

Auditor's Annual Report and Wealden District Council

2020/21 and 2021/22

August 2023



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



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key 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. 2020-21 was the first year of reporting under the updated reporting requirements. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. Based on the timing of our audit procedures we have produced a combined commentary on the Council's arrangements for 2020-21 and 2021-22. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

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

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

Executive summary



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 a 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. We assessed the arrangements concerning financial sustainability and did not identify any significant weaknesses.



Governance

We assessed the arrangements concerning Governance and did not identify any significant weaknesses.

We have made one improvement recommendations to enhance current arrangements in respect of risk management reporting and consideration of CIPFA's guidance for Audit Committees.



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 assessed the arrangements concerning the 3e's and did not identify and significant weaknesses. We have made one improvement recommendation regarding benchmarking cost performance indicators with other similar authorities.

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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

We completed the audit of your 2020-21 financial statements and issued an unqualified audit opinion on 11 April 2022. The audit of the 2021-22 financial statements is substantially complete. We anticipate issuing a n unqualified audit opinion. Our findings are set out in further detail on page 15.

Statutory recommendations

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

We did not issue any statutory recommendations related to financial years 2020-21 and 2021-22

Public Interest Report

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

We did not issue a public interest report related to financial years 2020-21 and 2021-22.

Application to the Court

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

We did not make an application to the court in the financial years 2020-21 and 2021-22.

Advisory notice

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

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

We did not issue an advisory notice related to financial years 2020-21 and 2021-22.

Judicial review

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

We did not make an application for judicial review in 2020-21 and 2021-22.

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

All district council's 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.

District 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



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).



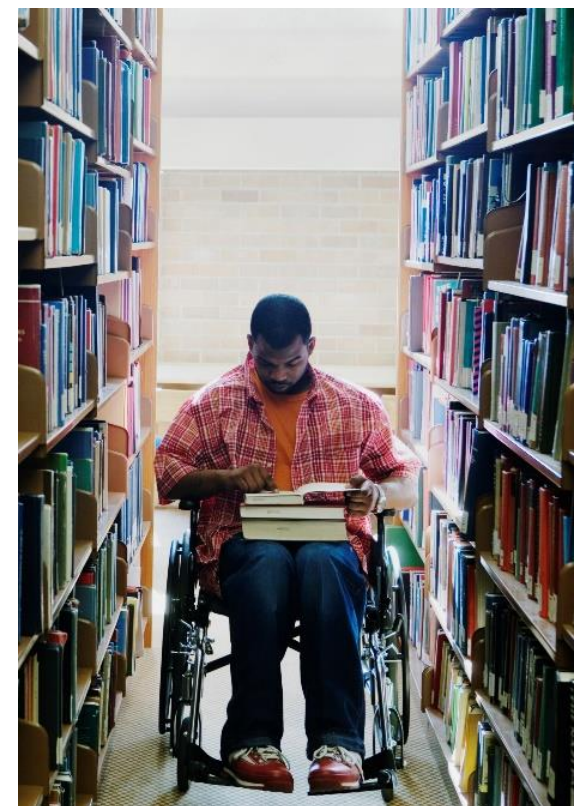
Governance

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 Wealden District Council's arrangements in each of these three areas, is set out on pages 7 to 18

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 good financial performance and has consistently demonstrated a track record of robust budget setting and delivery. The Council has demonstrated sound financial management through the delivery of well structured budgets for 2020-21 and 2021-22

Financial performance in 2020-21 and 2021-22

During 2020-21 and 2021-22 the Council continued to experience the financial impact of Covid, most significantly a loss of income due to suspended or significantly reduced services. The Council received significant amount of covid grants during 2020-21 and 2021-22 from central government which helped offset loss of income.

The Council delivered a surplus of £2.7million in 2020/21 which was after transferring £16.2million to earmarked reserves and £0.6million surplus in 2021-22 which was after transferring £3.3m to earmarked reserves. The council had an HRA Reserve deficit of £0.3 million in 2020-21 and a deficit of £0.4million in 2021-22.

The Council has maintained a strong year-end Balance Sheet with usable reserves increasing by £17 million in 2020-21 and by £7.784 million in 2021-22. The Council has sufficient funding in place to repay both long- and short-term liabilities as these fall due, which includes debt repayments and payments to creditors.

