Auditor's Annual Report on Ashford Borough Council

2021/22 and 2022/23

March 2024

Contents

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

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

The contents of this report relate only to 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.

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 that we reported our findings in this way. 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. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 due to a delay in the 2021/22 audit. 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.

We have included a summary on the Council's progress against the improvement recommendations raised in 2020/21 to our report for 2021/22 and 2022/23. Progress on the 2020/21 improvement recommendations can be found at pages 30-31. There were 8 improvement recommendations in total however one was not accepted by the Council leaving 7 to follow up as part of this report. We note that one of these has been completed and others are in progress or partially complete.

Criteria	Risk assessment	2021/22 Auditor Judgment		2022/23 Auditor Judgment		Direction of travel
Financial sustainability	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 4 improvement recommendations made.	Amber	No significant weaknesses in arrangements identified, but 4 improvement recommendations made.	⟷
Governance	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 3 improvement recommendations made.	Amber	No significant weaknesses in arrangements identified, but 3 improvement recommendations made.	⟷
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	Amber	No significant weaknesses in arrangements identified, but 2 improvement recommendations made.	Amber	No significant weaknesses in arrangements identified, but 2 improvement recommendations made.	⟷

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

Executive summary

Financial sustainability

Our work has not identified any evidence of a significant weakness in arrangements with regards to financial sustainability. However, we have made a number of improvement recommendations to strengthen the processes at the Council in relation to sensitivity analysis and scenario planning, capital programme monitoring, budgeting for climate change, the workforce strategy and including more detail in terms of the subsidiary companies in the financial planning documents.

The Council reported a £39k surplus for the 2021/22 Outturn to Cabinet in June 2022 which is an overall positive position. As a result of planning for the 2022/23 budget there was a savings requirement of £0.827m which was part of the £3m cumulative target to support the Medium-Term Financial Plan 2022-27 and at the time of setting the budget £0.639m was still to be identified.

The 2022/23 financial year saw increased pressures which was reflected in the 2022/23 Outturn to Cabinet in June 2023 which reported a deficit of £0.484m with a significant draw on reserves in year. As a result of the financial pressures faced by the Council, an ambitious savings plan was enforced as part of the 2023/24 budget. This identified £1.6m of savings with £0.2m delivered straight away leaving a target of £1.4m. As part of the budget setting process, the use of £1.5m draw on reserves to fund the budget gap was approved however the Council are aware this is not a sustainable position over the longer term. We note that it is not clear from the 2021/22 and 2022/23 financial monitoring reports the total savings delivered in each year however the Council have since introduced detailed savings progress reports in addition to a Task Group to monitor the delivery of the Medium Term Financial Plan. The quarterly monitoring reports for 2023/24 show good progress on delivering savings however further reserves have been drawn on above the amount approved.

In addition to this, as the Corporate Plan 2022-2024 is due for renewal it is important that this is updated with a workforce strategy and other policies aligned to it to ensure the Council can achieve the objectives and ensure they have the capacity to deliver.

Governance

Our work has not identified any evidence of a significant weakness in arrangements with regard to governance. We have raised 2 improvement recommendations in relation to the risk register and Audit Committee effectiveness.

We note that the risk management framework was updated in November 2021 following adoption of the Corporate Plan. We have recommended that the risk register has a named senior officer for each risk and is linked to corporate objectives, in line with the recommendation from last year we have recommended that the Council presents the risk register to Cabinet at least annually.

<ins>2021/22</ins>

We are currently completing our audit of your financial statements .

<ins>2022/23</ins>

We have yet to complete our audit of your financial statements.

Executive summary

Internal Audit is outsourced to Mid-Kent Audit who provided opinions for 2021/22 and 2022/23 concluding that the Council had adequate and effective management, control and governance processes in place to manage achievement of its objectives. We note that delivery against the Internal Audit Plan is low for both years with only 8 out of 15 audits being completed in time to inform the 2022/23 opinion. The original audit plan had 19 audits to deliver however 4 of these were related to the Port Health facility and were removed as the facility is not yet operational.

The Council has an effective Audit Committee with good attendance and challenge from members. We have raised two recommendations that would further strengthen the Audit Committee per the CIPFA guidance. The Council has since had a change of administration in at the start of the 2023/24 year and a senior restructure as a result of corporate planning. This was approved at Full Council in March 2022.

Improving economy, efficiency and effectiveness

Our work has not identified any evidence of a significant weakness in arrangements with regard to economy, efficiency and effectiveness for 2021/22 and 2022/23. We have raised 3 recommendations in relation to performance reporting and procurement.

The Council measures progress towards delivery of the Corporate Plan 2022-2024 through the quarterly performance reports, monitoring a suite of Corporate KPIs. We have recommended that the performance reports are refreshed in line with the new Corporate Plan and that each KPI has a target where possible and a RAG rating. When looking at the quarterly performance reports it is clear that the Nutrient Neutrality issue at Stodmarsh Lakes is causing delays due to not being able to accept planning applications which is having an impact on the housing revenue account. The Council has undertaken some work as part of its mitigation strategy and have identified a possible remedy that is being explored.

The Council has a procurement strategy in place however we note this was last updated in 2013. We understand that a more recent version of the procurement strategy is in development and the Council is trying to time this so that it aligns with the new Corporate Plan. The 2020/21 audit recommended that the procurement strategy is refreshed every 3-5 years and that a social value policy is prepared alongside this. As this recommendation has not progressed during 2021/22 and 2022/23 we are therefore raising the recommendation again that the Council should update the procurement strategy alongside the new Corporate Plan and ensure that the Social Value policy is also aligned to this and all new regulations are included. We have also recommended that the procurement function should provide an annual report to Cabinet on the activity during the year.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
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.	We did not issue any statutory recommendations.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a report in the public interest.	We did not issue a report in the public interest
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.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue an advisory notice.	We did not issue an advisory notice.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.	We did not make an application for judicial review

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

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

Council's 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 Local Authority 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 8 to 28. 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

2021/22

The 2021/22 budget was set against the backdrop of the Covid-19 pandemic and the resulting financial pressures had a fundamental impact on local economies, nationwide uncertainty surrounding the financial impact of Brexit negotiations, the prospect of a new funding formula (that was eventually delayed) and general uncertainty on the future funding arrangements with central government. Due to the increased service pressures, the Council has had to develop ambitious savings plans. We have set out the position for 2021/22, 2022/23 and the current progress for 2023/24.

The 2021/22 budget was approved by Cabinet in February 2021 with a total service expenditure of £16.3m. This set out a savings requirement of £2.3m in year in response to the budget gap in the Medium-Term Financial Plan (MTFP) in October 2020 which identified £3m of savings to be delivered to support the MTFP at the time due to economic shock caused by the pandemic.

