £0.65m to be delivered by April 2025; and tranche 4 £0.65m to be delivered by April 2028. Another £0.2m relates to initiatives already built into the MTFS.

## How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We found a robust financial planning process in place which ties in with the Council's corporate objectives. There is extensive internal consultation to ensure the annual budget meets the needs of the services provided, ensuring that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies. The Workforce Strategy, last updated in 2022, ties in with corporate plans and the budget.

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, and clearly defined responsibilities for budget management. Corporate Management and Members challenge performance, holding budget holders to account, and making decisive interventions where and when 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 – the ongoing management of the Council's financial position over recent years is evidence of this. In challenging times it will be vitally important the strong financial culture of the Council 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. Any variances of £5k and above must be reported to the Director of Finance and Transformation. Finance carries out independent review of significant elements of the budget such as salaries and income to maintain oversight of the financial position.

The understanding of drivers of risk in the budget is 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, or to ensure budgetary adherence is improved by budget holders. Some variance will be inevitable due to the demand-led nature of some services. The Covid-19 pandemic has 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 for there to be 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.

# Financial sustainability

The Council has a Capital Plan and has adopted a Capital Strategy and capital planning process which are regularly reviewed to reflect changing circumstances. In addition to funding for the replacement of assets which deliver services and 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 annual capital allowance. Priority is given to those schemes that generate income or reduce costs. The annual capital allowance is currently set at £0.25m. The capital programme largely consists of maintenance and improvement items and contains no major schemes. The capital programme is overseen by Cabinet, while projects are subject to a detailed appraisal and approval process.

The current Corporate Strategy covers the period 2020-2023 with the following areas of focus:

- Achieving efficiency
- Embracing effective partnership working and funding
- Valuing our environment and encouraging sustainable growth
- Innovation

## How the body 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

In the June 2002 update of the Workforce Strategy, the strategy was 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.

A Treasury Management & Annual Investment Strategy and Capital Plan are in place. The Treasury Management & Annual Investment Strategy is produced with assistance from external advisors Link Asset Services, to ensure risk is managed. The Treasury Management & Annual Investment Strategy is approved at Council annually. There is an appropriate balance between mitigating risk and optimising opportunities, and the Council has set out the appropriate level of reserves to maintain, as well as the opportunity cost of holding reserves.

The budget process is managed by the finance team who ensure nothing is done 'in silo', factoring in all possible impacts on other areas. Due to the size of the Council the management team contained and there is nothing which could be done without the leadership having awareness. There is evidence that services collaborate and appear to understand the wider position of the Council as a whole, and not just their own departments. The budget has been balanced over recent years, demonstrating how each departments work towards the Council's targets as a collective. We understand that underspent budgets are redeployed, which would suggest services do not spend their budgets simply to protect future allocations.

## How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

2021-22 has continued to bring financial management challenges of dealing with the pandemic, including the ongoing changing profile of demands on Council services.

Within its Corporate Risk Register the Council has identified the risk of not balancing the budget – it is noted that the latest Strategic Risk Register indicates this as a 'red' risk. Ways in which the Council is managing this risk include the regular budget monitoring and scrutiny, the Savings & Transformation Strategy, the MTFs and use of reserves. A list of financial risks is included in budget papers sent to Members when setting the Council's annual budget.

Any changes in Government policy/funding are reflected in financial plans as soon as the Council becomes aware of them. Should the Government cut funding for a specific service, the Head of Service would need to review the service to identify how that funding could be replaced, or the service reduced accordingly. The budget risk process is a managed process, ensuring no surprises. Links within the Council to CIPFA also ensure knowledge on local government financial matters are up to date. The Council does not receive any 'special' funding from Central Government, all funding is consistent across councils of its type, therefore a change to funding will also impact all similar councils.

As the Council emerges from the pandemic, and the 'new normal' is established – crucially, a normal which once again comes with financial constraints – the Council should assess what Covid working patterns and service arrangements should continue in the post-pandemic world. Our work indicates the Council will face growing financial challenges in future years and we will monitor the Council's response in those years.