The Council deemed prudent that General Fund reserves are maintained at around £2 million - £3 million, and that Housing Revenue Account reserves are maintained at around £0.9 million - £1 million, over the period of the MTFS which is until 2026-27.

Having regard to these prudent levels, General Fund reserves were at a level at the end of 2020/21 whereby £3 million was transferred to an earmarked reserve to support the Council's capital projects. The general reserves at the end of each year for 2022-23 to 2026-27 are summarised in the Council's latest MTFS.

The Council historically has generated net positive income for general fund including the years 2020-21 and 2021-22 which has contributed to levels of general fund that has been sufficient to meet Council's obligation.

The Council has a robust budget setting system and a well-designed budget monitoring system which provides an overview of general fund revenue and capital programme as well as HRA revenues and capital programme. The Council produces a treasury management report which goes to the Cabinet for monitoring purpose. Overall, for the years 2020-21 and 2021-22 we assessed that the Council has established an effective system, identifies deviations from plan and clear reason and narratives were present in cabinet reports which ensure accountability and up to date monitoring as well as improved decision making.

Financial sustainability

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

The Council has strong processes underpinning financial management that allows it to identify financial pressures in a systemic and timely manner, and to build these into its short and medium term plans. The sudden changes in the macroeconomic environment driven by the Covid 19 pandemic in 2020-21 and 2021-22 as well as the inflationary pressures and resulting cost of living crisis created a series of challenges. In particular employment costs for direct employees and those of providers, premises costs (energy inflation), transport costs (fuel inflation) and price increase on the purchase of goods and services, including suppliers passing on additional costs or renegotiating contract prices.

In our discussions with the Council's S151 officer we noted that most of Wealden's contracts are on fixed terms and have not seen a major increase on 2020-21. and 2021-22. A review of the financial pressures facing the Council over the period of the MTFS has been undertaken. This information has been drawn from a Star Chamber budget challenge process involving the Council's corporate management team, heads of service and budget holders. This challenge process had regard to the experience of previous years, the current economic climate and local and national issues that are likely to influence the financial outcomes.

We reviewed the MTFS prepared during 2020-21 which covered periods 2021-22 to 2025-2026. The MTFS is uplifted to reflect the 2% pay increase. On the baseline budget automatic inflationary increases of budgets are not provided for all goods and services, instead individual inflation rates have been applied for specific items of expenditure (i.e. contracts). The MTFS includes use of reserves to meet the funding gaps. At the end of 2020-21 a transfer of £3m from the general reserve to earmarked reserves was made, largely to fund future capital projects. The projected earmarked position below shows a release of £6.6mn over the next 5 years starting 2021-22.

General Fund Earmarked Reserves Balance	2021-22	2022-23	2023-24	2024-25	2025-26
	Estimate	Estimate	Estimate	Estimate	Estimate
	£(000)	£(000)	£(000)	£(000)	£(000)
Opening Balance	18,335	14,842	12,600	12,142	11,907
Movement in Year	(3,493)	(2,242)	(458)	(235)	(152)
Closing Balance	14,842	12,600	12,142	11,907	11,755

During 2021-22 the Council prepared the updated MTFS which covered periods 2022-23 to 2026-2027. General Fund MTFS followed the same approach for uplift from baseline as mentioned in the above paragraph. General Fund MTFS for 2022-2025 included a savings/additional income target of £0.5 million from 2022-23, which has been fully met. Earmarked position was improved in 21-22 and reallocation transfers have been made to strengthen the earmarked reserved which improves the projected position for next 5 year period.

Earmarked Reserves Balance	2022-23	2023-24	2024-25	2025-26	2026-27
	Estimate	Estimate	Estimate	Estimate	Estimate
	£(000)	£(000)	£(000)	£(000)	£(000)
Opening Balance	27,598	27,732	19,468	18,654	17,360
Movement in Year	134	(8,264)	(814)	(1,294)	(1,117)
Closing Balance	27,732	19,468	18,654	17,360	16,243

The Council's position when compared to national levels of earmarked reserves in absolute terms were below average in 2020-21 but above average in 2021-22 however it should be noted that it is higher than the national average as a percentage of net revenue spend.

The table below shows at a national level across England earmarked reserves rose more steeply than unallocated reserves.

