

Auditor's Annual Report on West Oxfordshire District Council 2021/22

1 August 2023



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

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



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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 recommendation(s)

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	Risk of significant weakness identified	No significant weaknesses in arrangements identified, but 3 improvement recommendations made	No significant weaknesses in arrangements identified, but 4 improvement recommendations made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 2 improvement recommendations made	No significant weaknesses in arrangements identified, but 7 improvement recommendations made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but 2 improvement recommendations made	No significant weaknesses in arrangements identified, but 3 improvement recommendations made	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

We recognise that these judgements relate to 2021/22 and that inevitably arrangements across all these areas will have evolved since the period for which these judgements relate. We have sought to reference further developments in the detail of this report where appropriate but have based our assessment above on the period in question.

Executive summary



Financial sustainability

The Council, like others, continues to operate in an uncertain financial environment. As part of our initial audit plan, we identified a risk of significant weakness in relation to financial sustainability reflecting the uncertainty regarding local government funding in the medium term. Our subsequent work has not identified any significant weaknesses in arrangements to secure financial sustainability but has identified four improvement recommendations. Further details can be seen on pages 13 to 16 of this report.



Governance

The Council enhanced its governance arrangements during 2021/22 through a review of the Council's constitution and the introduction of a revised Risk and Opportunity Management Strategy, with further development of the Council's governance and control environment planned as part of the Council's annual governance statement action plan. Our work has not identified any significant weaknesses in arrangements but has identified seven improvement recommendations. Further details can be seen on pages 23 to 29.



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. The Council has an established regime of service and corporate plan performance monitoring supported by oversight. The Council, during 2021/22 strengthened its procurement and contract management arrangements and subsequently adopted a new Procurement and Contract Management Strategy. We have identified three opportunities for improvement which are set out on pages 33 to 35.



As at the 30 May 2023 our work on the Council's financial statements is substantially complete.

We are, however, awaiting the receipt of the letter of assurance from the auditor of Oxfordshire Pension Fund. Until this is resolved we are not in a position to conclude in this area.

Subject to the satisfactory resolution of this outstanding issue we anticipated giving an unqualified opinion on the Council's financial statements for 2021/22.

Our findings are set out in further detail on pages 38.



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 they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our work on the Council's financial statements is substantially complete. We are, however, awaiting the receipt of the letter of assurance form the auditor of Oxfordshire Pension Fund. Our findings are set out in further detail on page 38.

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.

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 a public interest report.

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 apply to the court.

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 an advisory notice.

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 judicial review.

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).



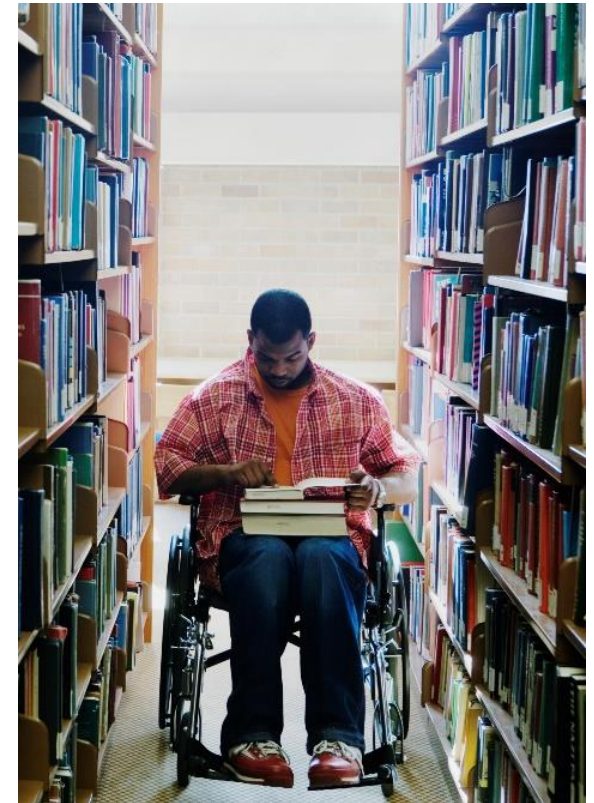
Governance

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 35. 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.

Outturn 2021/22

The Council's Cabinet, on 13 July 2022, considered the Budget Monitoring Year End Final Outturn Report 2021/22. This included the Council's general fund final outturn for the financial year 2021/22. The final outturn was an underspend of £0.004m. The report included explanations of significant variances, and a full list of all budget variances formed an appendix to the main report which supports transparency and is in line with good practice.

Significant budget variances included a £0.12m under recovery of car parking income for the financial year 2021/22 which reflected the ongoing impact of Covid-19 and a £0.07m under recovery of Land Charges income due to market competition. Banking transaction costs incurred by the Council were £0.1m higher than budgeted. We understand from the Council that a review of these charges has since been conducted which identified the additional costs of £0.1m were charged to the Council in error and were subsequently recovered. The assessment of this budget variance by the Council's demonstrates good practice. Recycling costs were £0.1m over budget due to higher than anticipated contract costs resulting from the level of additional waste being presented by households during 2021/22.

The provisional 2021/22 outturn also detailed that Revenues and Housing Support Services were £0.04m overspent, reflecting the impact of Covid-19 on this service area with a significant contributor to this overspend being increased emergency temporary accommodation costs impacting the Council's Housing Benefit subsidy.

The Council's received better than expected levels of rental income from its property investments with £0.4m of additional income being received during 2021/22.

This resulted from the Council attracting new commercial tenants and but also reflected the level of liaison and support the Council put in place during 2021/22 to assist its existing commercial tenants manage the financial impact of Covid-19 and whilst meeting their rental obligations. The intervention and support the Council provided to its commercial tenants demonstrates good practice.

An increase in taxi licence applications during 2021/22 resulted in the Council receiving £0.04m in more income, than the original budget, due to drivers returning to the private hire sector as Covid-19 restriction began to lift.

The Council was part of the Oxfordshire Business Rates Pool during the financial year 2021/22 which resulted in £0.73m of additional income. The Council do not include any potential windfall gain from participation within Oxfordshire Business Rates Pool when setting the annual budget due to the unpredictable of any potential gain. The unbudgeted income received, in 2021/22, was transferred to the Council's earmarked reserves representing a practical strategy to support the financial sustainability of the Council.

2022/23 Budget

On 23 February 2022 full Council considered the Budget Report for 2022/23. The report clearly set out the impact to the Council of the local government financial settlement for the financial year 2022/23 which had been confirmed on 7 February 2022 and included a new homes bonus payment of £2.3m, lower tier services grant of £0.1m, revenue support grant of £0.08m a one-off services grant of £0.1m and a rural service delivery grant of £0.1m.

The Council's income from retained business rates was estimated to be £4.3m, a reduction of £0.4m in comparison to the previous financial year reflecting the ongoing impact of Covid-19 on business rate income retained by the Council.

Financial sustainability (Cont'd)

2022/23 Budget (Cont'd)

The 2022/23 budget report set out the Council Tax base which had increased by 2.79% compared to the previous year, due to higher than predicted housing growth and an under estimation, by the Council, of the number of property completions that would be reflected in the valuation list. The Council assumptions were based on the impact of Covid-19 on both the housing market and the Valuation Office Agency with the actual impact being less than assumed.

The Council's 2022/34 budget recommended an annual Council Tax increase of £5 per band D property, which combined with the tax base growth would result in overall increase of £0.3m in income from Council Tax in compared to the previous year. Alternative options relating to the level of Council Tax set, and the financial implications, were not included in the budget report and this is included in a wider improvement recommendation later in this section.

The Council's 2022/23 budget included 2.5% inflationary increases in pay for Publica employees, the Council's resourcing partner and retained officers resulting in pay inflation growth of £0.48m being reflected in the 2022/23 budget. Pay inflation for Ubico Limited, the Council's environmental services company, was assessed as 2.5% and included within the overall estimated contract fee payable for 2022/23.

Other significant growth items for 2022/23 included £0.65m to fund a required review of the Council's local plan, £0.39m increase in recycling contract costs due to additional haulage and handling costs, £0.16m to fund additional posts, including an interim Monitoring Officer, to comply with the Council's statutory responsibilities, pending a permanent recruitment exercise, a civic pride officer to respond to issues of fly tipping and a Citizens Advice debt advisor reflecting the additional support needs of residents to manage the cost of living crisis.

The Council owns several commercial properties held as investments that generate income to support the revenue budget. The 2022/23 budget report forecast the Council would receive £4.24m of commercial property investment income in 2022/23 which represented an increase of £0.28m from the previous year. The strategic management of the Council assets including those held as commercial investment is covered later within this section.

The Council's budget report for 2022/23 included an annex of all the responses received from a public budget consultation that had been held between December 2021 and January 2022 which demonstrates the Council willingness to engage the public in the budget setting process and supports transparency.

Capital Programme and Recovery Investment Strategy

On 24 February 2021 full Council considered the Budget Report 2021/22 which included the Council's proposed capital projects over a ten-year period between 2021/22 to 2030/31, with a planned total capital expenditure of £113.1m for the period.

Capital projects for 2021/22 had an original budget of £20.5m which was funded by a combination of grant funding, capital receipts, earmarked reserves and borrowing. The 2021/22 capital programme included £15m of capital provision in relation to potential schemes falling within the scope of the Council's Investment Strategy. Other planned capital projects included deployment of high-speed broadband (£1.2m), Ubico replacement fleet costs (£1m), and provision of electric vehicle charging points (£0.45m), these capital project demonstrated alignment to the Council's corporate priorities. The Council's Cabinet, on 13 July 2022, considered the Budget Monitoring Year End Final Outturn Report 2021/22 and this included the Council's final capital outturn for the year. Actual capital expenditure for 2021/22 was reported as £5.6m against a revised capital budget of £24m. The revised capital budget reflected the Council's approval of capital schemes relating to affordable housing developments and property acquisitions including the purchase and conversion of an in-district property to provide accommodation for people at risk of homelessness.

Significant contributors to the 2021/22 capital project slippage included:

- £12.6m - Investment Strategy.
- £2m - Affordable housing schemes.
- £1.2m deployment of high-speed broadband.
- £0.81m - Ubico replacement fleet costs.