## We found no evidence or indication of significant risks to your financial sustainability. As such, no further risk-based work has been undertaken in this area.

# 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

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 elements 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. Robust risk management, along with good governance and strong financial management form cornerstones of effective internal control.

The Annual Governance Statement for 2021-22 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. Risks identified are scored on the basis of their likelihood and impact and existing controls and required actions to further mitigate risks are captured in risk registers and a risk management escalation process in place. The framework sets out the responsibility of officers leading on areas with partnership arrangements to ensure that the partner has an adequate risk management strategy and sufficient insurance cover to protect the interests of the Council*”.

The Council’s risk management processes were reviewed by Internal Audit in July 2021, with ‘adequate’ assurance provided. The report recommended, inter alia, that management should review the Strategic Risk Register prior to its submission to Audit Committee, that risk management training should be organised for all levels of staff on risk management, and risk registers should be updated in real time. These matters have been subsequently addressed, apart from risk management training which has been held over until after the elections in May 2023.

Based on our review of your risk management processes we also see scope for small improvements in risk management processes. The Risk Management Policy was approved in January 2021 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’s Strategic Risk Register is reported regularly to the Audit Committee and Cabinet. It was last reported to Audit Committee in September 2022. The Strategic Risk Register contains 19 risks which is close to 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 six ‘red’ risks relating to finance, elections, Brexit, the Local Plan, and the waste/recycling contract.

The risk register format is clear showing current and target risk scores, lead officers, consequences, current mitigations and actions required. The Strategic 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 – refer to Improvement Recommendation 1 (page 13).

# Governance

The Council should consider developing the 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. This model provides a framework for internal control with the first line of defence being management, the second line of defence being those involved in risk management and compliance, and the third line being internal audit.

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 – refer to Improvement Recommendation 1 (page 13). This would provide greater clarity of the relationship between all the risk registers used across the Council, covering strategic, operational, project and partnership risk. All these areas should align wherever they are reported to ensure that there is a clear golden thread of risks that runs up and down the organisation.

The Internal Audit Service was transferred completely to Kent County Council from 1 October 2021 – internal audit was previously provided in-house. Since May 2015, the Fraud Manager, Audit & Assurance Manager and Chief Audit Executive posts had been secured by way of a shared management arrangement with Kent County Council with the rest of the internal audit team being in-house. These officers transferred under TUPE to Kent County Council from October 2021. From review of reports and Audit Committee papers there looks to be an adequate and effective internal audit service in place that challenges management and provides appropriate recommendations for improvement to the Council. The Audit Committee receives regular updates on the annual internal audit programme progress and key findings of reports issued. Internal audit issued one ‘no assurance’ report during 2021-22 in relation to GDPR and document retention.

The Audit Committee is required to consider the effectiveness of internal audit on an annual basis. This review is based upon evidence produced and the view of the management team. A report was submitted to the Audit Committee in July 2021 reporting that management’s opinion on the effectiveness of internal audit was ‘good’. Members considered the findings of this review and endorsed the opinion that the effectiveness of internal audit was ‘good’. The Public Sector Internal Audit Standards (PSIAS) require an independent external quality assessment (EQA) to be undertaken at least every five years. At its meeting in July 2021 the Audit Committee received a report on the outcome of the EQA undertaken in February and March 2021, together with the improvement plan developed in response to the recommendations raised in the assessment. The Head of Audit opinion statement for 2021-22 states *“In my capacity as the Chief Audit Executive, with responsibility for the provision of Internal Audit services to the Council, it is my opinion that Tonbridge and Malling Borough Council’s framework of governance, risk management and control adequately contributed to the proper, economic, efficient and effective use of resources in achieving the Council’s objectives during 2021-22”*.

Counter fraud services are also provided by Kent County Council. 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. Counter fraud operations are underpinned by a Member and Officer Code of Conduct (both updated in 2022) and a Whistleblowing Policy (dated 2022). The Anti-Fraud, Bribery & Corruption Policy was last updated in January 2022.

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.

