

Auditor's Annual Report on Sevenoaks District Council

2021/22

April 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	Conclusion
Financial sustainability	Improvement recommendation identified because of the Council's reliance on reserves and the need to rebuild them.	No significant weaknesses in arrangements identified, but improvement recommendation made.
Governance	Improvement recommendation raised due to the non-inclusion of non-financial information when reporting financial data.	No significant weaknesses in arrangements identified and no improvement recommendations made.
Improving economy, efficiency and effectiveness	Improvement recommendation raised due to the need to develop procurement KPIs. We also note the prior year recommendation relating to a procurement strategy has not been implemented.	No significant weaknesses in arrangements identified, but improvement recommendation made.



Financial sustainability

We have not identified any indications of significant weaknesses in arrangements relating to financial sustainability.

The Council continues to operate in a financially and operationally challenging environment. Financial planning both in the short and medium term is on a sound footing with prudent assumptions being built into both. The challenges will continue so the need for the structured and disciplined approach to managing finances and reserves which the Council has demonstrated will continue to be crucial. Going forward the Council will need to focus its Medium Term Financial Strategy on delivering a sustainable financial position while reducing reliance on reserves.



Governance

We reviewed the arrangements relating to Governance and have not identified any indications of significant weaknesses in arrangements.



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.

We reviewed the arrangements relating to the 3e's and have not identified any indications of significant weaknesses in arrangements. We have raised an improvement recommendation regarding the creation of procurement KPIs and re-raised a prior year recommendation regarding the lack of a procurement strategy.

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

Due to delays in finalising the 2020/21 financial statements audit the audit of the 2021/22 audit has not yet commenced.

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

Not required.

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.

Not required.

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.

Not applied.

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.

Not issued.

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.

Not applied.

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 6 to 15. 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.

Financial performance overview

The Council has a history of strong financial performance however like others in the sector, 2021/22 and the first three quarters of 2022/23 have been a challenging period for the Council in terms of its medium term financial planning.

Financial performance in 2021/22

During 2021/22 the Council continued to experience the financial impact of Covid-19, most significantly a loss of income due to suspended or significantly reduced services.

The Council delivered a small overspend of £45k on service budgets in 2021/22. During the year they received a general COVID-19 Grant of £533k and the final instalment of the Fees & Charges Compensation £380k which was used to offset the financial impact of COVID-19.

Financial Performance 2022/23 to date

In 2022/23 a number of new financial pressures have arisen, as a result of a sharp downturn in economic conditions in both in the UK and globally, that significantly increased the magnitude of inflationary pressures beyond what had been projected when the budget was set.

As at end January 2023 the Council is reporting an overall projected outturn position for the General Fund of a small overspend of £188k on a net budget of £17.852m. This included the outcome of the national pay award which added £692k of unbudgeted cost.

The economic and inflationary pressures exceeded what could reasonably have been projected when the budget was set in February 2022, so the fact that the Council expects to be able to deliver a small overspend and then set a balanced budget for 2023/34 is indicative of robust financial management arrangements.

Going forward, Council will need to continue to adapt and strengthen its financial planning processes to address the heightened level of financial challenge expected to persist over the medium term.

Managing financial risks

The Council manages risk through its Strategic Risk Strategy and the Audit Committee provides oversight of the process. The Strategic Risk Register (SRR) is reported to SMT on a quarterly basis and to the Audit Committee twice a year.

Financial planning and managing pressures

Assumptions underpinning revenue budgets for 2022/23 and over the medium term, which were agreed only in February 2022, have had to be revised following the significant economic challenges and cost increases affecting the global economy. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and of the general impact of inflation on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices. Some of the most significant levels of inflation are being experienced in the construction and this impacts on Capital programmes.

The Council's senior finance team are aware of these pressures and have reacted to manage them. The Council has positioned itself to manage the pressures moving forward by controlling in year expenditure in 2022-23 and identifying approaches to dealing with future funding challenges.

Overall, inflation and other factors have led to significant increases in the Council's projected MTFP funding gaps (£1.258m funding gap in the 10-year period from 2023/24). The Council has recently submitted its 2023/24 budget proposal and revised its MTFS in the light of the Local government funding settlement in December 2022. The Council is proposing a balanced budget with a contribution of £215k from the Budget stabilisation reserve.