Slippage in relation to affordable housing and broadband schemes related to invoice timing with settlement falling in early 2022/23, Ubico fleet replacements had been delayed due to extended manufacturing lead in times representing a sector wide issue. We consider the slippage in these capital programmes justifiable.

The lack of approved schemes within the scope of the Council's Investment Strategy represented the majority of capital project slippage during 2021/22, this was due to the absence of suitable schemes that presented the level of return required by the Council. The Recovery Investment Strategy 2020-2024 was approved by full Council on 28 October 2020. The strategy set out the financial challenges facing the Council and included reference the Council's MTFS 2020/21 - 2023/24 and an overall revenue budget gap of £5.3m to 31 March 2024.

Financial sustainability (Cont'd)

Capital Programme and Recovery Investment Strategy (Cont'd)

The strategy included a delivery plan for the period 2020/21 to 2023/24 which detailed how the Council would close the budget gap through a mixture of government grant funding, increasing existing/creating new revenue streams and service efficiencies.

The strategy also set out a capital investment framework within which the Council could invest in the infrastructure of the district, whilst also providing a return on investment that covered the capital financing costs and delivered a financial return to the Council. The Recovery Investment Strategy 2020 – 2024 detailed new capital expenditure of £74m, funded by Council borrowing, for the period 2020/21 to 2023/23 and included a requirement that capital investment schemes falling within scope of the strategy did not worsen the ongoing revenue position of the Council with any proposals needing to meet the annual revenue cost of the capital investment plus a minimum financial return of 3.55%. On this basis the Recovery Investment Strategy assumed £2.1m of income from capital investments for the period 2020/21 to 2023/24.

During 2021/22 the Council identified the first suitable capital investments that met the criteria of the Recovery Investment Strategy. This resulted in the Council acquiring a commercial property site, within district, for £2.4m. No further suitable schemes were found in 2021/22 and the unspent Recovery Investment Strategy capital budget of £12.6m was carried forward to 2022/23 resulting in a revised Recovery Investment Strategy Capital budget of £22.6m for 2022/23. We have been informed by the Council that during 2022/23 a further investment of £11.8m was made under the remit of the strategy, to purchase an in-district shopping centre.

The Council has now made two significant investment decisions under the scope of the Recovery Investment Strategy however this only represents 19% of planned capital expenditure of £74m, for the period 2021/22 to 2023/23 due to the lack of viable schemes being presented, we also note the strategy is due to expire on 31 March 2024 and this leads to an improvement recommendation. We recommend the Council conducts a review its Recovery Investment Strategy to include:

- An assessment of the impact of the strategy to date, including an assessment of projected income from capital investments made.
- A review of the strategy against the current economic landscape and outlook.
- An evaluation of the strategies role in supporting the financial sustainability of the Council.

The Council's review of its Recovery Investment Strategy would support the Council in assessing the performance and financial impact of the strategy and provide a basis for the Council to consider renewal.

Reserves

As already mentioned, on 24 February 2021 full Council considered the Council's Budget 2021/22 Report, which stated that the Council's general fund unallocated reserves were forecast to be £13.6m as of 31 March 2022, 101% of the 2021/22 net revenue budget, which represents a significant level of unallocated reserves which supports financial sustainability of the Council. The Council's earmarked general fund reserves of £17.8m, as of 31 March 2022, includes a delivery of Council priorities fund reserve of £0.9m being available for investment in initiatives which support delivery against the Council's corporate priorities, and which is good practice. Additionally, the Council holds an inflation reserve of £0.8m representing a practical risk mitigation strategy to rising inflationary pressures. The sustainability of Council reserves is assessed in more detail within the following section.

Medium Term Financial Strategy 2022/23 – 2030/31

As already noted, on 23 February 2022 full Council considered the Council's Budget Report 2022/23, which included a Medium-Term Financial Strategy (MTFS) that covered a nine-year period 2022/23 – 2030/31.

The MTFS assumed central government funding, received, or retained by the Council, would reduce with the for the period 2023/24 to 2030/31 with the outcome of the governments fair funding review and the business rates baseline reset negatively impacting the Council from 2023/24 with a reduction of £3.6m in government funding in comparison to 2022/23.

The Council's MTFS 2022/23 – 2030/31 did not detail, within the Budget Report, different financial scenarios in relation to levels of central government funding for local authorities or other elements of financial variance such as varying rates of inflation and the impact of alternative decisions that could be taken in respect of the level of Council Tax charged.

Financial sustainability (Cont'd)

Medium Term Financial Strategy 2022/23 – 2030/31 (Cont'd)

The use of scenario planning was raised in our 2020/21 Auditors Annual Report which included an improvement recommendation as follows:

- The implications of the reduction in the annual funding settlement for the council should be supported by scenario planning that sets out the different responses to different funding reductions on Council activity and spend

The Council responded to this recommendation and stated:

- While a level of sensitivity analysis is done on the MTFs especially acknowledging the areas of highest uncertainty and risk, these could be reported as variants for easier comparison.

Councils continue to operate with a high degree of financial uncertainty in part due to continued delays to the fair funding review and the implementation of the business rate baseline reset but also due to external factors such as inflation and rates of economic growth which could lead to different financial scenarios. This leads to the improvement recommendation, made within our 2020/21 Auditor Annual Report, to be restated and expanded. We recommend the Council introduces wider financial scenario planning within its MTFs and to include such information in annual budgeting setting reports. Assessing the reasonable best, worst and optimum financial scenarios when setting the Council's budget and medium-term financial plans would enhance the Council's strategic financial planning and support the Council's financial sustainability, and flexibility, to accommodate a range of potential scenarios. The Council's MTFs 2022/23 to 2030/31 included the use of reserves to balance the revenue budget for the MTFs period as represented below:

Figure 1 : Use of Reserves 2022/23 – 2030/31

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	Total
Use of Reserves £m	0	1.9	1.2	1.2	1.2	1.5	1.3	1.2	1.1	10.6

Figure 1 identifies the Council plans to use £10.6m of general fund reserves to balance the budget over the MTFs period reducing the level of general fund reserves to £3.9m as of 31 March 2031. The Council's overall approach is to utilise reserves to manage the medium to long term funding gap. The Council has sufficient reserves to support the budget pressure identified in the MTFs 2022/23 – 2030/31 however the Council has advised that the updated MTFs 2023/24 – 2031/32 now states that general fund unallocated reserves will be exhausted by 2027/28 and the MTFs 2023/24 – 2031/32 does not include a plan to replenish these reserves which reduces the Council's ability to manage financial uncertainty.

We understand from the Council that an awayday been scheduled in June 2023 between the Executive, the Chief Executive and the Chief Finance Officer which will be focused on the financial challenges facing the Council including the identification of alternatives, to the use of reserves, including savings to address the budget gaps identified within the MTFs 2023/24 – 2031/32. We consider the Council needs to place a significant focus on the development of wider plans, during 2023, to manage the financial challenges it faces which could ease reliance on the use of reserves. This is an area of that will be followed up on in more detail within our 2022/23 Auditors Annual Report.

Alignment of Financial and other Corporate Plans

Corporate Plan 2020-2024

The Council's corporate plan 2020-2024 has six corporate priorities. The Council's Budget for 2021/22, as agreed by full Council on 24 February 2021, had direct alignment to the priorities within the Council's Corporate Plan 2020-2024, for example the budget for 2021/22 included:

- Proposed capital project investment to support the installation of charging points for electric vehicles – demonstrating alignment to the corporate plan priority 'climate action: leading the way in protecting and enhancing the environment by taking action locally on climate change and biodiversity'
- Investment into the development of affordable social housing - demonstrating alignment to the corporate plan priority 'meeting the Housing Needs of our Changing Population: Securing the provision of market and affordable housing'
- Revenue intervention to support the Council's leisure provider to manage the impact of Covid-19, rising energy costs and changing consumer habits - demonstrating alignment to the corporate plan priority 'healthy towns and villages: facilitating healthy lifestyles and better wellbeing for everyone'

On 22 June 2022 Cabinet considered the Council Priorities and Service Performance Report 2021-22 Quarter Four. The report included a Council annual statement which provided a comprehensive update of the Council's activity, during 2021/22, that supported the delivery of the Council's Corporate Plan 2020-2024. The Council's annual assessment of progress in achieving its corporate priorities is good practice.

Financial sustainability (Cont'd)

Alignment of Financial and other Corporate Plans (Cont'd)

Workforce Strategy

The majority of the Council's workforce are employed within Publica a not-for-profit company wholly owned by the Council, Forest of Dean District Council, Cotswold District Council and Cheltenham Borough Council. The Council has small number of retained officers including statutory posts. The Council and Publica do not have current workforce or people strategies. However, the Publica Business Plan 2022 – 2025 does set out the Publica's strategic priorities including those relating to the development of its workforce to support the delivery of shareholder priorities which includes Publica working toward Investors in People accreditation which was since obtained in July 2022.

We have been informed by Publica a workforce strategy is being currently developed and it is intended this workforce strategy will build upon the Publica Business Plan 2022 – 2025 and the Investor in People framework. It is acknowledged that due to the Publica providing services to four individual Council's a workforce strategy would need to be built upon mutually agreed principles with sufficient alignment to individual shareholder priorities and financial plans. The absence of agreed workforce strategies, aligned to the Council's medium term financial plan, increases financial risk to the Council, and this is addressed within a wider improvement recommendation within this section.

Asset Management

On 13 July 2022 Cabinet considered a report regarding changes to the Council's offices to facilitate the implementation of the Agile Working Strategy, reduce costs and the carbon impact of the Council's operations, and increase public accessibility. The report explained the Council's had introduced an Agile Working Strategy in August 2020, which supported a permanent shift to a hybrid working for most staff and because of this change, the Council had reviewed its need for physical office space.

The report proposed 40% of Council office space could now be repurposed to deliver a more suitable and adaptable workspace, increased public accessibility, a reduction in Council operating costs, a reduced carbon impact and increased income from new tenants.

The Council's review of its physical assets in terms of future usage patterns and whether alternate use of space can support income generation demonstrates good practice. However, in our review of how the Council manages its wider physical assets we have established the Council does not have in place a current Asset Management Strategy. Financial sustainability could be enhanced by the introduction of workforce strategies and an asset management strategy which are aligned to, and support, the Council's medium term financial strategy.

