Auditor's Annual Report on Somerset County Council and Somerset Pension Fund

2020-21

February 2022

Contents

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

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

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

Executive summary

Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the overall arrangements, as well as key recommendations on any significant weaknesses in Councils arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 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 work has not identified any significant weaknesses in the Council's arrangements. Our findings are summarised in the table below.

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	**No significant weaknesses in arrangements identified, but two improvement recommendation has been made**
Governance	No risks of significant weakness identified	**No significant weaknesses in arrangements identified, but one improvement recommendation has been made**
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	**No significant weaknesses in arrangements identified, but three improvement recommendation has been made**

Financial sustainability

The Authority has a good track record of sound financial management and delivered an underspend of £9m in year; which is in excess of that forecast throughout the year. The Council's financial statements report that overall general fund reserves have increased from £112m to £156m at 31 March 2021, with overall usable reserves increasing from £121m to £170m.

Overall we are satisfied that the Council had appropriate arrangements in place to manage the risks it faced in resect of financial resilience. We have not identified any significant risks of material weakness but have identified opportunities for improvement. These reflect the importance of continually considering the level of reserves in the context of challenges around the delivery and funding of the capital programme and Local Government Reorganisation (LGR). Our findings are set out in further detail on pages 5 to 9.

Governance

We have not identified any risks of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified **one** improvement recommendation in relation to the evolving LGR governance arrangements. We have recommended that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we have recommended that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood. Our findings are set out in further detail on pages 10 to 13.

Improving economy, efficiency and effectiveness

We have not identified any risks of significant weaknesses but we have identified three improvement recommendations. These are in relation to including reference to the Council's strategic objective within its partnership register, including an action plan within the procurement strategy and to continue to work with the service departments to understand why contract waivers occur and how they could be reduced. Also, in line with recognised good practice, the Council should consider reporting waivers and breaches to the Council's Audit Committee. Our findings are set out in further detail on pages 14 to 16.

Opinion on the financial statements

We have completed our audit of your financial statements and issued an unqualified audit opinion on 30 November 2021, following the Audit Committee meeting on 30 November 2021. Our findings are set out in further detail on page 27.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its 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 each of these three areas, as well as the impact of Covid-19, and the arrangements in place at the Pension Fund, is set out on pages 5 to 19. 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 it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Identifying and addressing financial pressures

Our work has identified that despite the uncertainty regarding funding, the Council has robust arrangements in place for delivering financial sustainability. This is based on an improved track record in recent years that has led to achievement of budgets, delivery of planned savings and increased level of reserves.

The Council has delivered an underspend of £9m in year. This has been largely achieved due to the receipt of additional COVID-19 funding, strong budgetary control and the delivery of £7.5m of savings against an original target of £8.9m. The surplus generated has been transferred to various reserves to enhance financial sustainability. The largest element (£3.3m) has been transferred to the General Fund Reserve. The Council's financial statements report that the revenue reserves have increased from £112m to £146m at 31 March 2021.

The Medium-Term Financial Plan (MTFP) and budget that were approved by Full Council in February 2021 reported a revenue budget gap of £18m over the medium term.

We noted that the Council has robust budget setting, monitoring and reporting arrangements in place, whereby budget holders are challenged on their budgetary requirements each year. Members are involved in the process as part of the challenge meetings held which ensures that the budget setting reflects the Council's strategic objectives. The process in place also ensures that base budgets are not just rolled forward, and that any unrequired budgets, based on prior year outturns and future demands, are removed. Work is currently underway on setting the 2022/23 budget that will finally be agreed by Full Council in February 2022.

The Medium-Term Financial plan was refreshed and taken to Cabinet in October 2021. This reported that the Council has a gap of £7.8m to be closed when setting the 2022/23 budget. The report further sets out that in addition to this a further £21.8m of efficiencies will need to be made by 2024/25. This will need to be considered as part of LGR.

As part of the financial planning process the Council reviewed and updated the key assumptions that underpin the medium-term financial plan.

The key assumptions that drive the budget gap over the medium term are:

- Pay increases of 1% for 2021/22, 1.5% for 2022/23, and 2.0% for 2023/24;
- Pension Costs – have been revised in line with the most recent revaluation;
- Interest Rates – estimated average interest of 0.1% per annum for treasury management;
- Capital Spending – an allowance has been made to fund borrowing costs for new schemes;
- MTFP assumes that the Business Rates reset occurs in 2022/23;
- Funding Review – future years assume a neutral impact of the review of business rates (other than the reset) and Fairer Funding;
- Social Care Grant – assumes that this grant continues at 2021/22 levels of £17.96m;
- Council Tax - increases in tax base of 0.5% in 2022/23 and 1% 2023/24 with a 2.99% increase in the Band D charge; and
- Adult Social Care Precept – no further increases have been factored in beyond 2021/22 Band D charge.

There remains uncertainty over core funding due to the fair funding review being pushed back by a further year.

Financial sustainability

We have reviewed the assumptions used by the Council in setting the medium-term financial plan and, based on the evidence available, and in comparison to other Council's, these appear to be reasonable. The Council continues to review and adjust assumptions in real time and has recently reviewed and updated these assumptions as part of the October 2021 budget report.

The 2021/22 quarter 2 budget report is currently reporting an underspend of £3.0m. However, this is the position after the use of contingencies. Overspends on services are being reported as £2m with the Council forecasting the use of £5m contingency.

Like all public sector bodies, the Council continues to face financial challenge and uncertainty over the medium term, albeit they are well placed to respond to the uncertainty that the delay of the fair funding deal presents. Despite this challenge, we have not identified any risks of significant weaknesses in arrangements as part of our work on financial sustainability. The Council have delivered an in-year surplus and have built up their useable reserves from a very low base over recent years, although the level of earmarked reserves remains well below the average for counties, as illustrated on page 9. The Council have clearly identified the budget gap over the medium term and have made progress in addressing this.

Bridging the gap and delivering sustainable services

The Council have demonstrated that they have a good understanding of the budget gap over the medium term. The 2021/22 budget included a further £7m of savings. At month six £3.2m had been delivered and a further £2.1m were assessed as being achievable. The remaining £1.7m are at risk of not being delivered either in full or in part. The approved MTFP contained a list of saving schemes/income generation to close the gap. The progress against each of these is reported quarterly to Scrutiny and then Cabinet. The Council monitor savings internally through a detailed spreadsheet which clearly sets out proposals, prior year undelivered, and current year agreed savings. Each scheme is RAG rated so that members are informed of the deliverability and risks when approving the budget. This also creates internal challenge and dialogue, at an SLT level, which is useful when agreeing and monitoring performance against budget. Where savings are proposed that impact on service delivery, a qualities impact assessment is completed. This process helps the Council decide if they need to go out to consultation. Benefits delivered through transformation projects are also monitored as part of this process, using both financial and non-financial data.