Financial sustainability

Capital investment

We discussed the capital programme with officers. The main components of the programme are regeneration and housing development opportunities with the Council operating a rapid assessment process which reviews the asset base and identifies development opportunities and sites for disposal. The programme is over 10 years so once the Council identifies potential sites it applies a set of prioritisation criteria to the opportunities. Governance of the projects is exercised via a capital Programme Board which comprises the senior management team (SMT) plus Project Managers. All reports come via this Board and an Advisory Board (more strategic and political) is led by Council leader and includes the CEO.

Given the prevailing economic conditions currently the Council is not looking to actively acquire land/properties. This is due to Government restrictions in October 2021 which stated that property could not be bought for "yield" unless they were for regeneration purposes. Accordingly the Council's property Investment strategy is on hold since late 2021.

Savings plans

The Council has not needed to adopt the extremely challenging savings plans that others in the sector have been required to implement in recent years to balance budgets. Any savings required have been managed via service Heads who have played their part in ensuring that any funding shortfalls can be mitigated by financial savings identified ahead of the budget year in question. Going forward, the Council is likely to see continued pressure on costs whilst new income streams are relatively limited. The Council has a well established process of working with services and developing Service Change Impact Assessments (SCIAs) and consequently has been able to mitigate the impact of these pressures with small contributions from the Stabilisation Reserves predicted from 2023/24 to end 2026/27. The cumulative contribution from this reserve is £842k in that period though it is larger the further into the future projections are made. Inevitably these much longer term projections come with a larger degree of uncertainty so need to be assessed accordingly. The table to the right illustrates the Council's longer term financial position.

Ten Year Budget - Revenue

Appendix B

	Budget 2022/23	Plan 2023/24	Plan 2024/25	Plan 2025/26	Plan 2026/27	Plan 2027/28	Plan 2028/29	Plan 2029/30	Plan 2030/31	Plan 2031/32	Plan 2032/33
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure											
Net Service Expenditure c/f	16,783	17,297	18,535	17,878	18,070	18,302	18,922	19,502	20,084	20,750	21,242
Inflation	510	1,188	557	545	554	562	573	582	593	603	613
Superannuation Fund deficit	0	(270)	0	0	50	0	0	0	0	0	0
Net growth/(savings) (approved in previous yrs)	4	(250)	(686)	(240)	(266)	63	16	0	75	(111)	90
New growth	0	890	(431)	(13)	(6)	95	91	100	98	100	100
New savings/income	0	(320)	(98)	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Net Service Expenditure b/f	17,297	18,535	17,878	18,070	18,302	18,922	19,502	20,084	20,750	21,242	21,945
Financing Sources											
Govt Support: Revenue Support Grant	0	(186)	0	0	0	0	0	0	0	0	0
: Funding Guarantee	0	(912)	0	0	0	0	0	0	0	0	0
: Lower Tier Services Grant	(103)	0	0	0	0	0	0	0	0	0	0
: Services Grant	(159)	(90)	0	0	0	0	0	0	0	0	0
New Homes Bonus	0	0	0	0	0	0	0	0	0	0	0
Council Tax	(11,841)	(12,231)	(12,848)	(13,285)	(13,735)	(14,197)	(14,672)	(15,161)	(15,663)	(16,180)	(16,711)
Business Rates Retention	(2,226)	(2,868)	(2,670)	(2,723)	(2,409)	(2,457)	(2,506)	(2,556)	(2,607)	(2,659)	(2,712)
Collection Fund Deficit/(Surplus)	(27)	4	0	0	0	0	0	0	0	0	0
Interest Receipts	(188)	(288)	(288)	(288)	(288)	(188)	(188)	(188)	(188)	(188)	(188)
Property Investment Strategy Income	(1,518)	(1,618)	(1,618)	(1,618)	(1,715)	(1,715)	(1,715)	(1,756)	(1,756)	(1,756)	(1,756)
Contributions to/(from) Reserves	(189)	(131)	(568)	215	215	215	215	215	215	215	187
Total Financing	(16,251)	(18,320)	(17,992)	(17,699)	(17,932)	(18,342)	(18,866)	(19,446)	(19,999)	(20,568)	(21,180)
Budget Gap (surplus)/deficit	1,046	215	(114)	371	370	580	636	638	751	674	765
Contribution to/(from) Stabilisation Reserve	(1,046)	(215)	114	(371)	(370)	(580)	(636)	(638)	(751)	(674)	(765)
Unfunded Budget Gap (surplus)/deficit	0	0	0	0	0	0	0	0	0	0	0