We recommend the Council develops and agrees the following:

- A Publica workforce strategy, and aligned Council workforce strategy, that supports the delivery of the Council's corporate priorities and MTFS.
- An asset management strategy that is aligned to the Council's new corporate plan 2023 to 2027 and Climate Change Strategy 2021-2025 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's MTFS.

Treasury Management

The Council sets a Treasury Management Strategy annually as part of the budget setting process. On 7 December 2022 the Finance and Management Overview and Scrutiny considered the Treasury Outturn Report 2021/22 which detailed the Council's treasury management activities for the financial year ending 31 March 2022.

The report stated outturn for investment income received in 2021/22 was £0.79m representing a 1.83% return on an average investment portfolio of £43m with investment returns exceeding the original budget set by £0.006m representing reasonable performance.

The Treasury Management Outturn Report 2021/22 stated that the Council could confirm that it has complied with Treasury Management Indicators for 2021/22 as agreed within the Council's Treasury Management Strategy. The use of treasury management indicators by the Council represents a adequate risk management framework however the report did not provide specific details of the Council's performance against all treasury management indicators this forms part of a wider improvement recommendation below.

The Council's Treasury Outturn Report 2021/22 also stated the Council held £17.5m in short term money market funds. We have been informed by the Council that the call account are instant access but there is not a formal liquidity indicator set as part of the Council Treasury Management Strategy. The adoption of a liquidity indicator would strengthen the Council's management of treasury risk and enhance existing cash flow planning.

Financial sustainability (Cont'd)

Treasury Management (Cont'd)

An improvement recommendation is made for the Council to enhance its treasury management activities by:

- The adoption of a treasury management indicator, in relation to the Council's exposure to liquidity risk, by monitoring the amount of cash available to meet unexpected payments within a defined period, without the need for additional borrowing.
- The publication of the Council's performance against all agreed treasury management indicators within annual Treasury Outturn Report submitted to the Finance and Management Overview and Scrutiny Committee.

Conclusion

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. We have made four improvement recommendations set out on pages 13 to 16.



Improvement recommendations



Financial sustainability

Recommendation 1

- We recommend the Council conducts a review its Recovery Investment Strategy to include:
- An assessment of the impact of the strategy to date, including an assessment of projected income from capital investments made.
 - A review of the strategy against the current economic landscape and outlook.
 - An evaluation of the strategies role and need in supporting the financial sustainability of the Council.

Why/impact

The Recovery Investment Strategy was agreed in 2020 and it is timely that the Council revisits this strategy to reflect the current economic landscape and outlook whilst evaluating its ongoing role and need.

Auditor judgement

The Council's review of its Recovery Investment Strategy would support the Council in assessing the performance and financial impact of the strategy and provide a basis for the Council to consider renewal.

Summary findings

Council has made two investment decisions under the scope of the Recovery Investment Strategy however this only represents 19% of planned capital expenditure of £74m, for the period 2021/22 to 2023/23 due to the lack of viable schemes being presented, we also note the strategy is due to expire on 31 March 2024.

Management Comments

Although the Council has reviewed multiple business cases, there has been a lack of suitable projects to invest in mainly due to the tightening of restrictions by Public Works Loan Board and the sharp rise in interest rates. The investment strategy still provides a framework to evaluate potential business cases, but the amount estimated to be invested and therefore the positive benefit to the MTFs has been revised every year with the reduction explained at length in the budget papers due to the restrictions highlighted above.



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

Improvement recommendations



Financial sustainability

Recommendation 2

We recommend the Council introduces wider financial scenario planning within its MTFS and to include such information in annual budgeting setting reports.

Why/impact

Assessing the reasonable best, worst and optimum financial scenarios when setting the Council's budget and medium-term financial plans would enhance the Council's strategic financial planning and support the Council's financial sustainability, and flexibility, to accommodate a range of potential scenarios.

Auditor judgement

Councils continue to operate with a lack of funding certainty in part due to continued delays to the fair funding review and the implementation of the business rate baseline reset but also due to external factors such as inflation and rates of economic growth which could lead to different financial scenarios.

Summary findings

An assessment of financial scenarios as part of the MTFS, and inclusion within the annual budgeting setting reports, would enhance transparency and support financial sustainability.

Management Comments

In the 2023/24 budget papers we showed two versions of the MTFS. One with the proposed growth items under review and one without, allowing members to see the impact of decisions made on those items.



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

Improvement recommendations



Financial sustainability

Recommendation 3

We recommend the Council develops and agrees the following:

- A Publica Workforce Strategy, and aligned Council Workforce Strategy, that supports the delivery of the Council's corporate priorities and MTFS.
- An Asset Management Strategy that is aligned to the Council's new corporate plan 2023 to 2027 and Climate Change Strategy 2021-2025 that supports the Council in the delivery of its objectives through the management of physical assets in line with the Council's MTFS.

Why/impact

The development and introduction of Workforce and Asset Management Strategies would strengthen the Council strategic planning and support financial sustainability.

Auditor judgement

Workforce and Asset Management strategy, will support the Council to identify allocate resources accordingly which will support the Council's financial planning.

Summary findings

The absence of Workforce and Asset Management Strategies increases financial risk to the Council.

Management Comments

Management will consider this. The Corporate Plan is still under development. Revised Council Priorities were still being agreed at the point that the 2023/24 budget was being set. We would expect any additional resource requirements raised by the new Corporate Plan to be considered as part of the 2024/25 budget setting process to ensure that they could be accommodated within our funding envelope and if not, that appropriate steps to reduce other expenditure was taken.



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

Improvement recommendations



Financial sustainability

Recommendation 4

We recommend the Council enhances its treasury management activities by:

- The adoption of a treasury management indicator, in relation to the Council exposure to liquidity risk, by monitoring the amount of cash available to meet unexpected payments within a defined period, without the need for additional borrowing.
- The publication of the Council's performance, against all agreed treasury management indicators, within the annual Treasury Outturn Report submitted to the Finance and Management Overview and Scrutiny Committee.

Why/impact

The adoption of a liquidity indicator alongside the appraisal of all treasury management indicators with the annual outturn report would strengthen the Council's management of treasury risk and increase transparency.

Auditor judgement

The Council's Treasury Management Strategy does not currently include a voluntary measure of liquidity and the inclusion of a liquidity measure would support the Council's financial planning. The inclusion of the Council's performance in relation to all treasury management indicators would enhance existing reporting.

Summary findings

The Council's treasury management activities would be strengthened by the adoption of a liquidity measure and by the inclusion of performance outcomes against all treasury management indicators within the annual Treasury Outturn Report.

Management Comments

Work is ongoing to strengthen cashflow forecasting and much improvement has been made. Management will consider the above recommendation.



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

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.

Risk Management

The Council sought to strengthen its risk management arrangements during 2021/22 by the introduction of a revised Risk and Opportunity Management Strategy that was considered by the Audit and Governance Committee on 17 February 2022. The Strategy:

- described how the Council, and Publica, would evaluate and manage business risks to ensure the effective operation of the Council and support the delivery of its corporate plan.
- explained how risk management responsibilities would be embedded throughout the Council and Publica with the strategy clearly assigning specific risk management functions to roles across both organisations, including members of the Council.

The layered approach to organisational risk management and the assignment of specific risk management responsibilities demonstrates good practice.

The Risk and Opportunity Management Strategy is supported by a management guide which is intended to supplement the strategy by setting out in detail the processes and procedures to be followed by officers in respect of risk management activities.

Additionally, the strategy stated that training will be provided to all officers, appropriate to their level of responsibility. We understand from Publica the next risk management training for officers is scheduled for May 2023.

The Council maintains and regularly reviews a corporate risk register which identifies key risks that may prevent the organisation meeting its corporate objectives alongside mitigations for those risks. Each quarter the Audit and Governance Committee reviews the corporate risk register.

The corporate risk register for quarter two 2021/22 was reviewed by the Audit and Governance Committee on 17 February 2022. The corporate risk register report identified 13 risk areas graded to determine both the likelihood and the impact of the risk occurring using a 5 by 5 evaluation criteria. Each risk was identified against a corporate objective, allocated a designated owner, red, amber and green (RAG) graded, and the risk register included descriptions of existing controls, mitigations or contingencies and a narrative of risk responses and further actions that were required. Minutes of this Audit and Governance Committee showed active engagement from members in assessing the Council's risks and controls demonstrating effective oversight.

Internal Audit

Internal audit is provided by South West Audit Partnership (SWAP). SWAP can demonstrate compliance against the Public Sector Internal Audit (PSIA) Standards due to an external quality assessment having been conducted in May 2020 in line with the PSIA requirement that an external assessment should take place at least once every 5 years. Internal audit activity at the Council is reviewed by the Audit and Governance Committee quarterly. The Council's proposed internal audit plan report 2021/22 was considered by the Audit and Governance Committee on 18 March 2021. The 2021/22 programme of internal audit activity for 2021/22 was informed by:

- a risk assessment, conducted by SWAP.
- the input of senior management.
- the review of the Council's risk register.

The Internal audit assessment of various source of relevant information to inform the internal audit plan is in line with good practice.

Governance (Cont'd)

Internal Audit (Cont'd)

The proposed internal audit plan 2021/22 included 27 audits with the proposed programme of work to be reviewed quarterly, by the Council and SWAP, to ensure alignment with any new and emerging sector risks. The quarterly assessment of the suitability of planned internal audit coverage, to accommodate emerging risk areas, provides flexibility to the internal audit plan and represents good practice.

The Internal Audit Annual Report for 2021/22 was considered by the Audit and Governance Committee on 30 June 2022, which stated that 85% of internal audits were completed, marginally below the set target of 90%. However, 15% of planned internal audits were in progress, at review stage or carried forward to 2022/23. Three planned audits for 2021/22 were carried forward, these related to human resources, procurement and election expenses with completion scheduled for 2022/23. This represents reasonable performance considering SWAP conducted additional work, not within the original work plan, to support the Council's response to the Covid-19 pandemic by the secondment of internal audit officers to support the Council in the distribution of business rate grants.