The Council's outturn for 2021/22 reported a surplus of £0.039m which was transferred to general reserves. Total usable general fund opening reserves were £50.6m decreasing to £47.2m by 31st March 2022 as per the draft statement of accounts for 2021/22. During the year there were various transfers to and from reserves, the Council notes the main reason for the decrease was the reversal of previous grant funding of £5.2m to support the Collection Fund (drawn from a specific 'temporary' reserve which has been established to clearly identify the funds necessary to fund collection fund deficits resulting from the Covid19 pandemic). The general fund balance was £2.6m which is marginally within the 15% of Net Budget Requirement for 2022/23 per the Council policy.

2022/23

In 2022/23, councils were still feeling the effects of the pandemic although funding from the Government to meet additional costs ceased. There were additional pressures in budget costs: rising energy costs; inflation; interest rates; Brexit and due to supply chain issues it is clear that councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

The 2022/23 budget was approved by Cabinet in February 2022 following the draft budget in October 2021 with a total service expenditure of £16.02m. This had a savings requirements of £0.827m (as part of a £3m cumulative target to support the MTFP) of which £0.639m were still to be identified at the time of setting the budget.

The outturn for 2022/23 reported an overall deficit of £0.484m after transfers to and from reserves with a £1.8m overspend in services. There was a significant draw on reserves in year; the deficit position would have been higher if support for the Tenterden Leisure Centre of £0.9m and urgent repairs to corporate assets had not been funded from reserves. Opening total usable general fund reserves were £47.2m (as per the draft 2021/22 statement of accounts) which decreased to £42.9m by 31st March 2023. The various transfers to and from reserves have resulted in earmarked reserves decreasing by £4.2m.

Financial sustainability

2023/24

The final 2023/24 budget was presented to Cabinet in February 2023 with a £1.51m deficit which was to be funded by the Economic Growth & Risk Fund reserve. An initial proposal of £1.42m of savings to reduce the budget deficit through the use of reserves in the short term was proposed alongside this to meet the overall requirement. The Council notes in the reports that the strategy of funding from reserves is appropriate to manage the short-term pressure and financial challenges however it is not a sustainable solution for the longer term. The budget report also notes the significant risk of the Business Rates baseline reset that needs to be done which will see the Council lose growth made in the region of £5m. The October 2023 MTFP records that from 2026/27 this will place significant financial pressure on the Council.

The Q2 Financial Monitoring report for 2023/24 is forecasting an overall pressure to the general fund of £0.624m which is an increased pressure of £0.193m from Q1. It also notes that there has been an additional contribution from reserves of £0.151m which is over and above the £1.5m already approved at the budget and £0.770m reported in Q1. The Council is forecasting a net contribution from reserves of £2.3m (£2.9m from reserves and a contribution of £0.6m to reserves).

Budget setting and financial planning

As part of the budget setting process, the Council has a Budget Task Scrutiny Group who meet four times a year to scrutinise budget and savings plans. This provides an extra layer of scrutiny before the draft and final budget proposals are presented. As part of the increasing pressures and urgency of savings, the Council established a cross party MTFP Task Group in 2023/24 to review proposals and progress of the MTFP.

The budget setting process involves input from various internal and external stakeholders. Public consultation is promoted through the Council's website. The budget supports the Corporate Plan 2022-2024 and reflects the MTFP updates.

Quarterly Financial Monitoring reports are produced and reported to Cabinet. The reports include the position for Treasury Management and the impact for the forecast outturn. Reports provide a summary of the in-year position and reasons for the variances. Financial monitoring, budget reports and the MTFP are detailed with sufficient information, however we have noted that it is not clear what sensitivity analysis and scenario planning is performed during the budget process and financial monitoring reports.

Medium Term Position

The Medium-Term Financial Plan is updated annually and presented usually around October to Cabinet. Due to timing of the Local Government Finance Settlement this includes funding assumptions alongside the draft budget. The latest MTFP was presented in October 2023 and covers the period 2024-2029. The table below shows the current forecast gap over the following 5 years.

To manage this gap, the MTFP Task Group have recommended that further savings of £1.5m per annum are required to reduce the forecast deficit.

Table 1 – Medium Term budget gap

	2024/25	2025/26	2026/27	2027/28	2028/29
Total Income	(74,140)	(76,454)	(75,735)	(77,627)	(78,602)
Total Expenditure	74,994	76,880	79,070	79,925	80,617
Budget Gap	**854**	**426**	**3,335**	2,298	2,015
Cumulative Gap	854	1,280	4,615	6,913	8,928

Progress on delivering savings

The Council previously had a track record of delivering savings however recently the Council is facing a pressured position to deliver the Medium-Term Financial Plan.

At the time of approving the 2021/22 budget in February 2021, the MTFP highlighted the increasing budget gap and that the Council was to find £3m of corporate savings over the following years of which £2.3m were identified as part of the 2021/22 budget. The quarterly financial monitoring reports note the savings that have been made in the narrative of the report however there is no overall total of what has been delivered against the target.

Financial sustainability

Budget planning for the 2022/23 financial year identified a saving requirement of £0.828m as part of this cumulative £3m target to support the medium-term financial plan in November 2021, of which 2022/23 is the second year of this. At the time of approving the budget in February 2022, £0.639m of these savings were still to be fully identified. The Scrutiny Budget Task Group highlighted some concerns around savings to be identified as part of the 2022/23 budget but was supportive of the Cabinet's request for progress against savings targets as part of quarterly financial monitoring reports. It was also noted that the Council has an Economic Risk and Resilience reserve that can be utilised if savings were not fully delivered in 2022/23.

The Q1 financial monitoring report for 2022/23 showed that £0.453m of savings were still to be delivered and were added to the forecast pressure. Progress at Q2 showed that £0.438m of savings were still to be delivered. The overall savings progress appendix is not included in the Q3 financial monitoring report however savings that have been made are noted in the narrative although are not quantified as an overall total.

The financial outturn for 2022/23 resulted in a general fund deficit of £0.484m for the year with a £1.8m pressure in operational budgets which highlights how important a robust savings strategy is for the Council.

Although there has been some improvements in reporting of savings delivery progress, the outturn reports for 2021/22 and 2022/23 do not clearly report the delivery or not of planned savings in the year. However, as part of the 2023/24 budget monitoring process the Council has since introduced a detailed savings plan progress report which is also included in the quarterly financial monitoring reports which updates members on the progress of the delivery of savings.

The Q2 2023/24 savings progress report notes that £0.840m has been achieved against the £1.4m target which is positive. Examples of savings plans include the management team restructure, proposed move of office to International Housel and review of service structure. Although the Council notes good progress, further savings will need to be identified due to the current economic climate.

Reserves

The Council has previously held a good level of reserves. Given the current financial pressure, the Council has relied on reserves to fund the budget gap and as a result reserves have been decreasing since 2022 and are forecast to decrease over future years per the MTFP.

The Council has a reserves policy to hold 15% of the Net Budget Requirement as the un-earmarked General Fund Balance. The 2021/22 balance of £2.6m was marginally above this threshold. This dropped below the requirement per the 2022/23 outturn therefore £2.8m of general fund reserves were required as part of the 2023/24 budget setting. We note that 15% as a requirement is particularly prudent for the Council.