Reserves (£'000)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Earmarked	12,098	12,967	13,920	15,799	24,595	25,734
Unallocated	3,059	3,164	3,195	3,191	3,934	3,973
Total	15,157	16,131	17,115	18,990	28,529	29,707

In our discussions with the Council, it was clear that the senior finance team are aware of cost pressures and have reacted to manage them. The Council has effectively recognised and acted upon the recent economic and inflationary pressures and presented to Cabinet Financial Strategy (MTFS) 2022/23 – 2026/27 to provide a more accurate forecast of the Council's General Fund revenue budget over a five year period. This was done to illustrate the high level of uncertainty over the medium-term outlook due to the Government's short-term funding settlements, delays in local government funding reforms, the post pandemic period and the potential impacts of the current cost of living crisis. As a result, we consider that the Council has positioned itself to manage the pressures moving forward by controlling in year expenditure and income gaps in 2020-21 and 2021-22 and identifying approaches to dealing with future funding challenges.

Financial sustainability

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

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.

As noted previously, in 2020-21 the Council's relatively strong opening reserves position were used to smooth the overspends that have arisen during 2021-22.

It is anticipated that there will be further impact on the General Fund and therefore the Council has set aside earmarked reserves to finance climate change initiatives, which demonstrates the Council's commitment to reducing the impact of climate change. This reserve has been used to allocate funding for solar PV on the roof of the Wealden Crematorium, Electric Vehicle Charging in Council owned and managed car parks and to provide Electric Vehicle charging for new Council electric fleet vehicles.

This is to tackle the impact of severe weather causing major incidences (includes flood, wind, snow, drought and heat). Climate emergency fund balance as at 31.03.2022 was £1.098 million.

The Council's MTFS seeks to achieve the vision and strategic priorities within the Council's Corporate Plan and HRA Business Plan. The Council produced a mid term update to its corporate plan in 2021. Progress against the delivery of this Corporate Plan and its objectives are managed and reported on a regular basis. In-keeping with their commitment to transparency and accountability, quarterly reports were considered at Cabinet and Overview and Scrutiny committees. These reports included updates against the priority objectives and relevant performance indicators measuring the impact of council's activities. These reports and the meetings will be publicly available on council's website.

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

Capital and investment planning have all developed over the last two years. The Council had a capital and investment plan in 2020/21 and 2021/22. The 2020/21 and 2021/22 budget report included a summary of capital funding, and a capital strategy was included. There was no evidence of major material capital investment being postponed or cancelled without a sound rationale.

In 2020-21 the Council had a plan to build homes in Crowborough, this project could not get started and in 2021-22 had to be shelved. In 2021-22 the Council had to pay out £440,000 due to lost planning appeals for development of housing in Crowborough. The figures were set out in a financial monitoring forecast, which was considered by the Council's Cabinet in December 2022. The report also showed the Council had paid £235,000 in legal and consultant fees related to planning appeals and £145,000 in legal fees connected to enforcement cases.

During our discussions with officers, the S151 officer confirmed that there has been considerable progress with a new Local Plan with the first stage in Local Plan engagement process being to produce and consult upon the 'Direction of Travel' document. This consultation ended in January 2021. Since then, evidence base documents to support the new Local Plan have been commissioned. The Planning Policy Team are working on the second stage consultation document which will be published and consulted upon in 2023, moving through the process towards adoption in 2024.

Financial sustainability

Officers also confirmed that an updated timetable for the Local Plan's production will be published in 2023. During the progression of the new Local Plan, the Council has been working to address strategic cross boundary issues with relevant duty to cooperate with partners and working with the Planning Advisory Service to gain advice to aid effective joint working on these strategic matters. Overall, the approach to this new Local Plan is considerably different to that of the last Plan and, as the new Local Plan progresses towards its Examination in Public, specific expert support will be sought to ensure that the Plan and its approach is robust but proportionate. Ultimately the Examination process will be in the hands of the appointed Inspector, but officers consider that the Council will be in the best possible position to navigate through that process. This is not expected to have any impact on our future housing plans. Since this is a mitigated action, we have not raised any improvement recommendation around future planning.