The report included the Head of the Internal Audit opinion on the overall adequacy and effectiveness of the system of internal control in operation at the Council. The opinion's conclusion was: 'On the balance of our 2021/22 audit work for West Oxfordshire District Council, enhanced by the work of external agencies, I am able to offer a High Reasonable Assurance opinion in respect of the areas reviewed during the year'.

Prevention and Detection of Fraud

The Council, and the Council's resourcing partner Publica, have a comprehensive suite of policies describing the approach to minimise fraud, bribery and corruption. These include Counter Fraud and Anti-Corruption Policy, Whistleblowing Policy, Proceeds of Crime and Anti-Money Laundering Policy, Publica Business Conduct and Members Code of Conduct.

The Council does not have in place a Code of Conduct for direct Council Employees. An improvement recommendation is made for the Council to agree and adopt a Code of Conduct for Council employees as this is a key document supporting the Council's approach and controls in the prevention and detection of fraud.

The Council operates a Counter Fraud and Enforcement Unit, a shared service between the Council, Forest of Dean District Council, Cotswold District Council, Tewkesbury Borough Council, Cheltenham Borough Council and Publica, which provides specialist officers to investigate all allegations of internal and external fraud. The activities of the Counter Fraud and Enforcement Unit relating to the Council are reviewed by the Audit and Governance Committee biannually which represents effective oversight.

On 21 April 2022 the Audit and Governance Committee considered Counter Fraud and Enforcement Unit Report which included a proposed work plan for 2022/23 and a summary of the Counter Fraud and Enforcement Unit activities during 2021/22 which included:

- Payment verification of business grants and test and trace support payments.
- Investigation of National Fraud Initiative data matches.
- Review of single person discounts and Local Council Tax Support claims.
- Review of housing register applications.
- Licensing investigations.
- Support for disciplinary investigations.

The activities of the Counter Fraud and Enforcement Unit demonstrates the Council's commitment to the prevention and detection of fraudulent activities, across a wide range the Council's operations, and this demonstrates good practice.

Budget Setting

The budget setting process for 2021/22 began in September 2020 with the chief finance officer and finance team holding meetings with all budget managers, including Publica and Ubico, to capture relevant financial information to inform the budget setting process. The Council has stated that cabinet Portfolio Holders are invited to attend the meetings which demonstrates active involvement of the executive in the budget process and represents good practice.

These budget meetings identified opportunities for savings or income generation, service budget pressures, external factors that might have a budgetary impact, also include a review of capital project activity and earmarked reserves.

The output of the meetings were captured and assessed by the finance team who then produce budget working papers.

Further meetings were held between the Council, Publica and Ubico with a specific focus on agreement of growth and savings items. Once agreed final draft budget papers are formed.

We understand from the Council that these budget setting meetings did not include specific identification and assessment of Council expenditure that was discretionary or statutory in nature.

Governance (Cont'd)

Budget Setting (Cont'd)

This additional process could support the Council to identify areas of potential savings, identify more clearly areas of Council expenditure that is being incurred to support corporate priorities outside of the Council's statutory obligations and this additional information could then also be reflected in budget papers which would enhance transparency and oversight. The identification and assessment of Council expenditure that is discretionary or statutory in nature is addressed within a wider budget setting improvement recommendation within this section.

A 2021/22 draft budget update report was considered by the Economic and Social Overview and Scrutiny committee on 19 November 2020, with the same papers being then considered by Finance and Management Overview and Scrutiny committee on 9 December 2020. These reports included a 2021/22 draft revenue budget and included draft service area budgets for 2021/22. A MTFs was not included within the report and there was no reference to the Council's, proposed capital, investment, or treasury management activities. On 4 January 2021 Cabinet considered a 2021/22 Budget report that included a draft revenue budget, proposed fees and charges and the calculation of the Council's council tax base for 2021/22.

On 20 January 2021 full Council considered the minutes from cabinet and Council committees held within the preceding three months, providing an opportunity for full Council to consider the draft iteration of the 2021/22 budget and the feedback provided by the Economic and Social Overview and Finance and Management Overview Scrutiny Committee which is in line with good practice.

Cabinet, on 17 February 2021, considered the final draft 2021/22 budget report which included revenue budget proposals for 2021/22, a MTFs 2021/22 – 2030/31 and a proposed capital programme 2021/22 to 2030/31. The report also included Capital, Investment and Treasury Management Strategies for 2021/22 and details of a public consultation held during January 2021. Responses to the public consultation were published in full which supports transparency and is in line with good practice. On 24 February 2021 full Council approved a balanced budget based on the recommendations from Cabinet.

Member scrutiny of budget setting process

The Council's budget setting process is assessed through several stages of member oversight with draft 2021/22 revenue budget proposals being assessed by two of the Council's overview and scrutiny committees being the Finance and Management and Economic and Social scrutiny committees.

Papers presented to these committees on 19 November and 9 December 2020 were limited to draft revenue budget proposals for the financial year 2021/22 only and did not include a draft MTFs, growth items, details of the Council's proposed capital programme and also did not include the Council's proposed Capital, Investment and Treasury Management Strategies for 2021/22 or the proposed level of the Council's fees and charges. Additionally, we have established that the Council's Audit and Governance Committee did not consider the draft Treasury Management Strategy for 2021/22 ahead of the full Council meeting of 24 February 2021. We have been informed by the Council that they have since sought to enhance draft annual budget reports presented to the Finance and Management and Economic Scrutiny Committee, ahead of the full Council budget setting meetings and for the financial years 2022/23 and 2023/24 such papers included a draft MTFs, base budget changes by service area, itemised growth items and capital programme proposals.

However, we note that capital, investment and treasury management strategies were not considered by the Council's scrutiny committees or the Audit and Governance Committee ahead of the full Council annual budget setting meeting for the financial years 2021/22, 2022/23 and 2023/24 and this is included in a wider budget setting improvement recommendation below.

The Council's budget setting process is thorough but could be enhanced further by the assessment of discretionary and statutory expenditure and additional oversight of key financial strategies. We recommend the Council enhances the budget setting process by:

1. The identification and assessment of discretionary and statutory expenditure.
2. Ensuring committees charged with oversight are provided with draft Capital, Investment and Treasury Management Strategies, ahead of the full Council annual budget setting meeting.

Budget Monitoring

The Council finance team resource, aside from the Council's Section 151 Officer, is provided by Publica. Publica uses a central financial management system, Agresso. Responsibility for updating budgets forecasts within the finance systems rest with the finance team. Budget holders have read only access to the Agresso system but collaborative planning modules have not been optimised within the system. Quarterly meetings are held between the finance team and budget holders to complete a budget forecast and identify variances against the original budget set, and the reasons for them.

Governance (Cont'd)

Budget Monitoring (Cont'd)

The output of these meetings is then recorded by the finance team within a system separate to the Agresso finance system. The lack of forecasting and collaborative planning modules within the Agresso system is addressed within a wider budget monitoring improvement recommendation further on within this section. The finance team prepared quarterly 2021/22 budget monitoring reports based on the meetings held with budget holders, these reports included revenue and capital budget variances and other relevant service information that provided a supporting narrative to the forecasts. The 2021/22 budget monitoring reports were reviewed by Cabinet quarterly. During 2021/22 the Council's scrutiny committees did not assess budget monitoring reports which would have strengthened oversight, this has not been raised as an improvement recommendation as the Council has since introduced quarterly oversight of revenue and capital budgets by the Finance and Management Overview Scrutiny Committee from December 2022.

In addition to the revenue and capital budget monitoring schedule, the Finance and Management Overview Scrutiny Committee provided oversight to the Council's investment and treasury management functions. The Finance and Management Overview Scrutiny Committee considered the Investment Property Review and Outturn Report 2021/22 on 29 June 2022 and the Treasury Management Outturn Report 2021/22 on 7 December 2022. Mid-year investment and treasury management reports were not considered by the Finance and Management Overview Scrutiny Committee and this is included within a wider improvement recommendation relating to budget monitoring below.

We recommend the Council's budget monitoring processes is enhanced further by:

1. The optimisation of the finance system to remove the need for forecasting to be recorded outside of the core finance system. We also recommend, as part of the system optimisation, collaborative planning is also considered, allowing budget holders to have greater system access. The utilisation of forecasting and collaborative planning modules could provide further efficiency to the budget monitoring process and reduce risk of error or data loss.
2. Additional oversight of the Council's investment and treasury management activities by the introduction of mid year monitoring reports to the Finance and Management Overview Scrutiny Committee.

Finance Function Capacity

As set out on page 38 of this report the Council has a track record of producing complete, accurate and timely draft financial statements. The scope of external audit challenge has increased in recent years and the 2021/22 audit has highlighted the lack of capacity within the Council's finance function.

Specifically as reported in our ISA260 Audit Findings Report, in our view, there is not sufficient skilled finance expertise below the Section 151 officer and Chief Accountant to support the multiple responsibilities of a local Government finance team which has also means that timely audit completion is compromised.

We recommend that the Council strengthen its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.

Council Decision Making

The Council operates a cabinet (known as the executive) and Council leader model of governance, supported by several committees.

The Council publishes on its website details of all executive, committee and full Council meetings, and this includes the agendas, minutes and decisions made which enhances transparency and demonstrates good practice.

The Council's constitution, published on the Council's website, sets out how Council decisions are made and the procedures which are followed to ensure that these are efficient, transparent, and accountable to local people.

Full Council, on 28 July 2021, approved a report from Council recommending the establishment of a cross party Constitution Working Group to review the Council's constitution and to make recommendations regarding proposed changes.

On 27 April 2022 full Council considered a report, Constitution of the Council, which recommended several changes were made to the constitution following a review, conducted by the constitution working group.

The Council's review of the constitution, supported by a Constitution Working Group, enhances the Council's governance arrangements, and supports the Council's duty to annually review its constitution with any necessary changes being considered by full Council.

Oversight of decisions proposed and made, by the executive, is provided by the Council's Overview and Scrutiny committees being:

- Finance and Management Overview and Scrutiny Committee.
- Economic and Social Overview and Scrutiny Committee.
- Climate and Environment Overview and Scrutiny Committee.