The Council aims to manage reserves in a way that supports effective budget planning, the delivery of services and the smooth running of the Council's finances whilst taking opportunities to build up funds, so as to protect services in the future and to cushion the impact of unexpected events or emergencies. During 2021/22 there was a total of £8.3m reserves transferred in and £11.8m transferred out, providing a net decrease of £3.4m. During 2022/23 there was a total of £11.3m of reserves transferred in and £15.5m transferred out. The Council funded a number of projects through reserves in year, examples of significant movements out of reserves included:

- £0.484m to clear annual deficit from Economic Growth & Risk Fund
- £0.900m funding of Tenterden Leisure Centre from Economic Growth & Risk Fund
- £0.968m Decarbonisation works at Tenterden Leisure Centre from Climate Change Delivery Fund

The 2023/24 budget approved a £1.5m draw on reserves. Per the Q2 financial monitoring reports the forecast draw on reserves is sitting at a net position of £2.4m. This highlights the pressures the Council is facing.

Table 2 – Forecast reserves summary

	General Fund Balance(as at 31 March) £'m	Usable reserves for operational purposes £'m	Ringfenced Reserves £'m	Total Usable GF Reserves £'m	Net movement in total usable reserves in year £'m	
2021/22	2.6	25.5	19.0	47.2	-3.4	Actual
2022/23	2.8	23.6	16.8	42.9	-4.3	Actual
2023/24	2.8	20.1	17.0	39.9	-3.0	Forecast
2024/25	2.8	19.7	17.0	39.5	-0.4	Forecast
2025/26	2.8	18.6	17.0	38.4	-1.1	Forecast

Financial sustainability

As part of the MTFP, the Council has forecast that if savings are not achieved and the assumptions in the MTFP are correct then there would be a deficit of £9m over the life of the plan. If this was funded purely by revenue reserves the this would use almost 50% of the Council's reserves, which would be an unsustainable trajectory. The savings plan is therefore essential in delivering the MTFP.

The Council has forecast that reserves will drop by just over £3.2m during 2023/24. This is due to a large number of items being earmarked from reserves. Table 2 shows the actual movement in reserves over 2021/22 and 2022/23 and forecast movement over the next 3 financial years sourced from the October 2023 MTFP. The table shows the downwards trajectory of reserves. It should be noted that the Council has not allowed for any reserve funding to cover the budget gap for 2024/25 therefore if reserves were used to support a gap, the reserves position would be reduced further.

Financial planning

The Council developed the Corporate Plan 2022-2024 which replaced 'The Recovery Plan' following the Covid-19 pandemic. There is a coherent link between the corporate strategic priorities set out in the Corporate Plan and budget papers. Due to the current plan expiring in 2024, the Council are aware they must consider a workforce plan to align to the new Corporate Plan. We have recommended that as the Council develops the new Corporate Plan the new workforce plan should be aligned to this within an agreed timeframe. Other key strategies should be refreshed alongside this where appropriate. (Recommendation 1).

The Council has a target to be Carbon Neutral for 2030. This is reflected in the budget for both 2022/23 and 2023/24. In line with the Corporate Plan 2022-2024, the Council notes its ambitions to achieve this target through the Climate Change Strategy 2022-2024 published June 2022. The MTFP updated during October 2021 notes the creation of the 'Climate Change Delivery Reserve' which shows that the Council is committed to reaching the target and contributing to this where possible.

The balance of this reserve as at the 31 March 2023 was £1.9m. The final budget papers for 2022/23 and 2023/24 have a section on Carbon Neutrality under Corporate Projects that states this project underpins the Carbon Neutral Strategy and the investment opportunities. Although the Climate Change Strategy has an action plan for 2022-2024 that is split across 8 priorities and details the action, role of the Council, the lead service and link to the Corporate Plan there are no costs attached to each action and how they are being factored into the budget and financial planning. We therefore recommend that where possible the Council include the forecast cost against each action to assist with financial planning of the climate change commitments outlined in the plan and ensure that financial planning documents clearly reflect this (Recommendation 2).

Companies

The Council has one wholly owned subsidiary 'A Better Choice for Property Limited (ABCFP Ltd)' which has a subsidiary 'A Better Choice for Property Development Limited' where it is the sole shareholder. During 2022, the Council acquired 65% of Ashford International Development Company Ltd (AIDC) for £1.4m with the remaining 35% held by Quinn Estates Limited. The purpose of the AIDC is to deliver the Newtown Works Development.

Updates are provided to the Trading and Enterprise Board (TEB) for the subsidiary companies. We note that during 2023/24 due to the change in administration there was a 5 month break with the first TEB committee in October 2023. The ABCFP Business Plan 2022-2027 was presented to the TEB in October 2022 setting out the strategy to continue to develop properties to attain the target noting the Stodmarsh issues causing delays. The business plan assumes steady financial growth and sets out intentions to improve the governance arrangements.

We note that the Council's quarterly monitoring reports and outturn report mention the subsidiary companies however we believe this could be strengthened by including a section for the subsidiary companies in the financial plans and monitoring reports to capture a fuller picture of the financial position. The Council could also add a line to highlight that assurance over the current financial position of the company has been gained through the TEB. (Recommendation 3).

Capital Programme

The Council has an ambitious Capital Programme that is included in the budget each year. The budgeted amount for total capital spend (excluding HRA) for 2021/22 and 2022/23 was £80.8m and £101m respectively. The capital programme outturn for 2021/22 was £37.8m and for 2022/23 was £24.1m.

The Capital Programme is fundamental to the Corporate Plan 2022-2024 and to address priority issues such as temporary accommodation pressures. The Council has faced a challenge due to Nutrient Neutrality which impacts the Stodmarsh area which has put a hold on planning applications which means a number of housing proposals have been put on hold impacting the Housing Revenue Account (HRA). This has since had an impact on the Newtown Works Development project. In response the Council has been working to develop a nutrient neutrality mitigation strategy which was presented to Cabinet initially in July 2021.

Financial sustainability

The issue is an external factor therefore outwith the Council's control and it has been exploring the options and engaging with Government to address the issues. The Council is debating whether to go ahead with the mitigation strategy. This is a significant issue and it is important the Council concludes on a sensible way forward.

The Council has an increasing Capital Financing Requirement which also includes loans to A Better Choice for Property Ltd and Newtown Works as well as the HRA Business Plan and various other projects. The Council has investment properties which are wholly owned with A Better Choice for Property Ltd and 65% owned with Ashford International Development Company Ltd..

The Council monitors capital through the quarterly financial reports. We note from review of these reports and outturn reports for 2021/22 and 2022/23 that monitoring of actual capital spend against budget for each project is not clear. In relation to the capital programme we recommend :

1) The Council reviews and evaluates how it sets the annual capital budget with a focus on improving the accuracy of expenditure in the year.

2) Improving the monitoring of the capital programme by providing greater clarity and reasoning in the narrative to ensure reasons for slippage can be tracked and reviewed by members. (Recommendation 4).

Housing revenue account

The HRA is reported separately from the Medium-Term Financial Plan in the HRA Business Plan which is presented to Cabinet. The current business plan is over a 30-year period 2022-2052. The HRA account is included in the quarterly financial monitoring reports with a forecast outturn position at each quarter.