We reviewed the Council's Treasury Management Strategy (TMS) for 2020-21 and 2021-22. The TMS uses cash flow forecasting and covers the security, liquidity and yield principles to managing the Council's cash flows in relation to core treasury function of borrowing and treasury investments. The Strategy has regard to the Statutory Guidance on Local Government Investments (MHCLG, 2018), and is reported separately from the Capital Strategy. We found the strategy to be adequate and reporting to be appropriate to ensure proper challenges from senior management team.

For 2020-21 and 2021-22 the Council had a people strategy in place. Wealden Council's People Strategy sets the strategic Human Resources agenda and is intended to positively impact all officers of the Council by supporting them to perform to the highest level, fulfil their potential and achieve their organisational objectives. There is a particular focus on leaders and managers, who have the key role in managing and developing people.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

As covered earlier the Council had resilient and effective medium term financial plan which includes analysis of current trends, projections, opportunities for revenue generation and to meet funding gaps. The Council has a robust system for budget monitoring and has delivered its targets for 2020-21 and 2021-22.

Conclusion

In 2020/21 and 2021/22, the Council continued to operate in a financially and operationally challenging environment. However, we consider the Council has demonstrated a strong financial planning for both the short and medium term. The managing of reserves and achievement of saving targets, alongside the monitoring of the financial strategy demonstrate a solid approach towards financial sustainability.

Governance



We considered how the Council:

- 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.

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

The Council had a corporate risk register in place for 2020/21 and 2021/22. Each risk in the Corporate Risk Register is managed by a member of CMT. They are responsible for keeping the risk under review and taking action to reduce the impact of the risk on the Council. The Corporate Management Team (CMT) has set a risk tolerance level. Risks above the tolerance levels are actively managed and regularly reviewed in order to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are formally managed by Directors, but day to day responsibility for these are often delegated.

While a summary of business risks and the risk tolerance is reported to the Audit Finance and Governance committee, it does not get reported to the Cabinet. The Corporate Risk Register represents the methods of escalation of risks through the organisation in accordance with the Risk Management Strategy. As the executive decision making forum, it is appropriate that periodically the Cabinet is informed of the key risks to the agreed corporate objectives. We have therefore raised an improvement recommendation on it (see recommendation 1).

An adequate and effective internal audit function was in place throughout 2020/21 and 2021/22 and there was no evidence of pervasive and significant weaknesses in internal controls in both years.

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

The Council has a standardised process for its budget setting. Each budget holder completes a template 'head of business services'. The template has a summary income and expenditure tab, with supporting tabs showing the detailed data (at account level) for each cost centre. It uses the last three years actuals and budgets to identify any trends in historically over/underspends and over/under achievement of income.

The budgets include supporting narrative (under the column heading.

Each service department will be responsible for its budget proposals – also identifying if additional resources are required. Departments justify their expenditure and are expected to do so in the context of general comparisons with other boroughs and also through an examination of statistical information from other neighbouring or other national councils. Performance data is also included in the review and appropriate benchmark data from existing performance reports or from new sources of data 'notes' are included to support any growth or savings.

3. How the body ensures processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships

Budgets are monitored on a quarterly cycle. The finance team effectively engages with budget holders to review financial performance and identify actions to resolve any variances. Separate budget monitoring report is produced for General Fund revenue, General fund capital, HRA revenue, HRA Capital, Collection fund and Treasury Management.

Each budget monitoring report has purpose, recommendations and reasons, along with detail of director, head of service and report authors. The report contains appropriate narrative on variances and financial, legal and human resource implications.

Governance

In our review we noted that the financial reports do not integrate non-financial performance information, as the latter are reported separately from financial data but at the same meeting. Appropriate links can therefore be made between financial and non financial data.

4. How the body 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 (the Audit Committee).

The Council's decision-making processes are open, transparent and robust and we found no evidence to indicate significant weaknesses in the underlying arrangements. As stated within the code of corporate governance within the Council's Constitution, all major policy decisions are taken to Cabinet.

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, Finance and Governance Committee and Cabinet papers, and interviews held with the Senior Leadership Team, there is 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.

The Audit, Finance and Governance Committee is a key regulatory committee and it is tasked with oversight of the Council's systems of internal control through considering risk management and the work and findings of internal and external audit.

CIPFA has recently updated its guidance on Audit Committees (published 2022). Supporting a recommendation by the Redmond Review, CIPFA recommends the Audit Committee includes two co-opted independent members for the following reasons:

- to supplement the knowledge and experience of elected members in specific areas such as financial reporting;
- to provide continuity outside the political cycle;
- to help achieve a non political focus on governance, risk and control matters.