## How the body approaches and carries out its annual budget setting process

The Government’s financial landscape has made this a unique year for local government financial planning. As detailed in the ‘Financial sustainability’ section the Council has a robust approach to financial planning and assumptions made appear reasonable. While future funding is unclear, the Council’s MTFS is 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 MTFS is a living document, constantly updated following discussions across the Council and new information provided by Government.

Budgets are discussed with budget holders, senior leadership and Members prior to approval at Council level. The budget process starts in August with a finance review of staffing. Budget working papers are circulated to budget holders in September and work their way to the management team for approval in November. When the settlement is received in December required adjustments are made and the budget goes to Members through January and February going through Cabinet to Council for approval. Investments and borrowings are included within the financial plan, but the effects were minimal given the rates of return on investments during 2021-22.

## How the body ensures effective processes and systems are in place to ensure budgetary control

During 2021-22 the budget is reviewed quarterly by FIP. The accompanying reports and information supporting the budget identify issues which will impact the expected outturn as and when they arise, including reasons for variances. There is good analysis of risks posed to the achievement of the budget within these reports. Forecasts are subject to a high level of challenge and scrutiny from FIP. The budget monitoring report analyses individual service trends and extrapolates the impact on the outturn position. As part of budget monitoring and control arrangements officers confirm monthly that budgetary control has been undertaken within their service areas, and at the same time highlight any areas they wish to bring to the attention of the Director of Finance and Transformation. In addition, the accountancy section monitors budgetary performance across the whole range of services during the year.

# Governance

The financial measurement and tracking carried out by the Council is very much about the data available, factoring time pressures given demands of Government reporting requirements and the lack of clarity around financial planning currently. None of this is an indication of a significant weakness – this is a district council with no major investments, no significant capital plans and no unique challenges. Its remit is to provide services to residents and stay financially viable. We consider the Council's budget management arrangements to be robust and have found no areas of concern during our work.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

From document review 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 that sufficient information is provided to Members and they are able to 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 or pervasive weaknesses in the Councils final accounts processes which would give rise to material errors in draft financial statements, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

A new Leader of the Council was recently designated following the stepping down of the previous incumbent in July 2021 after many years in the role. We have no concerns in relation to risks related to high turnover of Members which can lead to inadequate understanding of the organisation and poor decision-making. The importance of maintaining a strong financial culture is vital and this seems to be the case for the Council.

Financial and operational activity is well-planned with no need for reactive actions or short term remedies. Even during the height of the pandemic the Council's responses were deliberate and well 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 was 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. This has also had a knock-on effect on the street cleansing service. The update to the Community and Environment Scrutiny Select Committee in October 2022 indicated there had been improvement in services with completion of scheduled collections improving from 84.3% in the period April to August 2021 to 96.3% for April to August 2022 and complaints falling from 503 to 148 over the same periods.

In late 2020 the Planning Inspector 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 Inspector's justification for reaching the conclusion that there was a failure of the Duty to Cooperate in respect of unmet housing need in Sevenoaks.

## How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

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.

The Council has Codes of Conduct for both officers and Members. The Members' Code is founded upon Nolan Principles of public life and was reviewed on a Kent-wide basis in 2021-22, with the Council adopting the amended Kent Members' Code in April 2022. The Members' Code is enforced, where necessary, through the Council's Joint Standard Committee. The Officer's Code is enforced, where necessary, through disciplinary procedures.

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 is retained by the Monitoring Officer and is available for inspection on request. Officers are advised on the rules relating to gifts and hospitality and registering of interests but there is no register of gifts and hospitality for officers or a formal annual declaration of interests. While we found no evidence of adverse outcomes of interests, gifts or hospitality not being declared, the Council may wish to introduce these measures in the interests of transparency.

**We found no evidence or indication of significant risks to your governance arrangements. As such, no further risk-based work has been undertaken in this area.**

# Improvement recommendation



## Governance

### Recommendation 1

Consideration should be given to the following improvements to the risk management process:

- a) Consider providing additional information within the Strategic Risk Register, including direction of travel, sources of risk and assurance, and dates of last and next review.
- b) Develop a training module for all staff to raise awareness of risk across the organisation.