Financial sustainability

Managing financial resilience and reserves

CIPFA has commented that Councils should be particularly wary about using reserves to deal with shortfalls in current funding. Where such action is to be taken, this should be made explicit, and an explanation given as to how such expenditure will be funded in the medium to long term. Advice should be given on the adequacy of reserves over the lifetime of the medium-term financial plan and should also take account of the expected need for reserves in the longer term. 2022/23 has been a particularly difficult year in which to plan Council finances. Underspends from 2021/22 were carried forward into reserves and its relatively strong opening reserves position have been used to smooth the overspends that have arisen during 2022/23. Going into the 2022/23 financial year, the Council carried comparatively high levels of reserves for its size and this provided the main contingency against slippage on future savings plans. The Council's most recent forecast reserves position is shown in the table below.

Despite the challenges, the Council's forecast reserves position remains positive, however we note that by 2026/27 when a cumulative General Fund deficit of £851k is forecast. The Council's reserve levels are still comfortably in excess of CIPFA's recommended guidelines (% of net

revenue spend) and the Council has significant levels of investments and low borrowing but a continued use of reserves to deliver revenue budgets is not sustainable. The use of reserves over the medium term has been discussed in detail as part of the budget setting and monitoring processes so there is visibility on the financial decisions taken by the Council. Going forward, the Council will need to start developing a clear plan for how it intends to stop relying on the use of reserves either through developing more significant saving plans or cost controls given the opportunities to increase revenue streams is limited.

Conclusion on financial sustainability

The Council continues to operate in a financially and operationally challenging environment. Financial planning both in the short and medium term is on a sound footing with prudent assumptions being built into both. The signals are that the challenges will continue so the need for a structured and disciplined approach to managing finances and reserves which the Council has demonstrated will continue to be crucial. The Council is in a stronger position than many in the sector due to relatively large reserves and low levels of debt but a continued balancing of annual budgets through use of reserves is not sustainable in the long term.

Position as at the end of January 2023 (Period 202310)	22/23 Opening Balance	Position as at the end of January 2023 (Period 202310)2	22/23 Cumulative Movement to Date
E Earmarked Reserve - Budget Stabilisation	(7,932)	(7,553)	379
E Earmarked Reserve - NNDR Safety Net Deficit Reserve	(4,280)	(4,280)	-
E Earmarked Reserve - Financial Plan	(3,356)	(3,356)	-
E Earmarked Reserve - Carry Forward Items (DAC)	(1,356)	(1,246)	109
E Earmarked Reserve - Vehicle Renewal (DAA)	(919)	(919)	-
E Earmarked Reserve - Housing & Commercial Growth Fund	(566)	(566)	-
E Earmarked Reserve - Capital Expenditure Reserve	(500)	(500)	-
E Earmarked Reserve - IT Asset Maintenance	(440)	(440)	-
E Earmarked Reserve - New Homes Bonus Reserve	(406)	(406)	-
E Earmarked Reserve - Homelessness Prevention	(536)	(401)	135
E Earmarked Reserve - Pension Fund Valuation Adj.	(359)	(359)	-
E Earmarked Reserve - Capital Financing	(328)	(344)	(16)
E Earmarked Reserve - Property Investment Strategy Maintenance Reserve	(310)	(210)	100
E Earmarked Reserve - Action and Development	(296)	(296)	-
E Earmarked Reserve - Vehicle Insurance (DAZ)	(266)	(266)	-
E Earmarked Reserve - Local Plan/LDF	(285)	(222)	64
E Earmarked Reserve - District Elections (DAZ)	(134)	(176)	(42)
E Earmarked Reserve - Community Development Reserve	(166)	(156)	10
E Earmarked Reserve - Community Infrastructure Levy Administration (CIL)	(152)	(152)	-
E Earmarked Reserve - RHB repayable Assistance	(109)	(125)	(16)
E Earmarked Reserve - DWP Hsg Benefit Subsidy	(123)	(123)	-
E Earmarked Reserve - NETZERO	(108)	(108)	-
E Earmarked Reserve - Corporate Project Support Reserve	(100)	(100)	-
	(23,028)	(22,405)	723
Other Earmarked Reserves (balances <£100k)	(439)	(439)	71
Total Earmarked Reserves	(23,467)	(22,844)	794
General Fund	(1,700)	(1,700)	-
Total Reserves	(25,167)	(24,544)	794

Improvement recommendations



Financial sustainability – Recommendation One

Auditor judgement

The Council has developed a 10 year rolling budget which shows the need to utilise £4.8m of reserves from 2025/26 to 2032/33. There is a lot of uncertainty on sector funding and financing and there is greater estimation required for later years in the 10 year budget. At present, savings from 2025/26 onwards of £0.1m per annum are planned but these are not identified. Continued use of reserves to deliver a balanced annual budget is not sustainable.