The HRA outturn for 2021/22 had a deficit of £3.5m which represented an underspend against the original budget of 0.7m. The total overspend was funded through the HRA reserve. This was mainly due to £1.2m of catch up repairs and maintenance works as a result of Covid-19, a £0.240m pressure from Council Tax liabilities for vacant properties delayed by Stodmarsh, extra £0.3m in interest costs and £0.2m increase in bad debt provision due to the pandemic.

The HRA outturn for 2022/23 had a net deficit of £0.074m, the budgeted amount was a surplus of £1.5m. This was mainly a result of additional income of £0.564m received in year and £1.8m of planned capital works that were not fully completed due to resourcing (the surplus funding is retained in the HRA major repairs reserve for future use).

The Council's ambition to increase the number of homes has suffered slippage due to not only the current economic climate but the issue of nutrient neutrality at Stodmarsh. This has affected the Council's ability to build new homes.

Conclusion

The Council has faced significant challenges over 2021/22 and 2022/23 due to the backdrop of the pandemic and now rising inflation, interest rates, cost of living and the Nutrient Neutrality issue. There has been a need to achieve a savings plan as part of delivering the Medium-Term Financial Plan which is becoming more important each year. The Council has a good level of reserves to withstand shocks however this is diminishing and if the savings plans are not achieved over the following years this will have a significant impact on the Council. We can see an increased focus on this through the improvement in savings monitoring and also the MTFP Task Group. It is important that the Council continues to monitor savings closely throughout the 2023/24 financial year to ensure the savings are realistic and that there is less reliance on reserves to fund the budget gap. We have raised improvement recommendations in relation to sensitivity analysis, savings plans, capital programme monitoring, the Corporate Plan and workforce planning and the capital strategy budget planning to strengthen the arrangements at the Council.

Improvement recommendations

Financial sustainability

Recommendation 1	The Council should ensure that as the new Corporate Plan is developed upon the 2022-2024 version expiring, a workforce strategy service plan including all services should be created to align to the new Corporate Plan. Other strategies that require update such as the Climate Change Action Plan should be updated alongside the new Corporate Plan.
Audit year	2022/23
Why/impact	It is important that all key strategies and policies at the Council are updated in line with the new Corporate Plan. By aligning the workforce strategy to the new Corporate Plan this will ensure there is capacity for the Plan to be delivered and is aligned to all other key strategies at the Council.
Management Comments	This process is well underway and the draft plan is to go to cabinet in April for approval to consult. The timeline is for this to be submitted for adoption in the summer.

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

Improvement recommendations

Financial sustainability

Recommendation 2	The Council has a Climate Action Plan 2022-2024 which identifies the role, lead and link to corporate plan for each action. Where there is a budget impact for each action, the Council should include the forecast or known cost against the action to assist with financial planning of the climate commitments outlined in the plan. This should be linked to the capital programme where applicable.
Audit year	2021/22 and 2022/23
Why/impact	There should be costs forecast for each action to ensure these are adequately reflected in budgeting to mitigate the risk of overspending in relation to the climate action plan.
Management Comments	The action plan is evolving and its right that when actions firm up cost estimates are completed and built into the capital program, we shall review our processes and seek to improve them.

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

Improvement recommendations

Financial sustainability

Recommendation 3	Whilst the Council mentions involvement with the subsidiary companies in the financial plans, this could be strengthened by having a separate section in the reports for ABPCL and AIDC to reflect the involvement in a more structured and detailed way, to capture a fuller picture of the financial position. The Council could also add a line to highlight that assurance over the current financial position of the company has been gained through the Trading and Enterprise Board.
Audit year	2021/22 and 2022/23
Why/impact	Involvement with subsidiary companies should be fully reflected in financial plans to ensure they are adequately captured and reflected in financial plans reported to members.
Management Comments	The Council established its governance structure to enable effective reporting between the Council and Company using the Trading and Enterprise Board (TEB) a committee of the Cabinet. This allowed regular reporting but facilitated the need for commercial discussions to be had in a confidential setting. To include more sections within general monitoring reports would generate more exempt appendices and this would create risk that that confidentiality is breached. The Council acknowledges that there was an interruption in TEB reporting over the formation of the new administration and has taken steps to train TEB members and schedule meetings to ensure that there is regular and timely reporting.

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

Improvement recommendations

Financial sustainability

Recommendation 4	The Council should review and evaluate how it sets the annual capital budget with a focus on improving the accuracy of expenditure in the year. The Council should Improve the monitoring of the capital programme by providing greater clarity and reasoning in the narrative to ensure reasons for slippage can be tracked and reviewed by members.
Audit year	2022/23
Why/impact	Although there is monitoring of the capital programme at Council meetings, focus should be turned to assessing if capital budgets are realistic. If a budget is not realistic the Council will be unable to manage the capital budget and deliver the growth plans. It is important that capital spend as part of the capital programme is monitored tightly when there is large capital slippage and is presented clearly to members.
Management Comments	The Capital program has been revised as part of the development of the medium term financial plan and the working group has given this a greater deal of scrutiny and it is expected that this will result in a more 'realistic' forecast of capital expenditure

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.

Monitoring & assessing risk management

Risk management at the Council is embedded through a collaborative approach which is governed by the Risk Management Framework.

The Risk Management Framework was adopted in 2019 and was updated in 2021 following adoption of the Council's Corporate Plan 2022-2024. The Corporate Plan included an updated risk appetite statement developed by the Management Team and Cabinet and consulted on as part of the wider corporate plan.

As stated in the Annual Governance Statement (AGS), risks are reviewed monthly by risk owners which informs reporting to the Council's Management Team, Audit Committee and where necessary to the Executive Leader and Cabinet on the Council's corporate risk register. The Audit Committee review the risk register twice a year.

The Risk Register is split into 3 sections: strategic, financial and compliance. The risk register has relevant controls and sources of assurance with the risk matrix including a RAG rating and direction of travel. The Council could improve the format of the risk register by adding an allocated risk owner and named senior officer and mapping the risks to the corporate objectives. This would ensure there is increased accountability for mitigation and risk ownership.

Although Cabinet has oversight of risks that are identified in individual committee papers for the relevant matter, the corporate risk register should be presented to Cabinet at least annually to provide an overall picture of the corporate risks facing the organisation (Recommendation 5).

Internal Audit

The Council's internal audit function is delivered through Mid-Kent Audit (MKA) which is a 4-way shared service with Maidstone, Swale and Tunbridge Wells. A programme of work is delivered each year with the annual opinion provided in the Internal Audit Annual Report.

For 2021/22 internal audit's opinion was that the Council operated an effective framework of corporate governance, risk management and internal control. The audit plan had 19 audits planned for the year with 11 reviews completed to inform the 2021/22 statement with one of these audits having a weak assurance rating in relation to 'Section 106 income'. The latter was taken seriously and during April 2022 the Audit Committee received a report with the recommendations and actions set out. Following this, a progress update was presented in November 2022 responding to the actions. In addition, the Overview and Scrutiny S106 Task Group made 8 recommendations for improving the S106 process which were agreed by Cabinet in November 2021. These are currently being progressed and the Audit Committee is monitoring this. The final progress report for the remedial actions was presented to the Committee in March 2023. This noted that 17 of the 21 actions had been completed.