### Why/Impact

Further development of risk management techniques will help embed management of risk in the organisation leading to better decision-making.

### Auditor judgement

While robust risk management processes are in place, some small enhancements are possible to reflect best practice.

### Summary findings

The Strategic 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 which would be in line with best practice.

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. This would provide greater clarity of the relationship between all the risk registers used across the Council.

### Management comments

- a) *Consideration to be given to providing additional information in the Strategic Risk Register from April 2023.*
- b) *Appropriate training for staff in order to raise awareness of risk across the organisation to be considered after the May 2023 election.*



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

# 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## How financial and performance information has been used to assess performance to identify areas for improvement

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 along with the cost-of-living crisis and significant levels of inflation.

Since we reported last year on a lack of a suite of performance measures reported to Members, such a set has been developed and is reported quarterly across the scrutiny select committees as is relevant to their remit. While we understand the publication of all committee agendas and minutes are distributed to all members allowing them to assess the impacts of the key performance indicators (KPIs), we would still like to see a summary of KPIs regularly reported formally to Cabinet to give a holistic review of performance across the Council – refer to Improvement Recommendation 2 (page 16).

The Council has a Data Quality Policy, last 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.

## How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Strategy is used by officers to deliver services and to inform their recommendations to service

committees. Councillors use the Corporate Strategy to inform their decisions also. The current Strategy runs until 2023. In 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 of Review, Re-orientation and Recovery. A further 12-month addendum was adopted in July 2021.

Benchmarking has been used to assess performance in the past but with focus on dealing with the pandemic over the last two years understandably resources have not been available to focus on service improvement. In 2021-22 initial focus on reinstating a system for performance management has been to embed a set of performance indicators and we understand the introduction of wider benchmarking is envisaged as a later stage in the process. We would suggest, especially given the need for significant efficiencies in the medium term, a return to understanding how other councils provide services, with a view to introducing best practice and providing value for money – refer to Improvement Recommendation 2 (page 16).

## How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified

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

# Improving economy, efficiency and effectiveness

approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. The Council's 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. We are not aware of any significant financial loss or failure to deliver expected efficiency/performance improvements through our review of the Council's significant partnerships.

## Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

Procurement supports services across the Council, 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, 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 – refer to Improvement Recommendation 2 (page 16). 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 to consider when updating the document.

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 or indication of significant risks to your economy, effectiveness and efficiency arrangements. As such, no further risk-based work has been undertaken in this area.**

# Improvement recommendation



Improving economy, efficiency and effectiveness

## Recommendation 2

The Council should consider the following improvements to its performance management framework:

- a) Report a suite of key performance indicators to Cabinet every six months.
- b) Re-introduce the benchmarking practices used pre-pandemic to see how other councils provide services, with a view to introducing best practice and providing value for money.
- c) The Procurement Strategy should be refreshed, informed by the National Procurement Strategy toolkit.

## Why/Impact

The Council needs to identify efficiencies in the medium term to form a realistic savings plan.

## Auditor judgement

Further embedding performance review across the organisation will help to ensure efficient and effective use of resources and the delivery of corporate objectives.

## Summary findings

The Council has developed a set of KPIs but do not report a KPI summary regularly to Cabinet.

Benchmarking service delivery has not taken place since pre-pandemic.

The Procurement Strategy was last updated in 2017.

## Management comments

- a) *Management Team in liaison with Cabinet to consider how this might best be achieved.*
- b) *Benchmarking can be resource intensive, that is not to say benchmarking is not a useful tool, adding insight and value when used in the right context and will continue to look for opportunities to benchmark where and when it is determined it will be beneficial to do so when undertaking a review of a specific service area(s).*
- c) *The nature, scale and size of procurement activity is relatively constant year on year. However, do acknowledge the need to revisit the Strategy when other more pressing priorities and work pressures allow and in recognition of the new procurement regime due to be implemented in 2023.*