However, we noted through discussions with officers, that the Council are not progressing any new significant transformation programmes at present due to the imminent Local Government Reorganisation (LGR). Further details on LGR are set out in the Governance section of this report.

Capital Budget

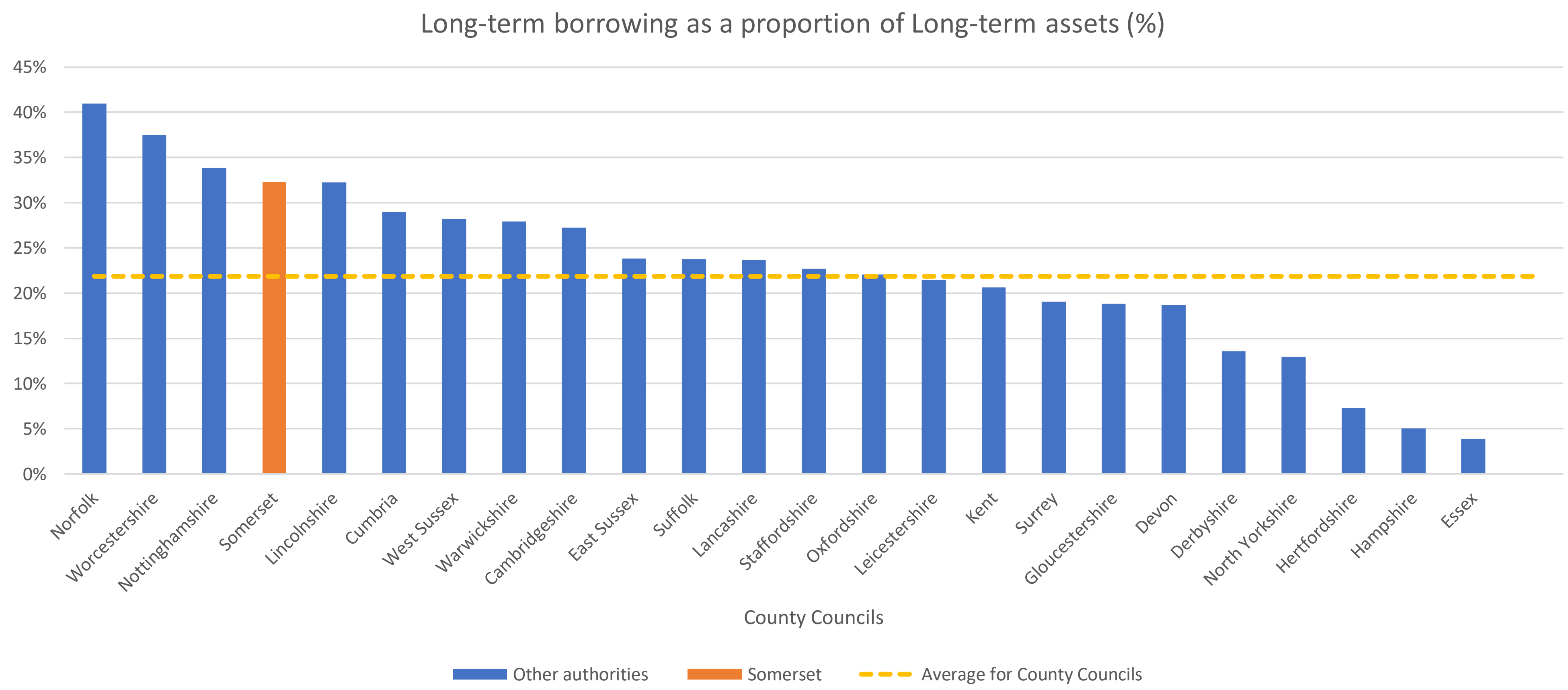
The capital programme for 2020/21 was £153m. This was focused on a number of areas with the largest amounts attributable to schools, highways, and infrastructure, which aligns with the Councils strategic priorities. There was significant slippage during 2020/21 (£55m) due mainly to the impact that Covid-19 had on the supply chain. An area of ongoing focus for the council is the affordability of the capital programme and the level of debt that delivery will drive and resultant revenue implications, such as interest and Minimum Revenue Provision.

This is demonstrated in the chart (on the following page) which shows long term debt as a percentage of asset values compared to other County Councils. As can be seen, Somerset has a significantly higher proportion of debt to long term assets ratio than the peer group average.

We are aware that the Council are considering this as part of the 2022/23 budget round and as part of LGR, where the Districts have similar debt profiles.

We therefore recommend that the Capital programme, and the funding of this, remain in constant review and to ensure that revenue cost implication is factored into the budget and the MTFP. It is crucial that this exercise is undertaken at both a County Council and the new Unitary level.

Financial sustainability



Financial sustainability

Managing financial resilience

The General Fund Reserve is to cover uncertainties in future years' budgets such as: the possibility of additional savings being required in the future and the potential difficulty in delivering such savings; extraordinary or unforeseen events occurring; potential insurance liabilities; capital commitments in future years being higher than expected; inflationary pressures; and increasing pensions costs. In addition to the General Fund Reserves there are specific General Fund Earmarked Reserves which are set aside for specific purposes.

There are a number of key areas where there has been an element of growth built into plans. The key areas are Adults and Children's services where there have been historic overspends, although we note there were underspends in Children's services in 2020/21. Demand and costs are increasing in these areas and this has been reflected in the figures, with budgets increasing by 14% for Children's and 10% for Adults over the medium term.

The Council's financial statements report that overall revenue reserves have increased from £112m to £146m at 31 March 2021. This is a significant increase in reserves and is reflective of the improved financial management over the past 2-3 years since we issued a qualified Value for Money Conclusion in 2017/18 based on poor budget setting arrangements.

We have noted as part of our work that the Council do not have a formal reserves strategy, which is good practice. However, this is considered as part of agreeing the medium term financial strategy and kept in constant review. The Council have commissioned an external review to look at both the adequacy of the Council's reserves and also those of the new Unitary Authority. This work concluded that the level of reserves was adequate and formed a good base level for the Unitary Authority.