Summary Recommendation

The Council should begin to identify future saving schemes that are built into the 10 year budget - £0.1m from 2025/26 onwards. The Council should also consider whether a more challenging savings plan is required instead to reduce the reliance on drawing down reserves over the next 10 years.

Management response

This is considered each year as part of the thorough budget setting process. The full 10-year period is taken into account as well as the long term reserves position. The 2023/24 budget reports made members aware that the 2024/25 budget process is expected to be more challenging.



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.

Overview

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

Risk management

The Council has a risk management strategy in place which was last updated in September 2021. The risk management framework requires the Strategic Risk Register to be updated quarterly and reported to SMT quarterly and to the Audit Committee biannually.

The Strategic Risk Register summarises the key risks and scores them based on an assessment of each individual risk profile by analysing the impact and likelihood to gain an overall view of the significance of the risk's threat to the achievement of the objectives. These are later multiplied to give an overall score which is used to help inform the response to the risk. Furthermore, the Council has a 5 x 5 risk matrix to understand the risks' likelihood and impact on the objectives of the Council.

Each risk is individually scored and after detailing the internal controls and mitigations revaluated with a net score. The number of risks on the Strategic Risk Register varies as risks are removed and new risks are identified. During the year the number of risks ranged from 13 to 15. The Strategic Risk Register also includes a target risk score and a table scoring previous scores so trajectory can be easily tracked and future actions to tackle the risk.

We understand Members receive regular risk training and risk training has been made available to staff in the past. The Council has strengthened its risk management framework further by developing a full training programme for staff with Internal Audit.

Internal audit

Internal Audit services are provided in partnership with Dartford Borough Council. Despite the limited capacity due to resources issues during the year, the Internal Audit Team finalised the Internal Audit Annual Report and Opinion 2021/22 in July 2022. Furthermore, Internal Audit provides an annual audit plan which is agreed by members before and quarterly follow-up reports highlighting key issues and findings that are reviewed by the Leadership Team and reported to the Audit Committee.

The 2021/22 Internal Audit Annual report concludes that the Council has "Reasonable" assurance over systems of risk management, governance and control. This conclusion showcases that the Council has robust internal controls and governance systems, but highlights that there have been identified several areas that require improvements which, if not addressed, may put the achievement of some objectives at risk.

The Internal Audit Annual Report 2021/22 concluded that three areas had limited assurance. These areas were legal case management, the interaction of the council with vulnerable children and adults and ensuring safeguarding principles were adhered to and finally corporate credit cards. It is clear from Audit Committee papers that actions have been taken and the identified issues have been addressed. These matters are no longer considered as risk areas in the latest follow-up reports by the Internal Audit function.

Counter fraud services are also provided in partnership with Dartford Borough Council. An annual report on counter fraud activity was presented to Audit Committee in July 2022. The Counter Fraud and Compliance Team coordinated the Council's

Governance

participation in all of the government led counter fraud initiatives and undertook pro-active exercises designed to protect valuable Council Tax and Business Rate revenue collection. They also support the distribution of Covid Business Support Grants by creating payment assurance plans and devising checking protocols to ensure that funding only went to bona fide claimants.

Budget setting process

The Council starts the annual budget setting process in September with the delivery of a Financial Prospects report to Finance & Investment Advisory Committee (FIAC) and Cabinet. This report sets a high-level budget that agrees the approach and highlights the potential budget gap to fill. In October/November, managers are involved, and the Finance team requests them a specific report detailing their growth bids and/or saving proposals. These are supported by the Service Change Impact Assessments (SCIAs). Each service has a members' advisory committee and the service budget proposals relevant to that committee are presented with the proposed budget and SCIA. This documentation includes financial pressures, services and changes proposed, a high-level budget and SCIAs. Members are asked their views and alternative proposals and scenarios are considered.