Governance (Cont'd)

Council Decision Making (Cont'd)

The Council's three Overview and Scrutiny Committees met a total of 21 times during the financial year 2021/22. Minutes of these individual meetings show a range of topics being assessed, including a meeting of the Finance and Management Overview and Scrutiny Committee on 1 February 2022, to consider a call-in accordance with Part 5C of the Council's constitution, demonstrating active participation of members and a willingness to challenge decision made by the executive.

Part 3 of the Council's constitution describes the functions of the Council's Overview and Scrutiny Committees, in general terms, and includes a direction that where a matter falls within the remit of more than one Overview and Scrutiny Committee, the chairs of the three Committees, will decide whether it shall be considered by one Committee, and which one, or by more than one, either consecutively or concurrently. If such agreement cannot be reached, the Chief Executive, in consultation with the Leader, will determine arrangements.

The operation of three Oversight and Scrutiny Committees demonstrates the Council's commitment to member led oversight. However, the absence of a clear demarcation of functions between the three Oversight and Scrutiny Committees could lead to generalised scrutiny, overlap and reduce the efficiency of decision making and oversight and this leads to an improvement recommendation. We recommend the Council reviews its Oversight and Scrutiny requirements to reassure itself that its governance arrangements are robust as part of this review the Council should review Part 3 of the Council's constitution to ensure the Council's Oversight and Scrutiny Committees have a clearly defined roles and areas of focus within the organisation.

The Council also operates an Audit and Governance Committee, which provides oversight to the Council's arrangements for governance, risk, control, ethics, behaviours and the functions of external and internal audit. The Council's Audit and Governance Committee met four times during 2021/22, minutes of these meetings reflect regular attendance of Committee members and active member input in the examination of papers. The Council's constitution states the Audit and Governance Committee functions are to include reviewing and monitoring the Council's treasury management arrangements in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice however treasury management arrangements were not reviewed by the Audit and Governance Committee during 2021/22 or 2022/23 but were instead considered by Finance and Management Overview and Scrutiny Committee.

From review of the Council's constitution, we note that both the Finance and Management Overview and Scrutiny Committee and the Audit and Governance Committee have designated treasury management oversight functions, this duplication introduces risk to the oversight of treasury management matters as there is not a clear division of responsibility between Committees charged with Scrutiny and Audit and Governance.

Furthermore, we understand from the Council that specific training for members of the Audit and Governance Committee has not been provided recently. CIPFA has produced the 'Audit Committees: Practical Guidance for Local Authorities and Police 2022', which deals with the specific functions and operation of Audit Committees and represents best practice for Audit Committees in local authorities throughout the UK, the guidance also includes a self-assessment tool to identify areas of improvement, and this leads to an improvement recommendation. We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate and define its scope, functions and impact and also identify areas for training and improvement. This output of the self assessment exercise will also support the Council to identify the most suitable governance arrangements for treasury management activities.

Appropriate Standards

On 24 November 2021 the Audit and Governance Committee considered the Council's Annual Governance Statement for 2020/21 which included reference a wide range of relevant policies, frameworks, controls that are in accordance with an effective governance framework and included an action plan of activity to be undertaken during 2021/22 to further develop the Council's governance arrangements. Audit and Governance Committee were provided with updates to progress on the Annual Governance Statement action plan for 2021/22 on 17 February 2022 and 30 June 2022 demonstrating effective oversight of the Council's developing governance environment. We understand from the Council that the Annual Governance Statement for 2021/22 will be assessed by the Audit and Governance Committee, alongside the final statement of accounts for the year ended 31 March 2022, once completed.

On 23 March 2022 the Council's Standards Committee approved a report updating the Council's code of conduct for members. The report stated the code of conduct was developed in partnership with all Oxfordshire Councils to ensure all Councils within the area adopted a single code of conduct with the aim of providing consistency and this approach represents good practice.

Governance (Cont'd)

Appropriate Standards (Cont'd)

Part 3 of the Council's constitution states that the Council's Audit and Governance Committee is to receive a report, at least annually, from the Council with a summary of (code of) conduct complaints received, trends and key issues arising. We have been informed by the Council that a summary of code of conduct complaints was not reported to the Audit and Governance Committee during 2021/22 or 2022/23, however individual code of conduct complaints were investigated by the Council during this period.

The Council's governance arrangements would be enhanced by the submission of annual reports summarising code of conduct complaints to the Audit and Governance Committee. We recommend that the Council submits a combined summary of code of conduct complaints for the financial years 2021/22 and 2022/23 to the Audit and Governance Committee during 2023 and thereafter provides the Audit and Governance Committee with an annual report on code of conduct complaints in adherence with the Council's constitution.

The Council's code of conduct for members includes gift and hospitality guidelines for members, and these clearly set out expectations and controls. Member gifts and hospitality declarations are published under each member's profile on the Council's website which supports transparency. We also understand Publica, the Council's resourcing partner, introduced during 2021/22, an online gifts and hospitality declaration process for officers which is managed and overseen by the Human Resources team which demonstrates good practice.

The Council has a register of Data Breaches that is updated regularly, and we have reviewed the register and can find no evidence of significant data breaches during 2021/22.

In completion of the Annual Auditors Report for 2021/22 we have found no evidence of breaches of legislation or regulatory standards during the 2021/22 year nor is there evidence of significant or repeated departure from regulatory or statutory requirements or professional standards.

Working Relationships

As already referenced within the financial sustainability section of this report the Council has sufficient reserves to support the budget pressure identified in the MTFS 2022/23 – 2030/31. The Council has advised that the updated MTFS 2023/24 – 2031/32 now states that general fund unallocated reserves will be exhausted by 2027/28 and the MTFS 2023/24 – 2031/32 does not include a plan to replenish these reserves which reduces the Council's ability to manage financial uncertainty. The identification of an alternative strategy, other than the use of reserves, to addressing budget gaps going forward necessitates close and effective collaboration between senior officers and the Executive. We understand from the Council that new mechanisms are being put in place to facilitate closer working relationships between senior officers and the Executive to ensure the Council reacts to the financial challenges it faces. The working relationships between members of the Executive and senior Council officers, and the adequacy of reserves, will be areas of specific focus for our 2022/23 Value for Money work.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. We have made seven improvement recommendations which are set out on pages 23 to 29.

Improvement recommendations



Governance

Recommendation 5

We recommend for the Council to agree and adopt a Code of Conduct for Council employees as this is a key document supporting the Council's approach and controls in the prevention and detection of fraud.

Why/impact

The Council's code of Conduct for employee's is a key document describing the Council's expectations and controls in respect of employee conduct.

Auditor judgement

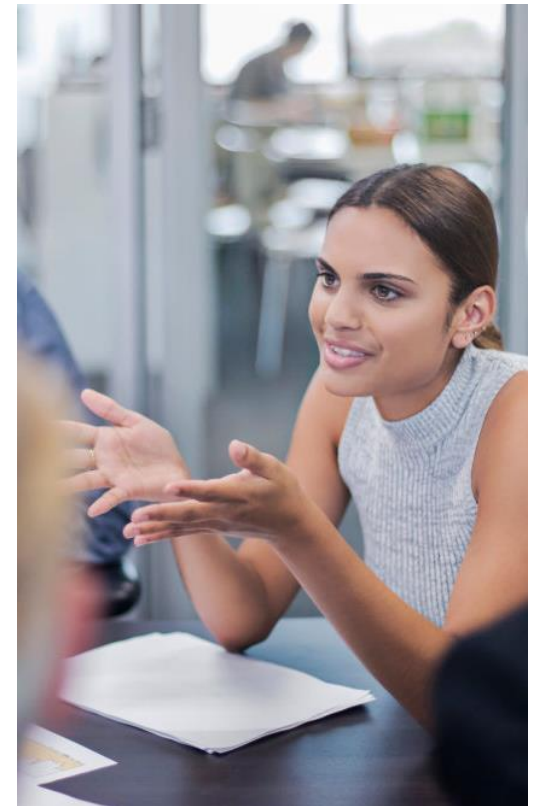
The Council's Code of Conduct for Employees should be current and aligned to current risks, themes and organisational values.

Summary findings

The Council's governance arrangements would be improved by updating the Code of Conduct for employee's.

Management Comments

This is currently being reviewed with a view to creating a Council specific code of conduct.



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

Improvement recommendations



Governance

Recommendation 6

We recommend the Council enhances the budget setting process by:

1. The identification and assessment of discretionary and statutory expenditure.
2. Providing Committees charged with oversight with draft Capital, Investment and Treasury Management Strategies, ahead of the full Council annual budget setting meeting.

Why/impact

1. This additional process could support the Council to identify areas of potential savings, identify more clearly areas of Council expenditure that is being incurred to support corporate priorities outside of the Council's statutory obligations and this additional information could then also be reflected in budget papers which would enhance transparency and oversight.
2. Additional oversight and scrutiny of the Council's key financial strategies would enhance transparency, support adherence with part 3C of the Council's constitution, and strengthen oversight of Council decision making.

Auditor judgement

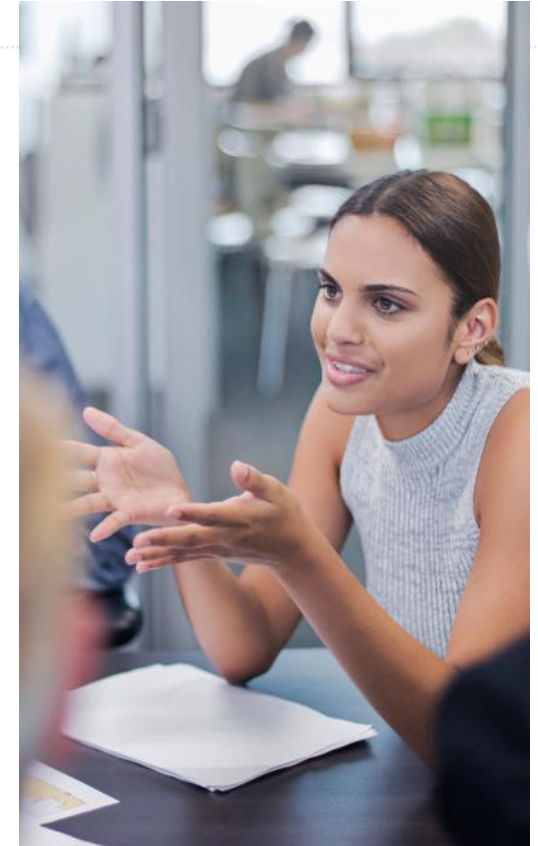
1. The active distinction of spend, that is discretionary or statutory in nature, would compliment the current budget setting processes, potentially highlight wider budgetary options and enhance transparency and oversight.
2. The Council has an established regime of oversight and scrutiny in respect of the annual budget setting process, this recommendation seeks to enhance existing arrangements.