Governance

Internal Audit (continued)

A new Head of Internal Audit was appointed in December 2022 part of the MKA arrangement. During 2022/23 there were 19 audits planned with 4 subsequently deemed no longer relevant as they related to the Port Health facility which is not yet operational. This left 15 to be completed during 2022/23 with one being added to the plan after it had been agreed (so in total 16 in the final plan). The results for 2022/23 were:

- 1 strong review;
- 6 sound reviews;
- 1 sound/weak review.

Eight completed reviews is a low level of delivery against the plan. The opinion provided is supported by an explanation for the low number of audits completed per the plan and how internal audit had been able to rely on other sources of assurance for their opinion. The opinion provided was that the Council had adequate and effective management, control and governance processes in place to manage the achievement of their objectives. The Head of Internal Audit noted that it was a difficult market to recruit and retain staff and that action was being taken to improve the delivery of future audit plans. It is important that the Council continues to monitor the progress of the internal audit function to ensure the 2023/24 opinion can be supported (Recommendation 6).

Audit Committee

The Audit Committee purpose is to provide an independent and high-level focus on the arrangements for governance, risk and control at the Council. The Committee's role is ensuring there is sufficient assurance over these aspects and gives greater confidence that the arrangements in place are effective.

The Audit Committee met five times during 2021/22 with the Annual Governance Statement being approved in March 2022. The Committee met six times during 2022/23 with the AGS approved in March 2023. There was appropriate challenge and good attendance by members and officers during 2021/22 and 2022/23.

Continuity of membership is a key strength for the Council and Committee. The majority of members served on the Committee during 2022/23 that were included in the 2021/22 annual Audit Committee report. The Audit Committee composition has at least 8 members which is in line with the CIPFA guidance on Audit Committee effectiveness. The Committee receives an interim report from Internal Audit and progress on any follow-up required for Weak audit reports.

CIPFA guidance for Audit Committee effectiveness emphasises the importance of separation of executive roles and the membership of the audit committee. As the Council runs a Cabinet system of governance, it is discouraged that a member of the Cabinet is also a member of the Audit Committee. We note that there is currently one member of the Cabinet who is also a member of the Audit Committee.

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 :

- 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.

There are currently no independent members on the Audit Committee. We recommend that the Council revises the composition of the Audit Committee to exclude Cabinet members and considers the merits of appointing independent members to the Audit Committee (Recommendation 7).

Monitoring and ensuring appropriate standards

The Annual Governance Statement is prepared in accordance with the Council's 2016 Local Code of Corporate Governance. The AGS is approved by the Audit Committee and signed by the Leader and Chief Executive of the Council.

The 2021/22 AGS was approved by Audit Committee in March 2022. There were five key improvement areas in the 2020/21 AGS such as Digital Community Strategy, Equality Policy and Risk Appetite Statement. The AGS notes that progress on remedying these was reported to Audit Committee during the year.

The 2022/23 AGS was approved by Audit Committee in March 2023. The 2021/22 AGS identified eight key improvement areas such as Appraisals Training, Review of the Constitution, Hybrid Equipment in the Council Chamber and Section 106 Process. Progress on remedying these was reported to Audit Committee during the year.

Governance

Leadership and decision making

The Council's structure is split into five layers with varying responsibilities which is made up of Full Council, Cabinet, Overview and Scrutiny (OSC), and Regulatory Committee which are governed by the Council's Constitution. Key strategic decisions made by Cabinet are subject to scrutiny by the OSC , this ensures there is review and sufficient challenge of decisions. The Council makes use of Task and Finish groups (TFGs) which can be set up by the Council, Cabinet or OSC to look at topical issues of importance or concern. For example, the Council has introduced a Task Group for the delivery of the MTFP. This structure ensures challenge of key strategic decisions before they are made.

During 2021/22 there was a proposal to Cabinet for the senior management restructure to better deliver the Council's Corporate Plan as the existing structure was focused around delivering the Recovery Plan 2020-2022 as the Council emerged from the pandemic. Historically, the Council had removed some directors and specialists due to circumstance but did result in the Chief Executive and Deputy Chief Executive involved in areas of operational leadership due to the reduction in the director level role. As a result of this the new structure proposed to introduce three Directors to ensure appropriate capacity.

Due to the financial pressures during 2023/24, the Chief Executive reviewed the plans again to meet the savings target and how to continue to deliver the Corporate Plan. The Council notes that the previous restructure had been successful however changes were required that would deliver around £0.233m of savings to the General Fund.

Conclusion

Overall, we have not found any evidence of significant weaknesses in the Council's arrangements for Governance. We have identified 2 improvement recommendations which should further strengthen the arrangements in place in relation to the risk register and Audit Committee effectiveness.

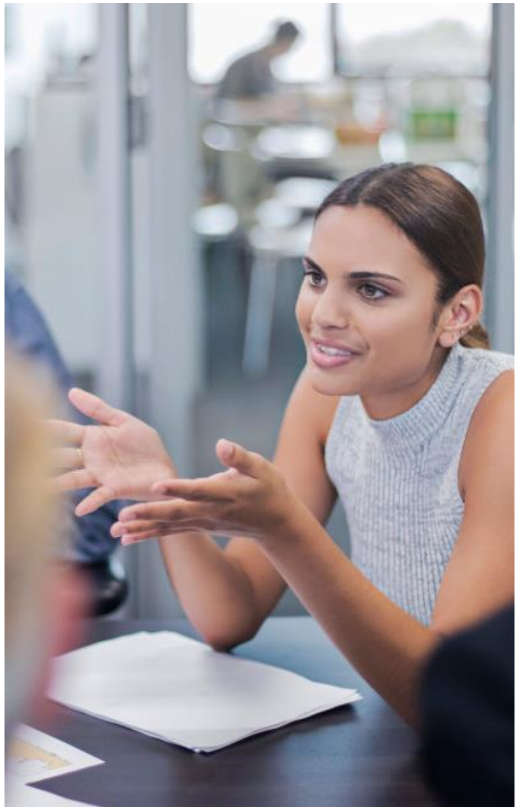
We reviewed the 2020/21 improvement recommendations for the Governance section which are further detailed at pages 31-32. We recommended the creation of a central, online register of members interests. We understand that interests are declared by members which are available on the individual biographies on the website however there is no central online register available on the website. We have kept this recommendation open for 2021/22 and 2022/23.

In addition to this, we note the Risk Appetite Framework has been reviewed in 2021 however part of this recommendation was to present the risk register to Cabinet. Whilst risks are included in reports that go to Cabinet we note that the Corporate Risk Register was not presented therefore this recommendation from 2020/21 is partially complete.