The final budget is agreed in January and signed off in the February committee by the Cabinet. Based on the information above and the review of relevant documentation, we are comfortable that the Council considers trends and analysis and extrapolation when stating their annual and their 10-year budget and that different proposals and alternatives are considered. Whilst future funding is unclear, the 10-year budget is produced based on assumptions about future income streams. Given the length of the plan the accuracy of assumptions is likely to be less certain in the later years of the plan but as the plan is updated at least annually this risk can be mitigated.

Investments and borrowings are included within the financial plan and detailed in the treasury management strategy.

Budgetary control

Budgets are monitored on a monthly cycle with finance staff meeting with budget managers to discuss variances. A monthly report is sent to Cabinet Members with quarterly reports going to FIAC and Cabinet. Savings are built into the budget, so they are monitored as part of the budget, they are not identified as a separate target. This report covers the high-level budget position but also variances over £10k which are investigated.

Furthermore, the monthly corporate revenue monitoring process means the Strategic Management Team discuss any ongoing variances and reflect on mitigation ideas or alternative plans for financial management and the outcome is reported to Cabinet on a quarterly basis. Review of Cabinet papers indicates variances are adequately identified and explained.

Decision-making process

The Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made. As stated within the code of corporate governance within the Council's Constitution, all major policy decisions are taken to Cabinet. All reports are reviewed by the Legal and Finance functions to ensure that all relevant information is provided before these being presented to the Committee. It is evident from our review of papers that sufficient information is provided to members and they challenge and hold senior management to account appropriately.

The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

From the review of Audit Committee and Cabinet papers, and the interviews performed to the Senior Leadership Team, there is a clear evidence of an appropriate 'tone from the top' regarding the decision making process and respecting the principles of transparency, openness and ownership marked on the Constitution.

We have not found any indications of reactive or unlawful decision making that could have a negative impact, either financially, or reputationally – during the review and assessment of documentation.

Policies and procedures

Various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. Our work has not identified any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any serious data breaches at the Council.

Governance

Officer and Member conduct is set in codes of conduct. The code of conduct sets out the standards of behaviour applicable to all officers, which are required to abide the following principles - selflessness, integrity, objectivity, accountability, openness, honesty and leadership. These are consistent with the public sector Nolan principles.

The body has a monitoring officer with defined roles and responsibilities. The Council's disclosure of interests' process is operated each year to identify instances where senior officers/members may have a relation with a business entity that the council transacts with. Members interests are published on the Council website. There is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and are sent to all Members and Senior officers for their completion. The declaration of gifts and hospitality is covered within the code of conduct. Officers are advised on the rules related to gifts and hospitality and registering of interests and the register of gifts and hospitality for officers is held by the Human Resources team. We found no evidence of adverse outcomes of interests, gifts or hospitality not being declared.

Conclusion

We found no evidence or indication of significant risks to your governance arrangements.

We have suggested an improvement recommendation regarding the inclusion of non-financial information and performance data in financial reports to provide a more holistic view of the Council's situation and performance to Cabinet members.

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.

Performance information

The Council has an extensive corporate and services plan. The Scrutiny Committee requests officers to provide key performance indicators that measure and monitor the progress against the objectives listed in the corporate plan. The report includes 51 KPIs which are reported on a monthly basis to senior management team and heads of service.

After the initial report to the senior management team a performance report is compiled and presented on a quarterly basis to the Scrutiny Committee. This report contains an appendix with details of the performance of each KPI and they are individually rated with a RAG system in a monthly and year to date basis. When a KPI is performing a 10% or more below target (Red) it is included in an exceptions report in which the Scrutiny Committee will demand a rationale on the underperformance on the area and actions planned to improve and meet the target. During the year - 13 indicators were included in this category.

Performance data is recorded on the Pentana system. and there is a data checking process established in which each department independently verifies a percentage of the data entered in the system.

Benchmarking is used to assess performance on occasions and has been particularly useful in housing. Service reviews are undertaken on an ad-hoc basis.

The Council has a Data Quality Statement which was reviewed in September 2021. The statement sets out the context of why data quality is important and what the Council expects of data quality in relation to its performance indicators and data related to partnerships.

Performance monitoring

The Corporate plan, which covers the period to 2023, is used by officers to deliver services and to inform their recommendations to advisory committees. The Council liaises regularly with other Kent Districts and has a good knowledge of what others are doing and where good practice is in place. The Council is aware of the various sources of benchmarking data like the LGA Research Report. The Council utilises benchmarking service through inform against the nationally standardised indicators. There is also inputs of local data and local data collection, and benchmark against comparable Councils.. The Council therefore remains open to using data from the wider sector and does so in business cases where the information is available and meaningful.