Summary findings

1. The Council does not specifically assess expenditure that is statutory or discretionary in nature as part of the annual budget setting process
2. Capital, Investment and Treasury Management Strategies were not considered by the Council's Scrutiny Committees or the Audit and Governance Committee ahead of the full Council annual budget setting meeting for the financial years 2021/22, 2022/23 and 2023/24.

Management Comments

Work is being done not only to review statutory and discretionary spend but also to review whether statutory expenditure is at the appropriate level. Budget papers go through multiple iterations and for the 2023/24 budget, the final versions to Council were the 8th set of published papers. While the actual strategy papers were not published ahead of time, all previous iterations highlighted the risks and issues dealt with in the formal strategy papers and the Council's response to them. The current timing of the scrutiny committees means that they do not always fall in the window between the information being available to draft the strategy papers and the budget being set, FMOS meets in extra session to allow it to review the budget twice ahead of the final budget meeting at Council. This recommendation will be considered by management along with the revision of scrutiny timings.



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

Improvement recommendations



Governance

Recommendation 7

We recommend the Council's budget monitoring processes is enhanced further by:

1. The optimisation of the finance system to remove the need for forecasting to be recorded outside of the core finance system. We also recommend, as part of the system optimisation, collaborative planning is also considered, allowing budget holders to have greater system access.
2. Additional oversight of the Council's investment and treasury management activities by the introduction of mid year monitoring reports to the Finance and Management Overview Scrutiny Committee.

Why/impact

1. The utilisation of forecasting and collaborative planning modules could provided further efficiency to the budget monitoring process and reduce risk of error or data loss.
2. Mid year monitoring of the Council's investment and treasury management activities would enhance scrutiny and oversight of these areas of key financial activity.

Auditor judgement

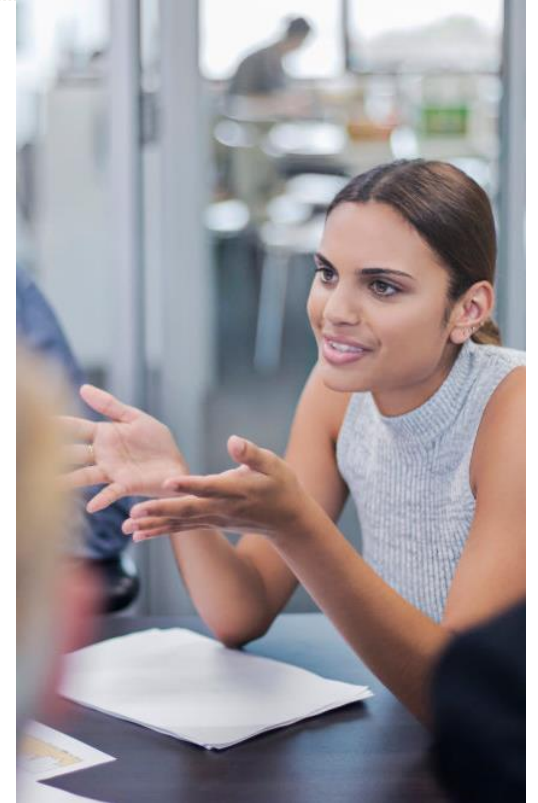
1. The use of two separate systems to record budget monitoring could increase risk to the Council in its management of financial data. Also budget holders have limited access to the finance system. Increasing finance system permissions to budget holders, as part of the finance system optimisation, could also drive efficiencies for the Council.
2. The Council has in place oversight and scrutiny arrangements in respect of its investment and treasury management activities, this recommendation seeks to enhance these existing arrangements.

Summary findings

1. The Council's finance system requires optimisation to reduce risk and support efficient processes.
2. The Finance and Management Overview Scrutiny Committee considered the Council's Investment Property Review and the Treasury Management Outturn Reports for 2021/22. The inclusion of mid year monitoring reports would strengthen current arrangements and follow good practice.

Management Comments

The Council disagrees with first part of recommendation. Budget holders have read access to the system but tend not to use it. We do not currently forecast at line level which is what would be required in order to enter a forecast into the system and do not have the capacity to do so. We are adding additional resource, but it will be used on focused business partnering. Forecasting is used to identify targeted interventions which will be supported by the additional resource, and not used to reforecast everything. The Council agrees with the second part of the recommendation.



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

Improvement recommendations



Governance

Recommendation 8

We recommend that the Council strengthens its finance capacity to enable it to commit sufficient time to all aspects of internal and external financial reporting.

Why/impact

Additional finance resource would provide additional capacity and contingency to the support the financial functions and responsibilities of the Council.

Auditor judgement

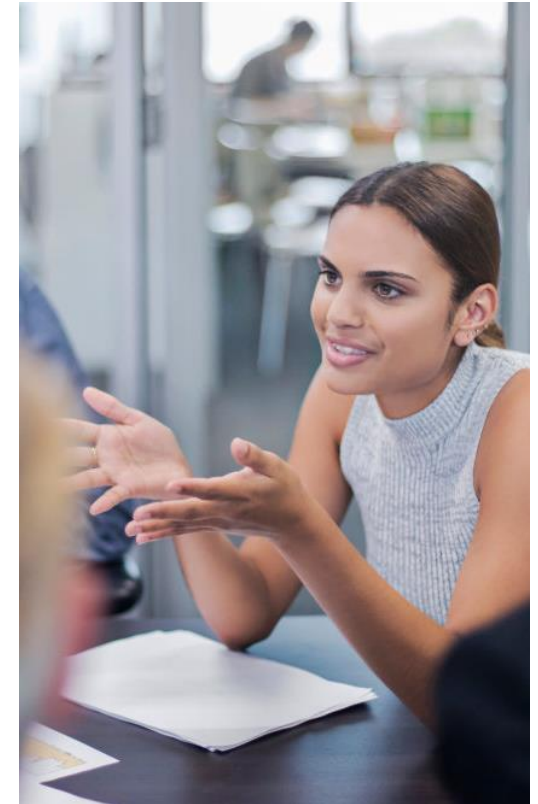
The scope of external audit challenge has increased in recent years and the 2021/22 audit has highlighted the lack of capacity within the Council's finance function. Specifically as reported in our ISA260 Audit Findings Report, in our view, there is not sufficient skilled finance expertise below the Section 151 officer and Chief Accountant to support the multiple responsibilities of a local Government finance team.

Summary findings

The Council's recognises that capacity within the finance team remains a significant issue. The reliance on the Section 151 and Chief Accountant for supporting the external audit process, means that timely audit completion is compromised.

Management Comments

Agreed. Additional resource has been scoped and is in the process of being agreed.



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

Improvement recommendations



Governance

Recommendation 9

We recommend the Council reviews its Oversight and Scrutiny requirements to reassure itself that its governance arrangements are robust, as part of this review the Council should review Part 3 of the Council's constitution to ensure the Council's Oversight and Scrutiny Committees have clearly defined roles and areas of focus.

Why/impact

The absence of a clear demarcation of functions between the three Oversight and Scrutiny Committees within the Council's constitution could lead to generalised scrutiny, areas of overlap and reduce the efficiency of decision making and oversight.

Auditor judgement

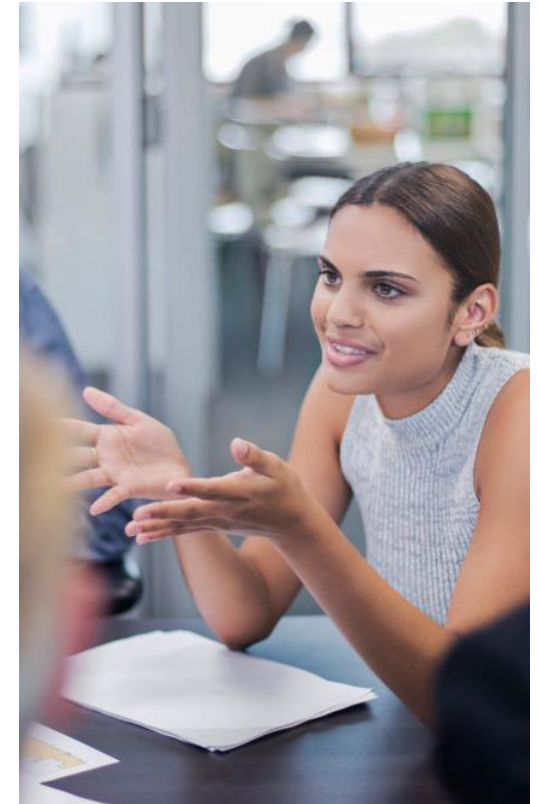
The operation of three Oversight and Scrutiny Committees demonstrates the Council's commitment to member led oversight and this recommendation seeks to ensure the Council's governance arrangements are suitable, defined and efficient.

Summary findings

Oversight of decisions proposed and made, by the executive is provided by the three separate Overview and Scrutiny Committees. The Council constitution describes the functions of the Council's Overview and Scrutiny Committees, in general terms, which could lead to overlap and duplication.

Management Comments

Agreed, this is currently the subject of a paper suggesting a revision of committee structure.



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

Improvement recommendations



Governance

Recommendation 10

We recommend the Council's conducts a self-assessment exercise, in line with CIPFA guidance, which will support the Audit and Governance Committee to evaluate and define its scope, functions and impact and also identify areas for training and improvement. This output of the self assessment exercise will also support the Council to identify the most suitable governance arrangements for treasury management activities.