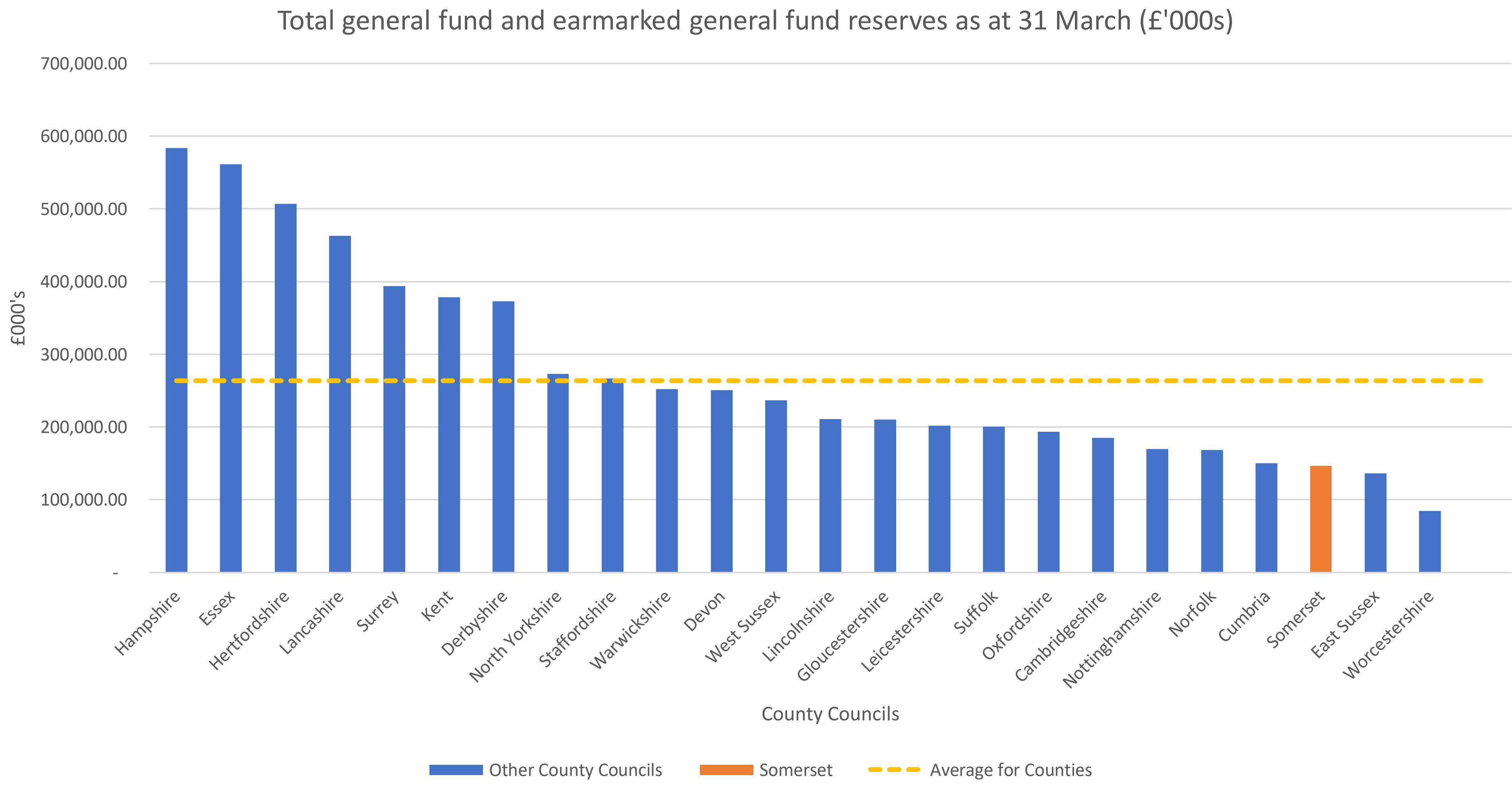
Whilst we recognise that the Council's reserves have increased and acknowledge the conclusions from the review commissioned by the Council, when compared to other County Council's the level of earmarked reserves held is below the peer group average. This is set out in the chart on the following page. This chart is for illustrative purpose only, and does not consider the relative size of each Council.

It is therefore important that the level of reserves continues to be monitored. As set out at the beginning of this section there are a number of factors that can impact on the level of reserves. For Somerset County Council, and the new Unitary, the key consideration that could impact on reserves over the medium term are:

- the funding of the capital programme and the impact on revenue of any increases in debt, and
- that the planned savings arising from LGR are not of the quantum forecasted.

We therefore recommend that these areas remain under constant review.

Financial sustainability



Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Risk Management

Our review of the governance arrangements in relation to risk management has not identified any risks of significant weakness in the 2020/21 financial year. The Council's strategic risks are identified by senior management with the support of the risk manager. These, together with the significant risks to planning and delivering services, are recorded in the Council's risk management system. The strategic risks are regularly reviewed by the risk manager, senior management and by Audit Committee who seek assurance that, as far as reasonably practical, the controls mitigate the risks efficiently, effectively, and economically. Strategic Risk Management Group also review the Strategic risks at least once a year to support the risk owner and escalate if required.

The Council make a clear distinction between strategic and operational risks. Strategic risks are owned, managed and reviewed by SLT. The Strategic Risk Management Group look at one strategic risk each meeting. The group has representatives from each service to ensure appropriate coverage. The representatives are focused on the operational risks which underpin each of the strategic risks.

The Strategic Risk Management Group report to the Governance Board, which is made up of Service Directors and the Monitoring Officer. Strategic Risks are reported to the Audit Committee on a quarterly basis.

Operational risks are managed within the services by service managers and directors.

Risk implications in decision making are the responsibility of those requesting change and those approving the decisions. Considerations and mitigations of the risks are required to be acknowledged in the relevant documents to ensure that the Council's financial, legal and moral commitments are met. The Covid-19 pandemic of 2020, which is on-going, saw additional risks identified across the whole of the Council. The recovery phase of the emergency was activated in autumn 2020, this phase highlighted additional risks to the recovery of the Council and Somerset as a County.

The system used for recording the risks is called JCad. This also records actions, timings and risk owner. Risks are RAG rated in line with good practice.

Budget setting, control and monitoring

Our review of the governance arrangements in relation to financial planning has not identified any risks of significant weakness in the 2020/21 financial year. It is clear that the Council has developed a robust financial planning process which involves budget monitoring throughout the year to expose pressures, and these are used to help refresh financial plans throughout the summer. There is regular dialogue between allocated finance staff and the directorates, and this feeds the monthly reporting cycle.

The budget process starts each year with strategic managers who are the budget holders. There are currently around 60 strategic managers. Strategic managers are briefed each year by the Section 151 officer around the level of efficiencies that are required and key objectives. Initial budgets are then built from the bottom up. This process involves some benchmarking to ensure that the budget is based on comparable data, and not based solely on the previous years outturn.

Initial budget estimates are discussed as part of challenge sessions with Directors for Services, s151 Officer and Chief Executive challenging trends and forecasts to understand what can be done to mitigate risks and pressures. For 2022/23 the budget process was further strengthened by Cabinet member for Resources leading the challenge sessions to other Cabinet Members.

With LGR on the horizon the council have been realistic about what can be achieved regarding savings. Transformational change will take place through Local Government Reorganisation.