Improvement recommendations

Governance

Recommendation 5	We recommend that the Council update the Corporate Risk Register to map each risk to the relevant corporate objective and allocate a responsible senior officer. The risk register should be presented at least annually to Cabinet.
Audit year	2021/22 and 2022/23
Why/impact	Allocating a responsible senior officer will provide accountability and responsibility for that risk to ensure it is closely monitored. By clearly linking the risk to the appropriate corporate objective it will highlight what could impact achieving that objective and will allow this to be closely monitored and the appropriate mitigations put in place. Reporting the risk register to Cabinet at least annually will provide members with an overall picture of the current risks in addition to the risks that are reported through other reports.
Management Comments	Every risk currently has an owner and there is a regular risk updating process and reporting of risks to the directors, management team and members. As part of the adoption of the new Borough Plan (Corporate Plan) the risk register will be reviewed and the appropriate risk owner will be identified.

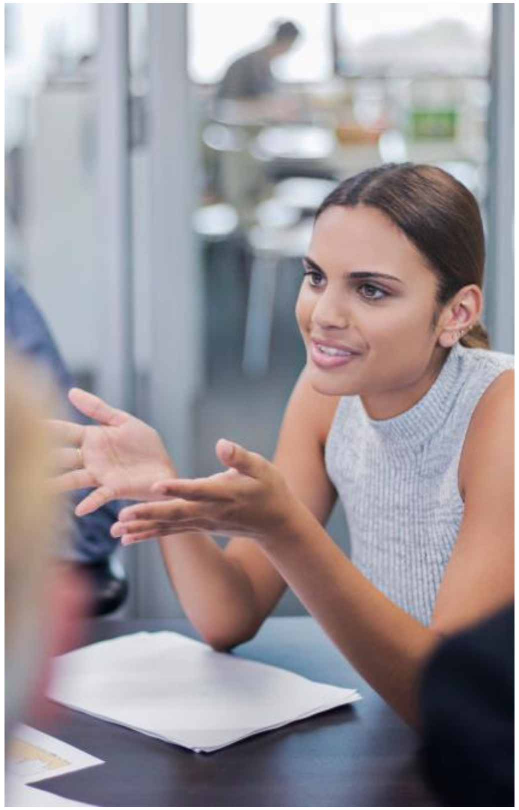


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Recommendation 6	The Council should ensure appropriate skilled resource is in place to deliver the agreed risk assessed internal audit plan.
Audit year	2021/22 and 2022/23
Why/impact	Mid Kent Audit Partnership has experienced significant turnover of staff including the appointment of an interim Head of Audit and an interim Deputy Head of Audit for part of the year. Performance against the audit plan is regularly reported to the Audit Committee. The percentage of audits completed compared with planned was 58% and 50% respectively for 2021/22 and 2022/23.
Management Comments	The Internal Audit Service is provided in partnership with other Councils, it is recognised that this has undergone considerable staff turnover in the last 24 months but has a new head of service who is experienced and established. They have reviewed their structure and gone out to advert and filled a number of posts. It is fair to say that recruitment in the audit sector is difficult and there are still some vacant posts but the recruitment process is ongoing and the service has access to contractors to deliver some of its audit plan

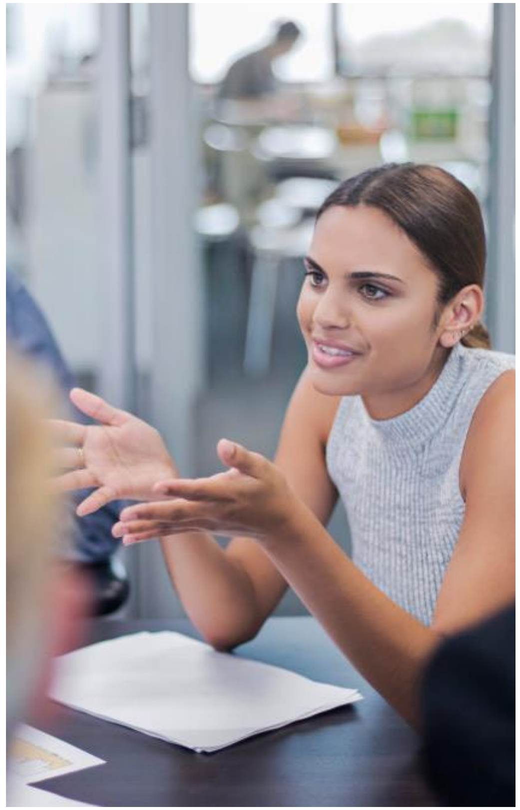


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Recommendation 7	The Council should revise the composition of the Audit Committee to exclude Cabinet members and should consider the merits of appointing independent members to the Audit Committee.
Audit year	2021/22 and 2022/23
Why/impact	CIPFA guidance recommends two independent members of the Audit Committee as it can provide a new approach to committee discussions and an element of continuity outside of the political cycle. The CIPFA guidance emphasises the importance of the separation of executive roles and membership of the Audit Committee.
Management Comments	We note the best practice guidance of the role of Executive members and the Audit Committee – at present the political balance makes it difficult to achieve this separation. Recent experience shows that Executive members who have been members of the Audit Committee have added to the functioning of the committee rather than being a barrier so this risk will be monitored. The work on recruiting an independent member had been paused pending the publication of legislation and guidance from government. It is agreed that an independent member would strengthen the committee A report will be put to the audit committee proposing that they seek an independent member.



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.

Performance reporting and benchmarking

The Corporate Plan 2022-2024 sets out the Council's ambitions and aims to deliver these as the Council emerges from the challenges of the pandemic. The draft Corporate Plan 2022-2024 was approved for consultation during July 2021 with the final draft approved by Cabinet in November 2021. There are 12 objectives across the three priority themes.

The three priority themes per the plan are:

- Green Pioneer
- Caring Ashford
- Targeted Growth

The new Corporate Plan is currently being developed. The Council should ensure that all other key strategies and policies align to the new Corporate Plan to deliver the objectives under each theme which links to one of the earlier recommendations.

The Council measures progress towards delivery of the Corporate Plan by monitoring a suite of Corporate KPIs which are set out at section 7 of the plan. The reporting frequency of each KPI is either quarterly or annual. These are presented through the quarterly performance reports that are presented at Overview and Scrutiny Committee and Cabinet. An annual performance report is also reported which looks at the achievements and milestones the Council achieved in year per the Recovery Plan 2020-2022 and Corporate Plan 2022-2024.

Review of the quarterly and annual performance report for 2021/22 and 2022/23 is positive however the areas below target that have red status are:

- % of planning application approved and;
- number of live planning casework reducing backlog.

These areas are within expectations due to the Stodmarsh issue the Council is facing. The Council is aware of these areas for improvement and is doing what it can with the available guidance. This report notes the progress and that the Council are proposing a Nutrient Mitigation Strategy for the Stour Catchment.