Why/impact

A self assessment exercise could help identify:

- The optimum scope and area of focus for the Audit and Governance Committee
- Development and training opportunities that could then strengthen planned activity

Auditor judgement

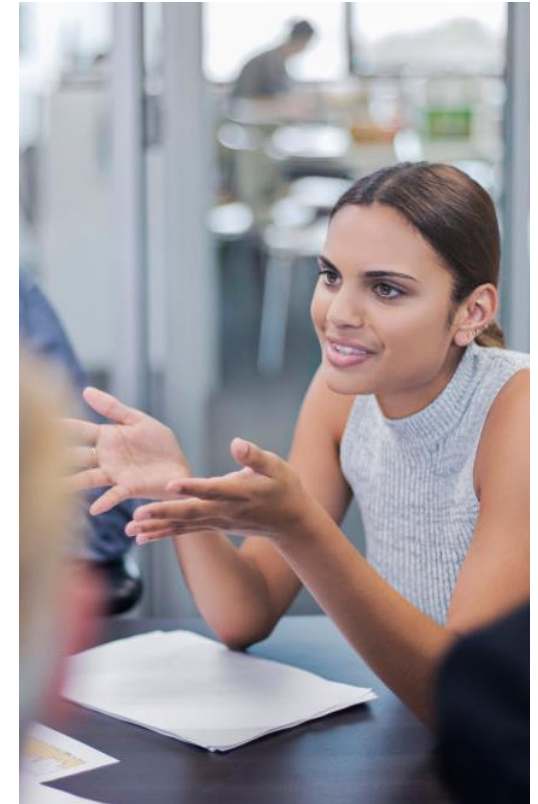
The CIPFA has produced the 'Audit Committees: Practical Guidance for Local Authorities and Police 2022', which deals with the function and operation of Audit Committees and represents best practice for Audit Committees in local authorities throughout the UK, the guidance also includes a self-assessment tool to identify areas of improvement which could be utilised to support the Council to strengthen its governance arrangements.

Summary findings

The Council's Audit and Governance Committee provides effective oversight. The recommendation seeks to enhance these provisions even further.

Management Comments

Management will consider this.



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

Improvement recommendations



Governance

Recommendation 11

We recommend that the Council submits a combined summary of code of conduct complaints for the financial years 2021/22 and 2022/23 to the Audit and Governance Committee by the end of 2023 and thereafter provides the Audit and Governance Committee with an annual report on code of conduct complaints in adherence with the Council's constitution.

Why/impact

Part 3 of the Council's constitution states that the Council's Audit and Governance Committee is to receive a report, at least annually, from the Council with a summary of code of conduct complaints received, trends and key issues arising. Adherence to this requirement would enhance the Council's governance arrangements and increase transparency.

Auditor judgement

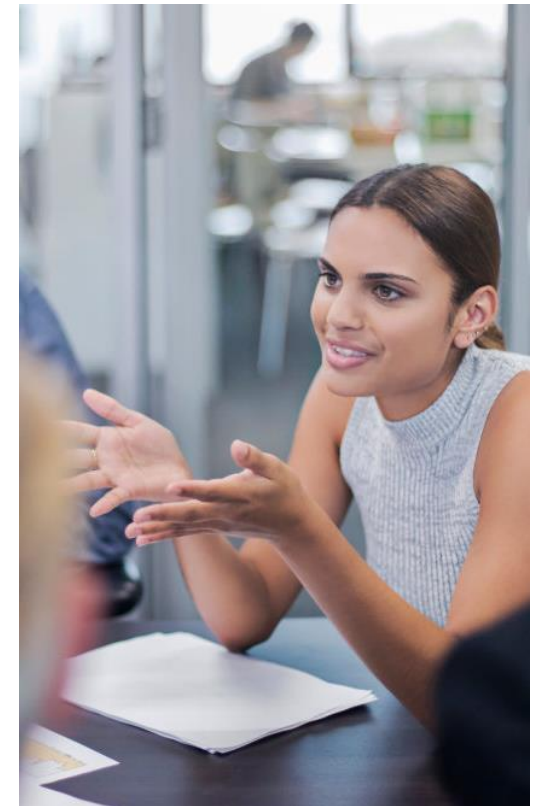
Oversight of an annual report of code of conduct complaints by the Audit and Governance Committee would provide oversight to a key area of Council governance environment.

Summary findings

The Council's Audit and Governance Committee provides effective oversight to governance matters. The recommendation seeks to enhance these provisions even further.

Management Comments

The Council's Monitoring Officer is considering this recommendation.



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.

Managing Performance and Benchmarking

The Council's corporate plan 2020-2024 has six corporate priorities one of which is 'delivering excellent modern services whilst ensuring the financial sustainability of the Council' which demonstrated the Council's strategic commitment to delivering cost-effective services. During 2021/22 the Council had an established regime of performance management reporting, supported by oversight and governance demonstrating good practice. Each quarter, the Council's Overview and Scrutiny committees, and then Cabinet assessed a Council Service Performance Report. On 22 June 2022 Cabinet considered the Council Priorities and Service Performance Report 2021/22 Quarter Four. This report included a narrative summary of service performance supported by a service dashboard which provided service performance metrics in relation to five key service areas.

The service dashboards did not map performance data to corporate objectives, readily identify set targets for all service areas, satisfaction and performance indicators were not defined, prior year comparisons were limited, sources of the data were not included, benchmarking was not utilised and the data graphs were difficult to interpret. The Council's representation of service performance data is included within a wider improvement recommendation later within this section.

The Council Priorities and Service Performance Report 2021/22, considered by cabinet on 22 June 2022, also included a Council corporate plan annual statement 2021/22, which provided a comprehensive update of the progress made towards the delivery of the Council's corporate plan 2020-24 and the corporate Covid-19 recovery plan. The Council's annual assessment of its progress towards meeting its corporate plans, which is then subject to oversight, supports transparency and demonstrates good practice.

As part of our work, we have assessed indicators from the Grant Thornton and CIPFA financial benchmarking tool CFO Insights. This compares unit costs for a range of services, using revenue outturn data for 2021/22, and then benchmarks the Council's unit costs with its statistical nearest neighbours. Of the six main revenue outturn service groupings the Council's cost of provision was low or very low for housing services, planning and development, and cultural and related services. Highways and transport, environmental and regulatory services and central services identified as high or very high in comparison to statistical neighbours, specifically in relation to cemetery services, climate change costs, community safety, flood defences, recycling, street cleansing, trade waste, noise and nuisance, parking services, and central services provided to the public.

The 2020/21 Auditors Annual Report included an improvement recommendation for the Council to undertake a review of revenue outturn data to understand variances in unit costs with statistical neighbours, the Council responded to this recommendation and stated this will be investigated. This improvement recommendation is restated and included within a wider improvement recommendation below.

We recommend the Council undertakes a review of the data provided within the quarterly service dashboards to strengthen service performance reporting and oversight. The review should ensure the quarterly service dashboards include:

- Service performance measures that are linked to corporate objectives.
- Agreed targets, where relevant.
- An explanation of sources of the data.
- Defined performance indicators.
- Simplified data graphs.
- Benchmarking data to assist the Council appraise its performance and value for money.

Improving economy, efficiency and effectiveness (Cont'd)

Significant Partnerships – Publica

The majority of the Council's services are provided by Publica. Publica was formed in 2017 and the services that would be provided to the Council were defined within a service agreement signed by the Council and Publica on 31 October 2017.

On 28 October 2020 full Council approved a commissioning framework which further clarified the relationship between Publica and the Council and defined some respective responsibilities, including a provision for Publica to provide the necessary information to the Council so it could assess whether the commissioned services are being delivered in accordance with the agreed standard. In accordance with commissioning framework the Council's Chief Executive receives a quarterly performance report from Publica, in addition to this performance report the activities of Publica are assessed in quarterly shareholder forum meetings attended by Publica's senior leadership team, Chief Executive Officers and Leaders of the founding Council's.

We have been informed by the Council that they consider the partnership with Publica could be strengthened further by clarification of decision-making responsibilities between the Council and Publica and that the existing service and commissioning agreements between them could be evolved to provide greater detail in respect of service delivery requirements and expectations.

The service agreement and commissioning framework between the Council and Publica describe, in broad terms only, the service provision requirements and responsibilities of Publica. We recommend the Council and Publica, discuss and jointly review, the existing agreements in order to:

- Clarify the hierarchy and responsibility of decision making.
- More clearly define the service delivery requirements and expectations.

Significant Partnerships – Greenwich Leisure Ltd

Greenwich Leisure Ltd (GLL), a social enterprise, operates leisure facilities on behalf of the Council. The provider was impacted by the Covid-19 pandemic and this required intervention from the Council during 2021/22. The arrangement between the Council and GLL includes the payment of an annual management fee to the Council by GLL of £1.4m. This annual management fee was waived by the Council for 2021/22 due to the financial impact of Covid-19 on GLL.

On 28 September 2022 the Finance and Management Overview and Scrutiny Committee considered a report which explained the negative financial impact of rising energy costs on GLL, which was compounded by lower leisure service usage resulting from changing consumer habits and sector competition. The report stated the Council was in regular dialogue with GLL to discuss the financial pressures it faced and how best it might mitigate them. We understand from the Council that the full management fee budgeted for 2022/23 is yet to be received from GLL and the Council revised downwards management income expectations within the 2023/24 Council budget to £0.85m from £1.8m. The Council's intervention to support its leisure provider to manage the impact of Covid -19, rising energy costs and changing consumer habits demonstrates active management of the issue by the Council, and reflects similar interventions across the sector to support leisure providers. However the management fee payable by GLL to the Council represents a significant income stream and we consider the current situation regarding payment presents risk to the Council. The Council's 2023/24 Budget report, considered by full Council on 15 February 2023 also highlighted the risk of non payment during 2023/24. The Council's ongoing interventions, during the 2022/23 financial year, to support its leisure service provider, and the financial implication to the Council, will be considered in more detail within our 2022/23 Auditors Annual Report.

Procurement

During 2021/22 the Council reviewed its procurement and contract management activities and on 28 September 2022 the Finance and Management Overview and Scrutiny Committee considered a report recommending the adoption of a new Procurement and Contract Management Strategy 2022. The strategy demonstrated alignment to Council's corporate plan 2020-2024 and Climate Emergency Strategy 2021-2025, and reflected duties placed on the Council to tackle modern slavery and also included referenced to the Council's obligations from the Public Services (Social Value) Act 2013 which represents good practice.