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

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date - management comment</b>	<b>Addressed?</b>	<b>Further action required?</b>
1	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.	Improvement	December 2021	Work is still ongoing and is a subject matter for the Overview and Scrutiny Work programme.	No	Yes
2	Consideration should be given to completing an annual public consultation exercise when preparing the budget.	Improvement	December 2021	This is still under review.	No	Yes
3	The Human Resources Strategy should be updated to tie in to the latest corporate plan and budget as well undertaking a workforce review.	Improvement	December 2021	Our Corporate Strategy has been redrafted and is about to go out for Public Consultation in the next few weeks, once it has been approved greater links to this document will be made via other strategies such as the Workforce Strategy which is also currently under review.	No	Yes
4	A risk training programme should be implemented for all staff levels based on the new risk management policy	Improvement	December 2021	The Council's Risk Management Strategy is published annually to staff via a system called NetConstant this requires officers to enter their password to acknowledge that they have read the policy document, at present no other training has been given due to other pressures. A further improvement recommendation has been raised.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 1b.

# Follow-up of previous recommendations

	<b>Recommendation</b>	<b>Type of recommendation</b>	<b>Date raised</b>	<b>Progress to date</b>	<b>Addressed?</b>	<b>Further action?</b>
5	The Council should formally identify their key performance indicators and develop a system of monitoring performance and annual reporting against this suite.	Improvement	December 2021	A suite of performance indicators is now in place and reported quarterly to relevant scrutiny committees. There is no formal reporting of key performance indicators to Cabinet.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 2a.
6	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.	Improvement	December 2021	This is still under review.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 2b.
7	Consideration should be given reviewing and updating the Procurement Strategy.	Improvement	December 2021	This is still under review.	No	Yes – a further improvement recommendation has been raised, refer to Improvement Recommendation 2c.

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion or we qualified the opinion on the Council's financial statements on 29 September 2022.

## Other opinion/key findings

We had no significant unadjusted findings in relation to the other information produced by the Council, including the Narrative Report or Annual Governance Statement.

## Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 26 September 2022.

## Issues arising from the accounts:

All adjusted misstatements identified for the Council's 2021-22 financial statements are disclosed in the 2021-22 AFR, Appendix C. There were no unadjusted misstatements.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The quality of the draft financial statements and 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.

The Council is below the required threshold set for WGA procedures.

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

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



# Appendices

# Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by Government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



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# Appendix B – Risks of significant weaknesses, our procedures and findings

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As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We identified no such risks.

# Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	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	Pages 13 and 16

# Appendix D – Sources of evidence



## Staff involved

- Julie Beilby – Chief Executive
- Sharon Shelton – Director of Finance and Transformation
- Neil Lawley – Chief Financial Services Officer
- Paul Worden – Financial Services Manager
- Jeremy Whitaker – Economic Regeneration Manager



## Key Documents Reviewed

- Annual Governance Statement
- Annual Head of Internal Audit opinion
- Anti-Fraud, Bribery & Corruption Policy
- Capital Plan & Strategy
- Corporate Plan
- Council's Constitution
- Corporate Risk Register
- Data Quality Policy
- Internal Audit Plan
- Local Code of Corporate Governance
- Medium Term Financial Strategy
- Member Code of Conduct
- Officer Code of Conduct
- Procurement Strategy
- Review of effectiveness of Internal Audit
- Risk Management Policy
- Savings & Transformation Strategy
- Strategic Risk Register
- Treasury Management & Annual Investment Strategy
- Whistleblowing Policy
- Workforce Strategy
- Audit Committee Papers
- Cabinet papers

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# Appendix E – Key acronyms and abbreviations

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The following acronyms and abbreviations have been used within this report:

AGS	Annual Governance Statement
CIPFA	Chartered Institute of Public Finance & Accounts
EQA	External Quality Assessment
FIP	Finance, Innovation & Property Advisory Board (replaced in May 2022 by Finance, Regeneration & Property Scrutiny Select Committee)
ICT	Information & Communications Technology
KPI	Key Performance Indicator
MTFS	Medium term Financial Strategy
NAO	National Audit Office
NNDR	National Non-Domestic Rates
PSIAS	Public Sector Internal Audit Standards