Partnerships

The Council maintains most services in-house. Partnerships and shared services have been seen as a cost effective and efficient way to provide services by the Council for a number of years. Partnerships have been entered into with neighbouring councils in Kent to provide key services such as revenues, licensing and internal audit.

The Council is flexible in its approach, working in partnership when it is efficient and economical to do so, and reverting to direct provision, should circumstances call for that. During the year, some of these services have been taken back in house as the Leadership team was not happy with service performance. The services are Environmental Health or Licensing and this demonstrates that the council has a robust challenge mechanism which regularly reviews service performance and ensures that, if any issues have arisen under review, they have been effectively resolved.

Leisure Facilities are run by Sencio Community Leisure. The Council is transparent about its dealing with significant partners except where commercial sensitivity precludes this.

Improving economy, efficiency and effectiveness

Procurement

The Council currently does not have a procurement strategy. We were informed of the existence of a Procurement Strategy dated 2016 which is no longer in use. The Council currently has a decentralised approach towards procurement, which consists of managers controlling and leading their own procurement processes and being supported by the finance and legal team. This is monitored by the newly created Procurement Assurance Group which reports to the Head of Legal and Democratic Services.

The Head of Legal and Democratic Services confirmed that there is an intention of developing a procurement strategy. Nevertheless, there have been difficulties when designing an effective strategy with the current operational model.

The Procurement team supports services across the organisation delivering front line and back-office services. The Council works under the National Procurement Strategy for Local Government in England 2018. The National Procurement Strategy also provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy.

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

We found no evidence that appropriate procurement processes were not followed during 2021/22. However, based on the work we have performed, we recommend that the Council designs and implements a procurement strategy, and aims to reduce the high number of waivers within the procurement process. During the year 2021/22, we note that the Council had a ratio of close to one waiver every three procurement proposals. In the year 2022/23, the ratio decrease to one every four and the Council is actively taking steps to reduce this further. Although we do not believe this could pose a risk of significant weakness, there is a moderate risk due to the high number of waivers and the lack of a defined procurement strategy. Despite the mitigating actions such as the creation of the Procurement Assurance Group and the formal future procurement plans to reduce the number of waivers, we believe that the Council should have a formal procurement strategy to optimise the procurement process and structures within the Council.

The Council has no significant commercial ventures (outside of its investment portfolio).

Conclusion

We found no evidence or indication of significant risks to your 3Es arrangements. However, we have suggested two improvement recommendations regarding the creation of a procurement strategy and the objective of creating KPIs to monitor the progress of the strategy and with the aim of reducing the high number of waivers.

Improvement recommendations



Improving economy, efficiency and effectiveness - Recommendation Three

Auditor judgement

There are currently no KPIs in place to monitor the progress and effectiveness of the Council's procurement strategy. The creation of KPIs would help with the main objectives of the strategy such as the reduction of waivers. During the year 2021/22, the Council roughly had a ratio of one waiver every three procurement proposals. In the year 2022/23, the ratio decrease to one every four and the Council is actively taking steps to reduce this further. The KPIs would provide a formal evaluation framework to assess the progress in potential risk areas.

Summary Recommendation

The Council should design a set of KPIs to monitor the progress and effectiveness of the procurement strategy. As part of the KPIs, one of the main priorities should be a focus on the control and reduction of the high number of waivers.

Management response

Following completion of an Internal Audit, the Procurement Assurance Group will consider the necessary KPIs to monitor the implementation, progress and effectiveness of the procurement strategy. The group has communicated to procuring managers the need to control and reduce the high number of waivers.



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

Follow-up of previous recommendations

1	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The next time the Council is updating its Strategic Corporate Risk Register format it should also consider including future actions for each risk to support the management/mitigation. All actions identified should be SMART (specific, measurable, achievable, realistic, and timely).	Improvement	July 2022	The Council has effectively introduced SMART actions as part of the Strategic Risk Register and future actions for each risk to support mitigation.	Yes	No
2	<p>We recommend the Procurement Strategy is updated to reflect current processes and aligns to existing legal requirements. It should also include the following:</p> <ul style="list-style-type: none"> • SMART (specific, measurable, achievable, realistic, and timely) objectives that are clearly set out in the Strategy to allow the Council to assess whether the Strategy is delivering as intended. • A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported through the governance structure would allow the Council to assess how successful the Strategy is in delivering its objectives. 	Improvement	July 2022	The Council has not yet implemented a new Procurement Strategy as it has been explained in the previous section on the report.	No	Yes

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.