There is ongoing engagement with the Senior Leadership Team, as well as challenge sessions with portfolio holders and the finance portfolio holder to add further rigour to the process. These sessions cover key prioritises and whilst they are aimed at closing any budget gap, they ensure that service budgets are not completed in silos and that the whole Cabinet position is considered.

The budget is approved each February alongside the Medium-Term Financial Plan, Capital Programme and Treasury Management Strategy. Reserves are also reviewed as part of the integrated budget setting process. Our review found that these were aligned and were representative of the discussions and challenge provided through the challenge sessions and scrutiny.

Performance against the budget is reported to Cabinet monthly, with a more detailed finance and performance report going quarterly. Prior to Cabinet all reports go to Senior Leadership Team and Scrutiny. Cabinet and Scrutiny are public meetings.

These reports are based on information provided at each of the monthly budget monitoring meetings between corporate finance and service directors. These meetings are used to fully understand what is driving costs and look at mitigations. This data is then used to forecast an outturn position. For example, in children's services meetings there were examples of reviewing cost of placements, and population trends to better understand how the costs would behave going forward given the levels of demand. Each director, signs off this process and provides narrative explaining the risks, the opportunities, and the reasoning for the numbers within the report. This helps to ensure ownership is maintained.

Informed decision-making and appropriate challenge

Our review of the governance arrangements in relation to informed decision making has not identified any risks of significant weakness in the 2020/21 financial year. The role of scrutiny to influence and oversee efficient and informed decision-making has become even more important in local government, given the challenges faced by Councils to ensure limited resources are used effectively, particularly in light of the volatility posed by the Covid-19 pandemic. At Somerset County Council, it is evident that members are provided with multiple opportunities to review decisions before they are finalised, through reports which are published and submitted throughout the committee structure. There are specific Scrutiny Committees for the different services which scrutinise the plans and decisions of the Council before recommending them for approval to Cabinet.

Discussions with officers suggests that the 'real added value' with information for decision making are the informal briefings that run alongside the formal structure. This enables members to ask questions, which they might not wish to ask in a public meeting. It is really important that members have this forum to learn as this enables greater scrutiny through increased knowledge although the Council should remain alert to the risk that the extent of questions raised in these pre-meetings does not then reduce the level of questions within the public meetings.

This worked particularly well with LGR decision making and the consultation process, where there were large volumes of information. This process was managed well through informal meetings and through the joint scrutiny committee.

Our review has found that progress towards LGR is progressing well. Throughout the process there is evidence of:

- regular reporting to ensure members and stakeholder are being kept informed,
- wider consultation and engagement with various stakeholders regarding the business case (this continues following approval),
- commissioning experts to inform and challenge the process,
- commissioning LG futures to estimate a medium-term budget for 'One Somerset', and
- engaging with Councils that have experienced LG reorganisation to glean lessons learned.

The 'One Somerset' proposal was approved on 21 July 2021 with a target implementation date of April 2023. Since this date work has continued, as has the regular reporting to members. The change order is expected imminently and final sign off is due to take place in Parliament in February 2022.

A Joint Committee (JC) has been established to oversee the implementation process. This will meet monthly, with its first meeting having taken place on 5 November 2021.

The JC is chaired by the Leader of Somerset County Council and there are representatives from each of the districts and includes five County Councillors. The Leader and the Cabinet will, however, maintain overall responsibility for implementation.

At the first meeting the JC approved the allocation of the £16.5m implementation costs and to agree the governance structures. The key elements of the proposed governance structure and processes that have been put in place are:

- named budget holders for each of the areas of cost,
- monthly reporting to board,
- approval of all budget virements by the board,
- an overall programme board is in place which includes each of the Chief Executives,
- a project steering group, and
- a scrutiny function is currently being established.

We have reviewed the business plan at a high level and have challenged officers around the data included within it. In particular the proposed costs for the implementation of £16.5m and the forecast savings over five years of £52m.

The costs are clearly set out within the business plan. Whilst these costs are supported by detailed work and contain an element of contingency it is essential that these are accurately monitored and reported to ensure they do not escalate and stay in line with the business plan.

The business plan also sets out expected savings of £52m. These are based on the work of LG Futures (a specialist public sector consultancy company), supported by detailed analysis and benchmarking against savings generated as part of other similar reorganisations. Again, it is crucial that these savings are monitored and reported so that they can be clearly measured against the original business plan with a clear and comprehensive analysis and explanation for any variances. Work is currently underway to profile these savings.

Whilst there are areas of uncertainty, financially it is clear that there are a reasonable level of reserves across all authorities. Whilst the initial business plan gave an indication of the reserves levels, work in this area remains in progress, as part of pulling together a joint medium term financial plan. These reserves do however provide some base line financial resilience. The Council has, however, undertaken further analysis to ensure that the new unitary council is financially sustainable at the outset. This has included analysis of each the merging organisations balance sheets, reserves and capital health.

There is a general level of uncertainty around local government funding and bringing together five organisations increases this uncertainty. It is therefore critical that as 2022/23 budgets are pulled together that the joint medium-term position is fully understood.

Based on our review and the work undertaken to date, we have not noted any risks of material weakness in arrangements. However, due to the significance of the reorganisation and the potential impact on both financial sustainability and service delivery and performance, this will remain an area of focus as arrangements evolve.

We recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process, that the joint medium term financial challenge be explored and fully understood.

Monitoring compliance with regulatory requirements and required standards of behaviour

The Council must ensure that it monitors and ensures appropriate standards such as meeting legislative/regulatory requirements in terms of officer or member behaviour, including in relation to gifts & hospitality or declarations/conflicts of interest. Our review of the Council's Internal Audit reports, committee meeting minutes and discussions with staff did not identify any significant governance issues or breaches of standards in 2020/21.

In order to ensure compliance with regulatory and legal standards, officers in legal services keep abreast of legal updates or changes in legislation as part of their role, which are then used to provide advice and guidance to the service areas as required. The Constitution is updated regularly to reflect any changes in recommended practice. Additionally, Cabinet and committee reports are subject to consultation with the legal service to ensure advice and comments on reports are provided in advance to ensure lawful decision-making. The Monitoring Officer also attends each Senior Leadership Team (SLT) meeting to ensure legality is considered in all decisions.

The Council has appropriate policies and procedures in place including a Code of Conduct, a Whistleblowing Policy, and an Anti-Money Laundering policy all of which have been assessed as clear and reasonable. The policies are held on the staff intranet for ease of access and all staff are made aware of the procedures to be followed. These are also available on the Council's website. The Council has a policy on Gifts & Hospitality and Declarations of Interest.