The corporate performance reports are split into the three priority themes. The quarterly and annual performance reports show the KPI value, target and RAG status where possible. We note that some KPIs do not have a target value or RAG status. The performance reports could benefit from a more detailed overview at the introduction detailing how many KPIs there are with the RAG status and a summary of overall progress per priority theme as this is currently not clear. Although the quarterly reports provide a highlight from the quarter summary at the start, a more comprehensive overview at the start could improve the reports. With the new Corporate Plan being developed, this could be an opportunity to refresh the performance reports. In addition to this, any KPIs that link to the Climate Strategy should be included in the corporate performance monitoring reports (Recommendation 8)

In terms of benchmarking, a recommendation was raised during 2020/21 that the Council should consider including analysis which benchmarks the performance against other authorities based on internal financial information and management information within the corporate performance reports. We note that the Council have not yet actioned this and are reviewing this as part of the savings exercise in 2023/24.

Improving economy, efficiency and effectiveness

The Council is meeting with CIPFA to review the quality of information that can be produced and looking at statistics by OFLOG. We have therefore raised this recommendation again for the Council to consider using financial and performance benchmarking data to identify any areas for improvement and learn from other bodies.

Partnerships

The Corporate Plan 2022-2024 emphasises that delivery of the plan will be through greater partnership working and collaboration.

The Council has a variety of partnerships that it is currently engaged with. During 2022/23 the Council awarded a new Waste Contract to SUEZ Recycling. This is part of the Mid Kent Waste Partnership between Ashford, Maidstone and Swale councils. This followed the approval of the direction of procurement by Cabinet during April 2021. This is an eight-year contract which is due to commence in March 2024. The current waste contract has been extended to March 2024 by the Mid Kent Waste Partnership along with Biffa Municipal Ltd until the new contract commences.

The Ashford Community Safety Partnership provides an annual update to the Overview and Scrutiny Committee. The aim of the partnership is to identify ways the partners can work together to reduce crime in the community making Ashford a safer place to live. The work of other partnerships is fed back to and overseen by the Overview and Scrutiny Committee.

Procurement

Robust and compliant procurement is key in delivering public services as organisations need to meet statutory obligations and deliver value for money for taxpayers.

Ashford Borough Council have a procurement team that are keen to make continuous improvements. The procurement function has grown over the last 5 years, it has a well-resourced team which has a procurement manager, two contract officers, a procurement officer and support officer. The function has recently faced challenges with the economic climate and changing regulations.

The contract standing orders have recently been updated and there is good contract register management with this being regularly reviewed and updated. There is an officer within the team who reviews the contract register monthly and this is posted on the website on a quarterly basis. The 'Procurement Pipeline' is published on the website which covers projects that are expected to be undertaken over the next 24 months which is refreshed quarterly. Training has increased over the last two years with the function starting more targeted training. The team have drafted a Social Value policy during 2022/23; this has not been formally reported yet however is available on the Council website. Internal Audit undertook a review of procurement during 2020/21 and issued a 'Sound' opinion.

We note that the Procurement Strategy was last updated in 2013. We understand that a more recent version of the Procurement Strategy is currently in development and the Council are trying to time this to align with the new Corporate Plan. The 2020/21 audit recommended that the Procurement Strategy is refreshed every 3-5 years and that a Social Value policy is prepared alongside this. This recommendation has not progressed during 2021/22 and 2022/23. The Council should ensure the Procurement Strategy is updated alongside the new Corporate Plan and ensure that the Social Value policy is also aligned to this. This should ensure that new regulations are captured.

We also identified that an annual procurement report is not presented to a committee at the Council; we recommend that this is prepared and presented to the relevant committee on an interim/annual basis. This will support transparency for the procurements the body has commenced during the year and a progress update on training and procurement regulations (Recommendation 9).

Improving economy, efficiency and effectiveness

Newtown Works development

The Newtown Works development is part of the 'Super 6' strategic projects included in the Corporate Plan 2022-2024 and is a key priority for delivery of the plan. The project has been awarded £14.7 million from the Government Levelling Up Fund. As at 31 March 2023, the Council had a capital commitment for the Newtown Works project for £70.623 million. The Council created an earmarked reserve for explicit management of any risks that arise from the Newtown Works Development. During May 2022, the Council obtained 65% controlling interest of Ashford International Development Company Ltd which is a joint venture between Ashford Borough Council, Levelling Up Fund, the UK Government and Quinn Estates.

Progress made on administering the funding and delivering the project is reported to Cabinet following an update to the Economic Regeneration and Investment Board. The risks and legal implications are considered within the Cabinet reports. An example is the March 2023 report which sets out legal implications such as subsidy control and the risk assessment that sets out the high level risks at this stage such as site risks and contractor failure. The budget paper presented in February 2023/24 also has an Appendix for Newtown Works providing a summary.

The project team have a risk register in place which is reviewed regularly by the Officer Working Group as well as the Ashford International Development Company Ltd. The risk register is also submitted to the Department for Levelling up Housing and Communities(DLUHC) alongside monitoring returns on the project on a quarterly basis. DLUHC selected the project for a deep dive review and presented their findings report during 2023/24 with 5 recommendations and 3 remedial actions.

There are significant challenges affecting the project mainly being the Stodmarsh issue that has caused delays and is impacting other elements of the Council's capital plan.

Stodmarsh Lakes

In July 2020, Natural England issued advice to the Local planning authorities located in the Stour catchment, setting out the deteriorating water quality at the Stodmarsh lakes. Legal advice was sought by the Council, which confirmed this issue as having significant material consideration in determining planning applications. As a result, the Council had to put a hold on planning applications , impacting on housing delivery which is reflected in the corporate performance monitoring reports. It has also delayed the Newtown Works development in the capital programme during 2023/24.

A plan for achieving nutrient neutrality to enable new development for housing was agreed by Cabinet in July 2021. The delayed housing development plans is a significant issue as the Council cannot collect s.106 income. In response to the issue, the Council has been working on a mitigation strategy. This will involve identifying suitable land in the borough for strategic wetlands, which can generate off-site nutrient mitigation that can then be secured by developments so they can then be granted planning permission. However, there are challenges with strategic wetlands solution, such as the associated high costs. A recent report by the Local Government Association in March 2023 notes that the Council is of the view that there needs to be government intervention at a national level to help address the issues.

The Council provides regular updates on the issue to Cabinet and notes that a risk is that the Government change the regulatory framework or a law is changed by Parliament which would remove the need for these measures.

Ashford Port Health

The Border Control Post (Port Health) was due to be in operation during 2022/23. However, it has been subject to delays due to the original plans being reviewed by Central Government and the facility is currently in the process of being built. The target for operation of the Port Health facility is the end of 2023.

The Council employs around 54 officers who are required to fulfil the border checks once it is operational. These officers have been assigned to work required by DEFRA and APHA. These staff costs are currently being underwritten by Government. During 2020/21 we raised a recommendation that the Council puts in place a Border Control Post annual business plan and performance outturn that should be reported, reviewed and monitored by Cabinet. We have rolled this recommendation forward for when the facility is due to be in operation.

Conclusion

We have not identified any risks of significant weakness with improving Economy, Efficiency and Effectiveness for the year 2021/22 and 2022/23. We have noted 3 improvement recommendations in relation to procurement and performance reporting. In addition to this, we followed up on the 2020/21 recommendations.