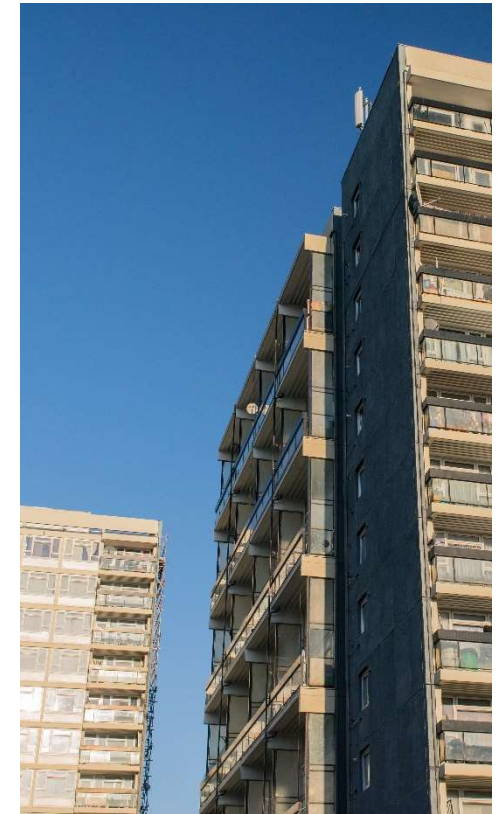
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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. We identified no such risks.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
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	
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	9 and 15.

Appendix D – Sources of evidence



Staff involved

- Adrian Rowbotham, Deputy Chief Executive Officer, Director of Finance & Trading/S151 officer
- Jennifer Warrillow – Audit Manager - Dartford & Sevenoaks Audit Partnership
- Detlev Munster – Strategic Head Commercial & Property
- Martin Goodman – Head of Legal and Democratic Services/Monitoring Officer/Data Protection Officer
- Lee Banks – Assistant Chief Executive



Documents Reviewed

1. 2021_Statement_of_Accounts_Draft
2. Draft_Annual_Governance_Statement_2020_21
3. Financial Prospects 23-24
4. Financial Results Report 202122 Draft Outturn
5. Budget 22-23
6. Budget 23-24
7. Internal Audit Progress Report 2022-23
8. Strategic Risk Register 22-09-2022



Documents Reviewed

9. Internal Audit Annual Report and Annual Opinion 202122
10. Counter Fraud and Compliance Report 202122
11. Annual Governance Statement 202122
12. Audit Committee Terms of Reference
13. Review of the Effectiveness of the Audit Committee 202122
14. Final Report of the Sevenoaks District Council Covid-19 response In-Depth Scrutiny Working Group
15. Final_External_Budget_Book_2021_22
16. Sevenoaks_DC_LGA Peer Challenge - Final Report
17. Sevenoaks_LGA_Peer_Challenge_Action_Plan
18. Sevenoaks DC_LGA_Peer_Review_December_2021
19. Sevenoaks_Treasury Management Strategy 2023-24
20. Sevenoaks_Property Investment Strategy Update 23_24
21. Sevenoaks_DC_Budget Council Tax Setting 202324
22. Public reports pack 09022023 1900 Cabinet
23. Capital Programme Asset Maintenance_2022-23
24. Sevenoaks_DC_Appendix C - Capital Strategy 2022-23
25. Sevenoaks Corporate Projects Master Programme
26. Sevenoaks_DC_Property Investment Strategy Update



Documents Reviewed

27. Sevenoaks_Risks and Assumptions for Budget 202223
28. Project Management Approach and Overview
29. Sevenoaks_White Oak Residential - Report March 2022
30. Sevenoaks_Vfm_Meetings_Tracker_
31. Cabinet Meetings - Review & Summary
32. Sevenoaks - CFOi Analysis_V2
33. Sevenoaks_Council_Financial Monitoring 202223 - end of January 2023
34. Performance Monitoring Report
35. Sevenoaks_Council_10_year_Reserves_Forecast_Jan_2023
36. Code_of_conduct
37. Pensions query_audit team confirmation
38. KCC_Statement-of-final-accounts-2021-to-2022