The Council's Annual Governance Statement (AGS) does not highlight any significant governance issues and this is in line with our understanding from the work we have undertaken. The AGS does highlight five areas of ongoing challenge. These are:

- The overall financial plan and financial sustainability,
- Local Government Reorganisation,
- Covid-19,
- Implementation of Special Education Needs and Disability (SEND) reforms, and
- Development of the Integrated Care System (ICS).

Each of these areas are covered within other sections of this report with the exception of ICS. We have reviewed progress towards this as part of our work and have identified no significant issues. A shadow board is now in place and governance arrangements continue to evolve. Review of documentation highlights that there is a good level of collaboration with health partners and that the 'tone from the top' is strong, with the Chief Executive playing an active role.

Internal audit is provided by Southwest Audit Partnership (SWAP) and their original plan for 2020/21 proposed to cover various reviews across governance, risk, finance, resources, performance and operational compliance. The plan needed to be revised in light of Covid -19 but they were still able to produce several reports and focussed on undertaking sufficient work to be able to provide their Head of Internal Opinion as well as giving adequate assurance on emerging Covid-19 related areas. This concluded that, overall, there was a reasonable level of internal control. Their report identified no significant issues in relation to governance.

Finance team capacity

There has been good continuity and stability in the finance team over the last couple of years. There is no evidence of a lack of capacity with budget monitoring and annual accounts being completed to an overall high standard. There is no evidence of serious or pervasive weaknesses in the Council's processes for preparing its financial statements. This is detailed further in the 'Opinion on the financial statements' section of this report. Unmodified audit opinions have been issued on the 2020/21 and previous financial statements.

Auditor Judgement

We found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks. We have identified **one** improvement recommendations as set out below.

In relation to the evolving LGR governance arrangements we recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council has a business plan in which is sets out how it will deliver and work with others to meet its 'Vision for Somerset'. In 2020/21, performance against its 2019/20 business plan was reported to Cabinet on a quarterly basis. In 2021/22 the business plan was superseded by the business plan for 2021 to 2023.

The Council has a performance management framework to enable a consistent approach and ensure everyone understands their role in the process.

Performance across the Council is formally assessed monthly, at service level, followed by the Senior Leadership Team before being reviewed by Cabinet on a quarterly basis. This is in line with the Council's performance management framework and enables management to review and ensure accuracy of the information within the reports and provide additional information as required.

Covid-19 has had an impact on arrangements in 2020/21 which included the KPIs not being refreshed in year and service plans updates slipping to June 2021. However, despite these delays, we consider that the arrangements in place enable senior management and members to monitor progress and take action, if required.

Data Quality

The Council gains assurance over the accuracy of data in its performance reports through reliance on the expertise and knowledge of its performance management team and finance staff. The data and KPIs are also reported through the service departments and SLT on a monthly basis, before they are seen by Cabinet at a pre-meeting. They are then published and reviewed by Cabinet on a quarterly basis. The Council also has a data quality policy.

Children's Services

We set out in our Audit Plan that went to Audit Committee in June 2021:

- A risk of significant weakness in relation to a letter from Ofsted to the Council written in April2020 raising concerns around the implementation of SEND reform The key concerns were around the speed of implementation, capacity and joint commissioning.

This was on the basis that in April 2020 Ofsted and the Care Quality Commission (CQC) wrote to the Council raising concerns over the implementation of the SEND reforms. As a result of these failings the Council and the CCG had to produce a written statement of action.

The Council and the CCG produced a written statement of action which was approved by CQC and Ofsted in November 2020.

We identified that positive action was being made against the areas identified within the written statement of action and progress was monitored externally by the Department for Education and the NHS on a quarterly basis.

We concluded in our Audit Findings Report in November 2021 that we have not identified any risks of significant weakness in arrangements.

Benchmarking and learning from others

The Council recognises the benefit to be gained from comparing themselves to others and has used benchmarking to compare and monitor performance. In 2020/21 this has been limited to comparisons to support the budget setting process and the business plan for LGR 'One Somerset'. The LGR comparisons were used to provide case studies and to better understand the level of savings that might be achievable from LGR going forward

Benchmarking was undertaken as part of our VfM work. We used our management tool 'CFO Insights' and compared the units costs for a range of services. This exercise did not identify any very high cost areas. The two demand led services adults and children's social care are in line with the average when compared with other county councils. This was based on 2019/20 financial information. We are aware that these two areas have had increases in base budget to ensure that they reflect current levels of demand and that the Council anticipates that demand will increase following the impact of Covid.

Maintaining and managing the escalating costs of children looked after by the Council continues to be a challenge and in 2020/21 the Council began the process of addressing the market provision. The Council explored the possibility of working with a strategic partner to secure residential homes, high needs foster care and therapeutic education. A strategic partner has been identified and was appointed in later 2021.

Significant partnerships

The Council's business plan and quarterly performance reports acknowledge the importance of partnership working and where partnerships contribute to the Council's objectives. The change in governance arrangements which were introduced as a result of Covid were extended to partnerships and virtual meeting arrangements were introduced for:

- Heart of the SW Joint Committee
- Avon and Somerset Police and Crime panel
- Somerset Waste Board

Information on the Councils website can also be found for the Safer Somerset Partnership, Somerset Safeguarding Boards and Drug and Alcohol partnership.

The Council maintains a partnership register. This register is principally concerned with partnerships that are statutory or are fundamental to the delivery of the goals and objectives of the Council. The register includes 75 partnerships and contains a range of information, such as if they are statutory, aims and objectives, membership, operational arrangements, budget and information sharing arrangements and contacts. It does not however, include the objective of the Council to which the partnership contributes/links.

Although there is no evidence of any significant failings in any of the Council's partnerships, we consider arrangements could be improved if the partnership register was extended to include a link to the Council's objective(s).

We are aware that the partnership register is due to be updated prior to reorganisation.

Procurement and contract management

The Council is a Commissioning organisation and has set up an officer Strategic Commissioning Group (SCG). This group includes commissioning specialists, key officers and business partners. The SCG reviews all new proposals for strategic projects, including new contracts and managing commissioning gateway activity.

The Council has a procurement strategy, contract management framework and procurement and contract procures rules within its constitution. The Council intends to update the procurement strategy and contract management framework prior to LGR.

The procurement strategy sets out the following key priorities:

- showing leadership
- behaving commercially
- achieving benefits that fulfil the vision of 'Improving Lives'.

Procurement and contract management (continued)

Within the procurement strategy the Council identifies its current position and its aspirations. However, it does not identify what actions are required to achieve these aspirations or include an action plan.

During the period 24 February 2020 to 13 April 2021 four contract breaches occurred and the Council agreed 54 contract waivers for a total value of some £11m. The waivers varied in duration from one month to 48 months. The two largest contract waivers were for £6m and £1.2m and were for the extension of existing contracts. The Council had followed its contract waiver procedures and obtained legal advice. The reasons for extending these contracts were documented by the Council and appear reasonable.