The merits or not of this for Wealden has not been debated (Improvement recommendation 2).

The Council's website is an important forum in promoting accessibility and transparency. A lot of useful information is available and it is easy to navigate.

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

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 found evidence of any serious data breaches at the Council.

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.

Governance

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. We found no evidence of adverse outcomes of interests, gifts or hospitality not being declared.

We found no evidence or indication of significant weaknesses in the governance arrangements. We have made two improvement recommendations.

Improvement recommendations



Governance

Recommendation 1	The risk register should be reported periodically to Cabinet.
Audit year	2020-21 and 2021-22
Why/impact	While a summary of business risks and the risk tolerance is reported to the Audit Finance and Governance committee, it does not get reported to the Cabinet. The Corporate Risk Register represents the methods of escalation of risks through the organisation in accordance with the Risk Management Strategy, there is benefit in introducing a risk register reporting system to the cabinet as it enhances risk management and informed decision making as well as improve accountability, we have therefore raised an improvement recommendation on it.
Auditor judgement	Improvement recommendation
Management Comments	A new risk management policy and framework was presented to the July 2023 Audit, Finance & Governance (AF&G) committee, this new policy includes risk management reporting requirements for both AF&G and Cabinet meetings. The policy is going to Cabinet as part of the September 2023 meeting agenda



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

Improvement recommendations



Governance

Recommendation 2

The Council should consider CIPFA's recommendation that the Audit, Finance and Governance Committee includes two co-opted independent members.

Audit year

2021-22

Why/impact

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. The role of the Independent Person on Audit Committee is to provide appropriate skills and experience to supplement those of the elected members and improve the effectiveness of Audit Committee. The role does not have voting or decision-making powers as other elected members of Audit Committee have. Rather the role operates in an advisory capacity.

Auditor judgement

CIPFA has recently updated its guidance on Audit Committees (published 2022). Supporting a recommendation by the Redmond Review, CIPFA recommends the Audit Committee includes two co-opted independent members for the following reasons:

- to supplement the knowledge and experience of elected members in specific areas such as financial reporting;
- to provide continuity outside the political cycle;
- to help achieve a non political focus on governance, risk and control matters.

This has not been considered by the Council.

Management Comments

A report on the recommendations of the Redmond Review went to the July 2021 AF&G committee. Due to the change in administration and the number of new members we will look to report on this again in order to gain the view of the Alliance.

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

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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

Cabinet receives quarterly performance reports. Quarterly performance report are publicly available and include details on progress made against the Council's corporate plan. Furthermore, the Council also has a reporting process to Cabinet to ensure that Members are informed of performance. We confirmed that for 2020-21 and 2021-22 Cabinet reviewed the Council's Corporate Plan 2019-23 in every quarterly meeting.

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

The Cabinet also receives a quarterly report on key performance indicators (KPIs). The report lists key performance indicators for the quarter grouped under the Council's main service areas. We reviewed the minutes of each cabinet meeting for 2020-21 and 2021-22 and confirmed that the KPI report was produced and scrutinised in each cabinet meeting held every quarter. We believe that Wealden has strong arrangements to ensure that the data inputted into the system and reported formally to the Cabinet is accurate. The KPI performance reported has indicators that show whether the performance is on target or outside target. The Council prepares a financial management report every quarter which is also reported to the Cabinet. We confirmed for 2020-21 and for 2021-22 that the reports were provided at the planned intervals.

We confirmed that the Council has taken appropriate steps to create a cohesive and detailed service plan, and that the current processes in place utilising KPIs and reporting to the Cabinet to monitor performance are appropriate for the years 2020-21 and 2021-22.

Cabinet approved a corporate plan and that gets monitored against the priorities set out in Corporate Plan Mid-term Review and its performance on service delivery, however the Council does not have any formal reporting of its performance against its peers. (See recommendation 3)

Council has a process of monitoring and forecasting of the budget and capital programme that were required to ensure that the Council managed its resources effectively and complied with section 28 of the Local Government Act 2003 and the Council's Financial Procedure Rules. Risk management was an integral part of the Council's governance arrangements for 2020-21 and 2021-22.

How the body 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.