Improving economy, efficiency and effectiveness

Conclusion (continued)

We recommended that the Border Control Post annual business plan and performance outturn should be reported, reviewed and monitored by Cabinet, Audit Committee or equivalent to ensure members have sufficient oversight of performance and risks. As the Port Health facility was not operational during 2021/22 and 2022/23 due to the delays this recommendation has been rolled forward to ensure the arrangements are in place for when it is in operation.

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Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 8	The Council should consider refreshing the performance reports by providing a summary at the start with an overview on progress and status of each KPI and ensuring a RAG status for each KPI. This should be in line with the new Corporate Plan that the Council are developing.
Audit year	2021/22 and 2022/23
Why/impact	Ensuring the performance data is clear will ensure that areas for improvement are identified and can be implemented. If the information is not displayed clearly this could result in areas requiring improvement not being identified.
Management Comments	The Performance Report will be reviewed and brought into alignment with the new Borough Plan

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

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 9	The Council should prepare an interim and/or annual Procurement Report which provides an update on activity during the year and updates on regulations and training. This should be reported to the relevant committee.
Audit year	2021/22 and 2022/23
Why/impact	This would provide oversight of the activity of the procurement function in year to members. This will support transparency for the procurements the body has commenced during the year and a progress update on training and procurement regulations.
Management Comments	This is accepted and the procurement and contract manager has been tasked with producing an annual report.

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

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interest of the Cabinet or of a specific Committee as a whole.	Improvement	2020/21	Interests are declared by members which are available on the individual biographies on the website. However, there is no central online register of members' interests available on the Council's website. The Council should consider the creation of this and publish on the Council website to make publicly available.	No	Yes
2	The Council should consider updating the Risk Management Framework, which was adopted in April 2018, the Council's Risk Appetite Statement and Corporate Risk Register are aligned to the Council's new strategic plans and consider presenting the Cabinet who is executive decision-making body on a periodic basis with the risk register or summary of key corporate risks.	Improvement	2020/21	The Council's risk management framework was updated in November 2021 following the adoption of the Council's corporate plan. The risk appetite has since informed the Council's risk register with risks outside the appetite reported to Audit Committee whose role remains to oversee the Council's corporate risks. We recommend that the Council presents the risk register to Cabinet.	Partially	Yes – Although the Risk Management Framework has been updated we recommend that the Council presents the risk register to Cabinet at least annually.
3	The Council should consider including an analysis which benchmarks its performance against that of other authorities, based on its internal financial management information and in its corporate performance scorecard	Improvement	2020/21	The Council are reviewing this as part of the savings exercise that they are completing for the MTFP for 2023/24 going forward. The Council are meeting with CIPFA stats to see the quality of information that can be produced and have looked at the statistics produced by OFLOG.	No	Yes
4	The BCP annual business plan and performance outturn should be reported, reviewed and monitored by Cabinet, Audit Committee or equivalent to ensure members have sufficient oversight of performance and risks. This will be particularly key if the BCP begins to operate a commercial stand in future.	Improvement	2020/21	The Port Health facility is not yet operational and is due to open late 2023, this recommendation has therefore been rolled forward to ensure the arrangements are in place for when it is in operation.	No	Yes – We recommend this is implemented when the facility is operational.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	Whilst the Council are provided with individual business plans for each of ABCPL's projects, it would be useful for the company to produce an Annual Business Plan to ensure that individual projects fit within the company and the Council's broader vision.	Improvement	2020/21	ABCPL produced a Business Plan for 2022-2027 which is a 5 year plan that the company are working to. This was presented to the Trading and Enterprise Board for agreement and was agreed by that committee.	Yes	No
6	The procurement strategy should be updated more regularly, along a 3-5 year timeline. The Council should also develop and publish a Social Value Policy to sit alongside this.	Improvement	2020/21	The Council is developing the Procurement Strategy and aims to align this with the new Corporate Plan alongside the Social Value Policy.	No	Yes
7	Contract monitoring should take a more standardised approach, with regular reports provided to Heads of Service and escalated to executive management and those charged with governance as appropriate. Monitoring of contract KPIs should be included as standard.	Improvement	2020/21	Officer's have individual responsibility for managing their contracts and how they report to their Heads of Service. The Council has a contract officer that provides information, templates and guidance which covers set up and mobilisation, contract management including contractor performance.	No	Yes

Opinion on the financial statements for 2021/22 and 2022/23

Audit opinion on the financial statements

We have yet to finalise our opinion on the Council's financial statements for 2021/22, although this is nearing completion. We intend to issue an unmodified audit opinion in March 2024.

The Government has proposed a statutory backstop of September 2024 for issuing audit opinions on outstanding audit years. We are currently discussing with management how this impacts the audit of the 2022/23 statement of accounts audit.

Audit Findings Report

More detailed findings on the 2021/22 financial statements audit can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee in November 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. There are no matters to raise in respect of this.

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 2021/22 accounts:

The quality of accounts presented for audit was good. We identified a small number of adjustments to the accounts. The main adjustments to the financial statements relate to:

- the impact of the triennial revaluation of the Kent Pension Fund at 31 March 2022, with the revaluation leading to a reduction in the Council's net pension liability of £4,890,000; and
- a review of the accounting treatment for developer contributions received under Section 106 agreements, with contributions of £5,947,000 previously included under earmarked reserves and £788,000 previously disclosed as creditors now reclassified as Grants received in advance.
- an amendment to increase the balance for Property Plant and Equipment by £1,733,000 so that this agreed to the valuation certificate provided by the Council's external valuer.

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

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

Appendices

Appendix A – Responsibilities of the Council

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

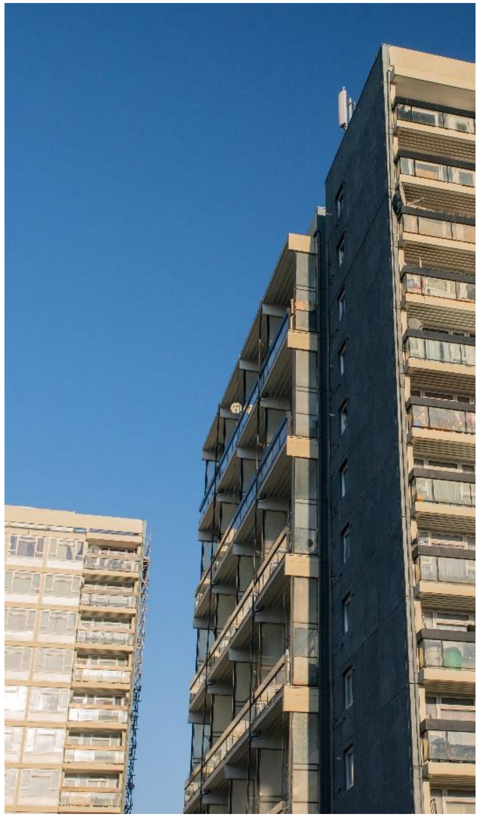
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	13-16, 20-22, 27, 28

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