In 2020/21 the Council had enabled services to retrospectively approve waivers. This practice has now stopped, procedures were tightened and a new contract waiver form issued.

The contract waivers and breaches which occurred in 2020/21 were all reported to the Governance Board, an internal senior officer group. Information was provided on each waiver and breach including a trend analysis on the number of waivers that have occurred since April 2017. However the value of the breached contracts which not reported to the Governance Board.

We consider that the Council should continue to work with the service departments to reduce contract breaches, understand why contract waivers occur and how they could be reduced. Also, in line with recognised good practice, waivers and breaches should be reported to Audit Committee.

Covid-19 arrangements

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

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

Response to the pandemic

Our review of the arrangements of how the Council responded to the Covid-19 pandemic have not identified any evidence of significant weaknesses in arrangements.

On 28 March 2020 the Leader of the Council and the Chief Executive made a decision to put in place emergency decision making arrangements and to postpone and call no further member meetings up to mid May 2020 to protect the health of members, officers and the public. The Council held its first virtual committee meetings from 13 May 2020. 'Virtual' internet-based meetings were established for all committees, and these continued throughout 2020/21. In line with the Council's Constitution the Chief Executive and the Leader of the Council were able to take decisions that would otherwise have been taken by Cabinet in the interim period. The Council have established a Recovery Board to drive its recovery response.

Staff were able to work from home and the usual procurement and expenditure controls could continue to operate. Procurement systems could be accessed from home and where urgent procurement needed to be undertaken, for example for PPE, waivers were used using the usual procurement waiver process.

An assessment of the financial impacts of pandemic related costs was regularly undertaken by the Section 151 Officer and reported to the Senior Leadership Team (SLT) and Cabinet meetings. The Council has received over £75 million (plus bought forward balances) through 15 different funding streams from various Government Departments to help fund the Council's coronavirus response and new responsibilities.

Arrangements have been put in place to identify increased costs and lost income as a result of the coronavirus. This was undertaken through a monitor spreadsheet as opposed to setting up separate codes to record the costs. This was because the Council wanted to ensure that costs were recorded within the correct service line. The spreadsheets were designed to allow for the completion of the monthly Delta Covid financial management returns to MHCLG.

During 2020/21, £65m was spent by the Council in its Covid-19 response. The Council also reported a reduction in its budgeted Sales, Fees and Charges income of £5m as a direct result of the national lockdown restrictions.

Covid-19 arrangements

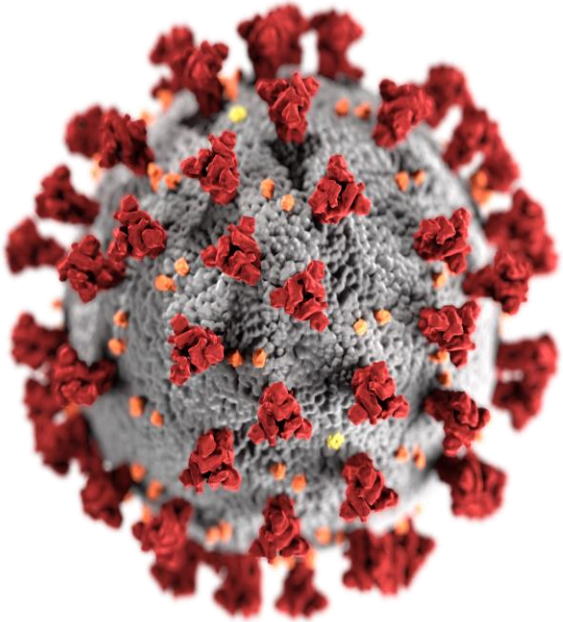
As at 31st March 2021, the Council reported unspent Covid-19 funding of £17.6m. These unspent allocations have been carried forward to future years as earmarked reserves (£6.8m) and receipts in advance (£10.8m) to fund the on-going impact of the pandemic. This has meant that the Council has been able to maintain a healthy level of reserves as at the end of this financial year. As part of our financial statements audit we have tested the accounting treatment of Covid-19 grants and identified no issues.

Throughout the year the Council continued to report performance against budget in line with pre pandemic arrangements. The budget was not reset but rather monitoring was undertaken against the original budget set in February 2020. Therefore, a large proportion of the variances reported throughout the year were related to the pandemic. Key service areas such as Children's and Adult's reported significantly increased costs.

The Council has been active member of a multi-agency partnership responding to the pandemic and regular reporting was undertaken through the covid dashboard. Throughout the majority of 2020/21, SLT met twice weekly to manage the council's emergency response, maintain delivery of core services and prioritise resources accordingly. Regular position statements and updates were provided to elected members and reported to Cabinet meetings and other committees, including the formation of a new Member Engagement Board with partner representatives.

Internal audit carried out a review of the Council's arrangements for responding to the pandemic and gave substantial assurance.

Overall we concluded that the Council's response to the Covid-19 pandemic was appropriate and effective.



Pension Fund arrangements

Our review of the arrangements of the Pension Fund have not identified any evidence of significant weaknesses in arrangements.

The pension fund do not set a budget in the true sense, as a number of the elements are not fully controllable. For example, contributions and benefits payable, which are the main elements going through the fund are driven by decisions that are not controllable by the fund. The pension fund does produce a forecast which is approved by the Pension Committee. This sets out the key assumptions that have been used to produce the forecast. The layout of this forecast is aligned to the Fund Account which allows direct comparison to the financial statements outturn position. There are no legislative requirements for pension funds to produce a budget and this is therefore more an exercise of transparency.

The Pension Committee meet quarterly and at each meeting the following key areas are considered:

- Financial forecast outturn (this sets out variances to initial forecasts and the reason for these),
- Investment performance (including review of KPIs and benchmarking against the wider market performance)
- Business plan update
- Risk register, and
- Administrative, Funding and Cash strategies.

The risk register is discussed at each Pension Committee meeting. This is clearly RAG rated and risk owners are assigned to each risk. The register also sets out the mitigating controls, actions being taken and target dates for completion. This is in line with best practice.

It is clear from discussion with officers that risk forms a fundamental part of the pension funds overall control environment. An example of this was the informal sessions that were held in 2020, outside of the formal committee structure. This was time set aside for officers and members to consider each risk in detail and look at whether or not risks should remain on the register. Brainstorming also formed part of this session to identify areas where there might be additional risks.

Covid-19 was added to the risk register in June 2020 at the request of the committee. This risk was focused on resource availability rather than the potential impact on investments. This is aligned to areas that the Pension Fund can control. The triennial deficit cycle is the key driver for the performance of the fund. The transition to home working was implemented really smoothly and consequently the risk was later removed from the register.