The Council has a procurement resource online portal that provides officers with self-serve procurement advice, guidance, and resource materials including a commissioning and procurement user guide which clearly sets out procurement thresholds, roles and responsibilities and key processes. We consider the online portal is an effective way of disseminating procurement information throughout the Council.

The Council's commissioning and procurement user guide refers to the existence of a procurement board that is required to assess all new or existing contracts above a £0.1m value threshold which represents good practice. As part of this audit, we have sampled and assessed papers submitted to the procurement board which have demonstrated compliance to the set thresholds.

Improving economy, efficiency and effectiveness (Cont'd)

Procurement (Cont'd)

The role of the procurement board is not referenced within the Council's contract procedure rules which form part of the Council's constitution. We recommend the Council reviews the contract procedure rules to ensure they fully align with developments in the Council's procurement and contract management process.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place in its oversight of economy, efficiency and effectiveness. We have identified three opportunities for improvement which are set out on pages 33 to 35.



Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 12

We recommend the Council undertakes a review of the performance data provided within the quarterly service dashboards to strengthen service performance reporting and oversight. The review should ensure the quarterly service dashboards include:

- Service performance measures that are linked to corporate objectives.
- Agreed targets, where relevant.
- An explanation of sources of the data.
- Defined performance indicators.
- Simplified data graphs.
- Benchmarking data to assist the Council appraise its performance and value for money.

Why/impact

The Council's representation of service performance data, could be enhanced which will strengthen the Council's performance management regime, readily identify areas for improvement, assess value for money through the use of benchmarking data, and increase transparency and oversight.

Auditor judgement

The Council's service dashboards do not map performance data to corporate objectives, readily identify set targets for all service areas, satisfaction and performance indicators were not defined, prior year comparisons were limited, sources of the data were not included, benchmarking was not utilised and the data graphs were difficult to interpret.

Summary findings

The Council has an established performance management regime. This recommendation seeks to strengthen current arrangements by enhancing existing service performance information including the introducing of benchmarking data.

Management Comments

The Council's performance management reporting was refreshed in 2022 from a lengthy report to a revised set of dashboards created in collaboration with service leads and Cabinet members. The dashboards are not directly linked to the corporate objectives because they are focused on key areas of service delivery to give management reassurance that service areas are performing appropriately with the narrative in each dashboard giving the service the opportunity to explain results or raise concerns. These services may not have been identified as priority areas, which often have specific projects underway and reported through that channel but are the core services delivered by the Council and therefore need to be robust. Indicators are reviewed periodically to ensure they are appropriate.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 13

We recommend the Council and Publica, discuss and jointly review, the existing partnership agreements in order to:

- Clarify the hierarchy and responsibility of decision making.
- More clearly define the service delivery requirements and expectations.

Why/impact

The review of the existing service agreement and commissioning framework between the Council and Publica could help bring greater accountability for decision making and bring further clarity to the requirements and expectations of service delivery.

Auditor judgement

The service agreement and commissioning framework between the Council and Publica describes, in broad terms, decision making responsibilities, the service provision requirements and responsibilities of Publica. Greater detail would strengthen arrangements and help reduce ambiguity.

Summary findings

The Council partnership with Publica could be strengthened further by clarification of decision-making responsibilities between the Council and Publica and the existing service and commissioning agreements between them could be evolved to provide greater detail in respect of service delivery requirements and expectations.

Management Comments

Agreed.



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

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 14

We recommend the Council reviews its contract procedure rules to ensure they fully align with the Council's procurement and contract management process.

Why/impact

The Council's contract procedure rules form part of the Council's constitution and should align completely with procurement process and threshold requirements, such alignment will reduce risk to the Council.

Auditor judgement

Current procurement procedures require officers to refer any contract with a value in excess of £0.1m to the Council's procurement board for consideration and oversight. This requirement is not referenced within the Council constitution.

Summary findings

The alignment of the Council's constitution to current procurement threshold procedure will strengthen the Council's procurement arrangements.

Management Comments

The Council's Monitoring Officer and Head of Procurement are considering this recommendation.



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

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should carefully monitor its investment strategy outcomes to assess whether the actual additional revenue income generated and costs incurred are consistent with those set out in the original business plan.	Improvement	August 2022	Discussions are already underway to attach appropriate coding to projects in order to report ongoing outcomes. While capital spend is currently carefully monitored, the Council recognises that more could be done to monitor revenue implications ongoing.	Yes	No
2	The implications of the reduction in the annual funding settlement for the council should be supported by scenario planning that sets out the different responses to different funding reductions on Council activity and spend.	Improvement	August 2022	While a level of sensitivity analysis is done on the MTFs especially acknowledging the areas of highest uncertainty and risk, these could be reported as variants for easier comparison	No	Yes. This has been restated within a improvement recommendation within page 14 of this report.
3	The Council should ensure continued close in year monitoring and timely corrective action will be required to ensure savings are delivered and service redesign with partners are successfully implemented.	Improvement	August 2022	This is already in place	Yes	No
4	The Council should consider mapping risk to corporate objectives.	Improvement	August 2022	Risks escalated to the Corporate Risk Register have been identified as strategic and may impact or be related to multiple objectives by their very nature. Some consideration will be given to mapping to test whether it is practical and useful. This recommendation may more closely align with the identification and escalation of strategic opportunities	Yes	No

Follow-up of previous recommendations (cont'd)

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council should consider how it can improve the evidence relating to discussing alternative proposals and scenarios for budget changes prior to the budget being agreed.	Improvement	August 2022	The final budget proposals submitted to Council are considered optimal as requests for growth and discussion of underlying initiative have already gone through scrutiny committee and Cabinet Review. The outturn is a factual report on the closing position of the accounts. Consideration will be given to presenting more scenarios through the MTFS as this forecast may be the appropriate place to evaluate alternative proposals and scenarios.	Yes	No
6 The Council should consider the creation of a procurement strategy, along with publication of major contracts in place and financial procedures.	Improvement	August 2022	The procurement strategy is being further developed to improve information on contracts, including renewal dates.	Yes	No
7 To undertake a review of 2020/21 Revenue Outturn data to understand variances in unit costs with statistical neighbours.	Improvement	August 2022	We will look into this.	No	Yes. This has been restated within a improvement recommendation within page 33 of this report.

Opinion on the financial statements



Audit opinion on the financial statements

As at the 30 May 2023 our work on the Council's financial statements is substantially complete.

We are, however, awaiting the receipt of the letter of assurance form the auditor of Oxfordshire Pension Fund. Until this is resolved we are not in a position to conclude in this area.

Subject to the satisfactory resolution of this outstanding issue we anticipated giving an unqualified opinion on the Council's financial statements for 2021/22.

Audit Findings Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit & Governance Committee in March 2023. The continued delay in concluding this work is due to the outstanding national pension fund liability issue.

Preparation of the accounts

The Council provided draft accounts in line with the agreed timetable along with supporting working papers.

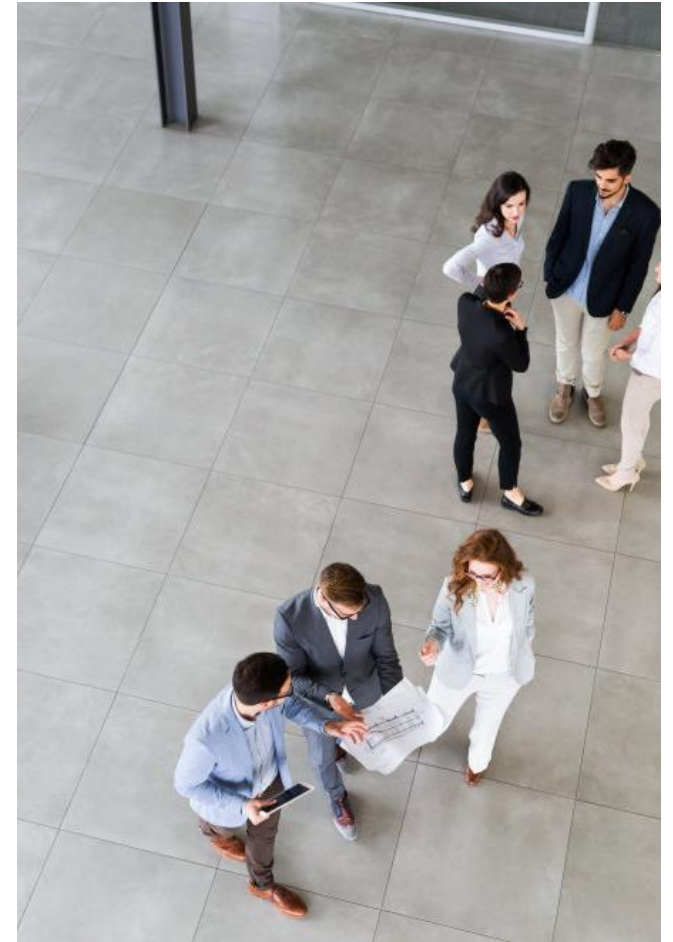
There is a recognition that capacity within the finance team remains a significant issue. We are of the view that there is not sufficient skilled finance expertise below the S151 officer and Chief Accountant to support the multiple responsibilities of a LG finance team. Specifically, the reliance on the Chief Accountant, who has for a number of years taken on almost sole responsibility for supporting the external audit process, means that timely audit completion is compromised.

Issues arising from the accounts:

Despite the resourcing challenges, the audit work to date has not identified any material errors or adjustments to the financial statements. No adjustments have been identified that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement.

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

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

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

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

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

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

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



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

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. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness during our initial planning	As part of our initial audit plan, we identified a risk of significant weakness in relation to financial sustainability reflecting the uncertainty, sector wide, regarding local government funding in the medium term and we have specifically assessed the Council's approach in managing this financial uncertainty.	Our subsequent work has not identified any significant weaknesses in arrangements to secure financial sustainability but has identified four improvement recommendations.	Appropriate arrangements in place and four improvement recommendations raised. Further details can be seen on pages 13 to 16 of this report.

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	13-16 23-29 33-35