The Council works in partnership with other local authorities, businesses and the voluntary sector for both the strategic development of public services and specifically in the delivery of local services. Its involvement in strategic partnerships include the South East Local Enterprise Partnership (SELEP), specifically Team East Sussex, the local federated board for the SELEP and the East Sussex Strategic Partnership.

Wealden Council for 2020-21 and 2021-22 was involved in East Sussex Local Plan Managers Group and East Sussex Strategic Planning Members Group, these groups meet on a regular basis and primarily include Local Plan managers from East Sussex, they engaged constructively, actively and on an on-going basis on strategic planning matters. Service Heads in the Directorates take responsibility for delivering the service plans.

For local delivery of services, the Council has a number of shared service arrangements with its neighbouring district councils.

Whilst not a partnership, during 2020/21 and 2021/22 The Council worked with Sussex Weald Homes, a company 100% owned by the Council, to meet the demand of home buyers including first-time buyers. The company is a housing development vehicle for the Council and is structured as a private company limited by shares.

Improving economy, efficiency and effectiveness

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

The Council approves a procurement strategy every three years. One was approved for 2019-2021 and another covering the period up to 2022-2025. It was last updated in March 2022 and provides a clear governance framework for officers and members to work within when carrying out commissioning and procurement activities on behalf of the Council.

For 2020-21 and 2021-22 the Procurement activity was managed by the East Sussex Procurement Hub, which is hosted by Wealden District Council on behalf of Hastings Borough Council and Rother District Council and also undertakes wider joint exercises across East and West Sussex councils.

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).

Furthermore for 2020-21 and 2021-22 the Council used performance KPI to measure their performance. Performance levels were agreed to measure Value for Money and Efficiency. Where the KPI included a value, comparison was made with actual results against target; and where the KPI did not include a value, the comparison was done by utilising the National Procurement Strategy toolkit to assess

performance.

For 2020-21 and 2021-22 Cabinet were responsible for authorising this Procurement Strategy and reviewing progress on the strategic aims and for ensuring compliance with the Financial Procedure Rules. Wealden's Corporate Management team are responsible for management of the strategy and reviewed progress against the implementation of the actions for 2020-21 and 2021-22.

We found no evidence that appropriate procurement processes were not followed during 2020-21 and 2021/22. However, we noted some specific instances of non-compliance with procurement regulations. These issues were mainly focused on Social Housing. Nevertheless, the Council has identified and addressed these weaknesses effectively, performing structural changes to personnel and creating a specific and specialised team to deal with it.

Based on the above, we do not believe that the arrangements around procurement pose a significant weakness in arrangements.

Conclusion

We did not identify any significant weaknesses in the Council's arrangements to ensure economy, efficiency and effectiveness in the use of its resources.

Improvement recommendations



Improving economy, efficiency and effectiveness

Improvement recommendation 3	Periodically benchmark cost and performance indicators with other similar authorities (for example Nearest Neighbour Group) and investigate reasons for any areas where other authorities appear to be achieving better results.
Audit year	2020/21 and 2021/22
Why/impact	Cabinet approve a corporate plan and progress against the stated priorities are monitored in the Corporate Plan Mid-term Review and its performance on service delivery. However the Council does not formally compare its performance against its peers. Although the authority has a low level of service expenditure overall, there are areas where it is not achieving the same level of cost efficiency as other similar authorities. The authority needs to ensure that it is learning from its peer group.
Management Comments	The Council is currently producing a new Corporate Strategy. The monitoring of performance, including peer comparison, will be considered as part of this review.



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

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements for year ending 31.03.2021 and for year ending 31.03.2022 the audit work is ongoing.

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit, Finance and Governance Committee on 19 January 2022 for the year ending 31.03.2021 and on 18 January 2023 for year ending 31.03.2022.

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. We have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2021.

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 it.

Issues arising from the accounts:

2020/21

The quality of accounts presented for audit was good. We identified two errors in respect of land valuation and pension liability that management did not amend the accounts for as the errors were not material.

2021/22

The accounts presented for audit were of a good quality. A small number of issues were identified, none of which were material.

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

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



Appendices

Appendix A – Responsibilities of the Council

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

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

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

The Strategic Director – S151 Officer 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 Strategic Director – S151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Strategic Director – S151 Officer 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 Strategic Director – S151 Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages – 14 ,15 and 18