One key area that has been impacted by Covid-19 is the level of training provided to members. The Pension Fund is a very specialised area and training is crucial to facilitate robust challenge. The Pension Fund has a training policy in place to reflect this. Training of members can be challenging due to the electoral cycle and is an area where officers recognise there could be improvement. We also note that the National Scheme Advisory Board has produced a good governance report. It is clear that there is greater emphasis on training and demonstrating knowledge and skills of committee within this report.

We therefore recommend that the Pension Fund review the National Scheme Advisory Board's good governance report and implement the key recommendations. Further to this, we recommend that existing and newly elected members to the pension committee are fully trained prior to the agreement of financial forecasts and governance arrangements each year. Where appropriate the Pension Fund should consider using external providers to support the delivery of training materials for specialist areas, e.g. actuarial valuations. As part of any training, members should be reminded of the importance of meeting attendance.

The Pension Fund has a separate climate change policy to Somerset County Council. This is an area of ongoing challenge with a number of conflicting pressures. The Pension Fund have a duty to maximise the return for its members and needs to balance that with becoming net zero. The Council's policy is to achieve net zero by 2030, where as the Pension Fund's policy targets 2040. This reflects that the decision-making regarding investments largely sits under Brunel Pension Partnership, where the significant majority of investment activity is undertaken on behalf of the Pension Fund who determine where and when to invest and divest individual investments.

Improvement recommendations

Financial sustainability

1	**Recommendation**	In comparison to other County Council's the level of long term borrowing is high. We therefore recommend that the Capital programme, and the funding of this, remain in constant review and to ensure that revenue cost implication is factored into the budget and the MTFP. It is crucial that this exercise is undertaken at both a County Council and Unitary level.
	Why/impact	The Council has a significant capital programme, and substantial part of which is funded from borrowing. Additional borrowing increases revenue costs and there has a direct impact on the General Fund. We are aware that the Council are considering this as part of the 2022/23 budget round and as part of LGR, where the Districts have similar debt profiles.
	Management comment	This is already done. The MTFP process is a fully integrated process that provides a strategic overview by looking at revenue budget, capital programme, reserves and treasury management together. The full costs of financing the capital programme are considered as part of the budget process and built into the budget. Given the overall debt levels of the 5 councils it will be an area of focus for the new Somerset Council to ensure that it considers as part of budget setting process.

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

Improvement recommendations

Financial sustainability

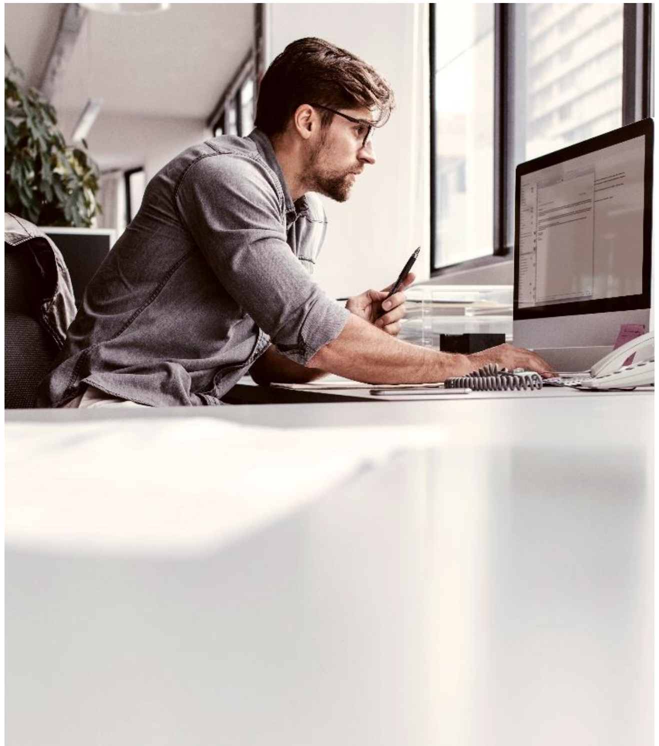
2	**Recommendation**	We recommend that the Council's general level of reserves remain under constant review as LGR and other areas of focus progress.
	Why/impact	The Council's reserves have increased over the past 2-3 years, however, when compared to other County Councils the level of reserves held is below the peer group average, specifically on earmarked reserves. There are number of key areas of focus for the Council over the medium term, that if not closely monitored could impact on the level of reserves. For example: • The funding of the capital programme and the impact on revenue of any increases in debt, and the, • Impact of not delivering transformational changes through LGR. There also remains a general level of uncertainty on future LG funding.
	Management comment	The councils level of reserves are constantly monitored and reported to Scrutiny and Cabinet through the budget monitoring report on a quarterly basis. The report to LGR Joint Committee on 4 February provided a summary of all 5 councils reserves position and planned use of Reserves during 2022/23. The LGR Joint Committee also approved a joint Finance & Assets protocol to help protect the level of reserves for the new Somerset Council in April 2023. This protocol needs to be adopted by all 5 of the Somerset Councils as part of their 2022/23 budgets setting process and has been by SCC.

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

Improvement recommendations

Governance

3	**Recommendation**	We recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood.
	Why/impact	There is a general level of uncertainty around local government funding and bringing together five organisations increases this uncertainty. It is therefore critical that as 2022/23 budgets are pulled together that the joint medium-term position is fully understood. In addition, as part of the business planning process costs and benefits have been identified. It is crucial that progress against these are monitored to fully understand progress against the original business plan and understand where differences might arise.
	Management comment	These arrangements are already in place with reporting to the LGR Programme Board and LGR Joint Committee



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

Improvement recommendations

Improving economy, efficiency and effectiveness

4	**Recommendation**	The Council should update the partnership register to include a link to the strategic objection to which they contribute.
	Why/impact	This will enable the Council to understand and identify the impact and contribution which the partnership makes to the Council's objectives.
	Management comment	The recommendation is accepted and will be taken onboard as when we update the partnership register.

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

Improvement recommendations

Improving economy, efficiency and effectiveness

5	**Recommendation**	The Council should include an action plan within its procurement strategy that will set out the actions required to achieve the aspirations set out within the strategy
	Why/impact	An action plan will provide a basis on which improvements and progress can be monitored.
	Management comment	The recommendation is accepted and an action plan will be included in the updated procurement strategy.

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

Improvement recommendations

Improving economy, efficiency and effectiveness

6	**Recommendation**	The Council should continue to work with the service departments to reduce contract breaches, understand why contract waivers occur and how they could be reduced. Also inline with recognised good practice the Council should consider reporting waivers and breaches to Audit Committee.
	Why/impact	Contract breaches will not be compliant with procurement law and would not provide value for money. Although contract waivers are permissible under procurement legislation they will not always provide value for money and their occurrence should therefore be minimised. Introducing formal reporting to Audit Committee would provide greater transparency and ensure greater accountability where waivers and breaches occur.
	Management comment	We will incorporate this into future reports to the Audit Committee.

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

Improvement recommendations

Pension Fund

7	**Recommendation**	We recommend that the Pension Fund review the National Scheme Advisory Board's good governance report and implement the key recommendations. Further to this we recommend that existing and newly elected members are fully trained prior to the agreement of financial forecasts and governance arrangements each year. Where appropriate the Pension Fund should consider using external providers for specialist areas, e.g actuarial valuations. As part of any training, members should be remind of the importance of meeting attendance. A skills and knowledge audit would identify specific areas where training is needed.
	Why/impact	The Pension Fund is a very specialised area and training is crucial to facilitate robust challenge. Without adequate training members will not be able to provide adequate challenge and hold officers to account.
	Management comment	Officers are committed to working with Pensions Committee and Board members to improve the assessment of training needs and provision of training. It is our expectation that the Government will either provided statutory backing to the Scheme Advisory Board's (SAB) good governance recommendations or produce their own set of requirements in due course. Whilst we are mindful of the SAB's report/recommendations, and will seek to improve our practice in a way that is consistent with the tone of the report. We are expecting an update from the Government during 2022 regarding their regulatory priorities for the LGPS.

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

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 30 November 2021.

Other opinion/key findings

We issued unmodified opinions in respect of other information.

We did not report any matters by exception.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report (ISA260) which was published and reported to the Council's Audit Committee on 30 November 2021.

Whole of Government Accounts

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

We are not able to complete the work required to issue the WGA Component Assurance until guidance is available from HM Treasury. We therefore continue to be unable to certify the completion of the audit for 2020-21.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support them.

Findings arising from the accounts:

- A recommendation was made for the Council to review access rights and segregation of duties as part of out IT review,
- An improvement recommendation was also made for the Council to review the large number of journal postings to see if these could be reduced. This would help reduce the risk around management override of control.,
- We reported several unadjusted misstatements in relation to our work on Property, Plant and Equipment. These were similar to issues reported in the prior year and related to providing adequate supporting information for key assumptions and indices used as part of the valuations, and
- We identified some improvements that were required to disclosures within the financial statements.

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

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

Appendices

Appendix A - Responsibilities of the Council

Role of the Director of Finance and Governance:

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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

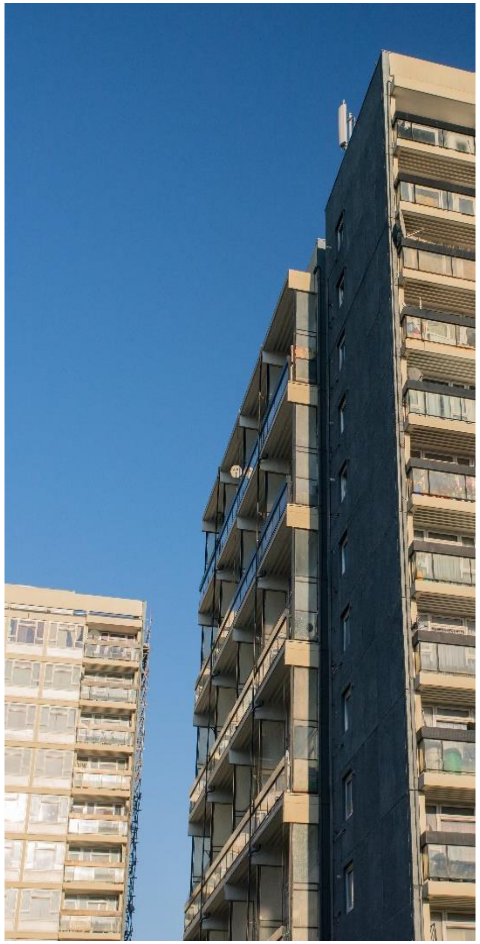
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Director of Finance and Governance 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 Director of Finance and Governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and Governance 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 Director of Finance and Governance 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 and outcome
Financial sustainability was identified as a potential significant weakness, in our Audit Plan.	In response to this risk and as part of our Financial Sustainability work, we have reviewed progress towards closing the budget gap. Further to this we have: • discussed financial sustainability with senior management within the Council; • reviewed the key assumptions that underpin the 2021/22 medium term financial plan; • reviewed in year financial reporting and the outturn position; and • reviewed the general arrangements underpinning financial management.	Like all public sector bodies, the Council continues to face financial challenge and uncertainty over the medium term, albeit they are well placed to respond to the uncertainty that the delay of the fair funding deal presents. Despite this challenge, we have not identified any risks of significant weaknesses in arrangements as part of our work on financial sustainability. The Council have delivered an in-year surplus and have built up their useable reserves. The Council have clearly identified the budget gap over the medium term and have made progress in addressing this.
Local Government Reorganisation (LGR) was identified as a potential significant weakness, in our Audit Plan.	In response to this risk we have: • Discussed progress with senior officers, and • Reviewed the reporting arrangements in place.	Our work has identified that the Council have made significant progress towards implementing arrangements for LGR. Based on our review, we have not noted any risks of material weakness in arrangements. However, due to the significance of this reorganisation and the potential impact on both financial sustainability and service delivery and performance, this will remain an area of focus as arrangements evolve. We have made the following recommendation: We recommend that the savings generated from re-organisation are clearly monitored and reported alongside the costs. This is to ensure that both the costs and benefits are delivered in line with the business plan. Furthermore, we recommend that as part of the 2022/23 budget setting process that the joint medium term financial challenge be explored and fully understood.

Appendix B - Risks of significant weaknesses - our procedures and findings (continued)

Risk of significant weakness	Procedures undertaken	Findings and outcome
The implementation of SEND reforms was identified as a potential significant weakness, in our Audit Plan.	In response to this risk we have: • Reviewed the approved written statement of action, and • Reviewed progress to addressing each of the agreed priority areas.	Our work has identified that the Council has taken positive action to address the concerns raised by Ofsted. Following the inspection report a working group was established with the CCG. A written statement of action was produced which set out the nine priority areas of focus. This written statement was approved by Ofsted in November 2020. Our work has highlighted that positive action has been taken in each of the priority areas and this is openly and transparently set out on the Council's website. Progress is also monitored externally by DfE and the NHS on a quarterly basis. Based on our review we have not identified any risks of significant weakness in arrangements.

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. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	Not applicable
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	Not applicable
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 20-27

Appendix D - Use of formal auditor's powers

We bring the following matters to your attention:

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 recommendation.
Public interest report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue any public interest reports.
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 issue any applications 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 any advisory notices.
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 issue any judicial reviews.

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