

Auditor's Annual Report on Telford & Wrekin Council

2020-21

March 2023



Executive summary



Value for money arrangements and recommendations

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks or significant weaknesses identified	Appropriate arrangements in place, two improvement recommendations raised.
Governance	No risks or significant weaknesses identified	Appropriate arrangements in place, two improvement recommendation raised.
Improving economy, efficiency and effectiveness	No risks or significant weaknesses identified	Appropriate arrangements in place, no recommendations raised.



Financial sustainability continued

Despite this uncertainty, and the challenges posed by COVID-19, the Council has maintained a strong financial position. The Council's forward plan is currently balanced with no gaps identified, although we have made a small number of recommendations in respect of medium term planning and considerations of additional revenue streams.

Overall, we are satisfied the Council has appropriate arrangements in place to plan for the future and ensure it manages risks to its financial sustainability. Two improvement recommendations were made.

Further details can be seen on pages 4 - 8 of this report.



Governance

Procedures in place for the identification of risk and monitoring are implemented in line with the strategic risk framework. This demonstrates an all encompassing approach to risk management from the ground up and provides elected members and the public with a clear view of the risk profile of the Council and how these are addressed.

The annual budget setting exercise is aligned to the medium term outlook and key stakeholders both internal and external to the organisation are involved in developing the solution. The consideration of risk, sensitivity and alternative scenarios are well evidenced to ensure informed decisions can be made.

Policy documents and guidance ensure members and officers are held to account for their conduct and the appropriate standards are followed.

Overall, we are satisfied the Council has appropriate arrangements in place to manage risks and provide ample scrutiny, oversight and governance of key decisions. We have identified some opportunities for improvement. Two improvement recommendations were made.

Further details can be seen on pages 11 - 16 of this report



Improving economy, efficiency and effectiveness

The Council has demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources across the areas of our review including performance monitoring, benchmarking, working with partners, procurement and commercial activity. The importance of this in ensuring the Council are a future proof organisation is a recurring theme which cascades from central Council planning documents through to other key strategies and plan to create a cohesive and clear direction for the area.

Further details can be seen on pages 19 - 20 of this report.



Opinion on the financial statements

We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 18 December 2021.

Our findings are set out in further detail on page 22.



Financial sustainability

The Council is operating in an increasingly uncertain financial environment. For the fourth successive year, the Comprehensive Spending Review was a single year spending review. Telford & Wrekin, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 4 to 21. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 Financial Outlook and Ongoing Financial Pressures; pre pandemic position

Typically, councils produce a rolling five year Medium Term Financial Strategy (MTFS), which sets out forecasted budget, outturn positions and impact on reserves for the coming five year period. The report also covers scenario planning and sets out options for achieving required savings and ultimately supports the Council's decision making processes with regards to budget setting.

In recent years, central government has provided a series of one year settlements for local government, which has made budgeting and forecasting a challenge. In response to this, for 2020/21 the Council issued a truncated version of its usual MTFS, covering the period 2020/21 – 2022/23.

Additional complications arose in the form of the COVID-19 pandemic, which impacted the UK at approximately the same time as the Council was undergoing its usual 2020/21 budget setting process and clearly rendered a number of the underlying assumptions around income and expenditure redundant as a result of changes in the ability of the public to access or use services (i.e. leisure services and use of car parks) and the significant additional funding streams provided and changes to expenditure as a result of the Council's (and Government's) response to the crisis.

As such, in considering the Council's arrangements for ensuring financial sustainability we looked at the position as at the budget setting date, considered whether the Council's plans appeared reasonable at that point and considered the changes necessitated by the pandemic as well as the Council's ability to manage this changing environment.

The 2020/21 Service Financial Planning Report was placed before the full Council on 5 March 2020, having been approved by the Cabinet the previous month. The report notes the postponement of the expected central government Comprehensive Spending Review (CSR) – which would have served as the basis for longer term forecasting – until April 2021. thereby necessitating, in the Council's view, another one year strategy with limited medium term forecasting.

The report also notes that the strategy is broadly aligned to the Council's July 2019 "Protect, Care and Invest to Create a Better Borough" strategy, which reaffirmed the Borough's ambition to be known as "the place of enterprise, innovation and partnership". As such, the plan aimed to invest in areas such as Adult and Children's Social Care, using business rates growth as a base to fund these investments.

The overall strategy therefore suggested a net budget of £133.715m in 2020/21 against existing projected funding of £126.342m leaving an overall budget gap of £7.373m. The Council proposed to bridge this budget gap using £2.633m raised from Council Tax and Adult Social Care Precept increases, both set at the maximum permitted (without recourse to a local referendum) level of 1.99% and 2% respectively, with a further £3.306m to be achieved from savings and a shortfall of £1.434m to be covered via the use of one off revenue balances.

Embedded within the plan are assumptions around future costs. These included pay increase assumptions (comprising a combination of pay and inflation assumptions) of 3%, resulting in cost base increases of an initial £3.25m in 2020/21, rising to £10.276m in 2022/23. The plan also factors in the expected revenue impact of the Council's Capital Programme, adding costs of £1.35m in 2020/21, rising to £3.2m, in 2022/23. The Council's assumptions are that income from Nuplace (its housing subsidiary) will help offset these. Detailed information is included in the Council's budget model which is summarised within the report through to 2025/26.

These are mitigated to an extent by a positive improvement in relation to reduced pensions contributions resulting from an improved funding position following the 2019 triennial valuation.

The overall impact of these assumptions is to increase the expected budget gap to £16.219m in 2021/22 and £25.632m in 2022/23. Expected savings increase to £4.5m in both subsequent years and assumes no increase in council tax or Adult Social Care precept, leaving overall shortfalls requiring mitigation via use of one offs, contributions from reserves and potential additional increases in Council Tax and Adult Social Care precept of £9.005m in 2021/22, rising to £18.418m in 2022/23 to achieve a balanced budget.

As part of the process of reporting on their MTFS councils are also expected to present an analysis of reserves and a commentary on their perceived level of robustness.

As at early 2020, the Council's forecast position at 1 April 2021 stated that a total of £19.51m of One Off Funds "identified to support the Medium Term Budget Strategy" would be available, with a further £5.08m in General and Special Fund Balances. Given the overall forecast requirement to find an additional £27m in one off funds to achieve a balanced budget over the course of the 2021/22 and 2022/23 financial years, this suggests that further savings and additional fund raising opportunities would need to have been identified over the course of the subsequent two years in order to achieve financial stability and provide some resilience within the Council's plans.

Impact of the Covid 19 pandemic on financial planning

As the pandemic took hold, emergency funding plans at a central government level began to take shape. Activity levels and cost bases also changed dramatically; lock down conditions changed local people's daily habits, presenting new challenges for safeguarding teams, Adult and Children's Social Care staff and teaching staff at Local Authority controlled schools as individuals and families were obliged to remain at home for extended periods of time. The change in travel and working habits also impacted assumptions around costs associated with business premises as workers were encouraged to work from home wherever possible. Partner organisations in the Health and other Emergency Services sectors were also exposed to quickly changing requirements necessitated by the pandemic and lockdowns, altering their interactions with the Council also (with areas such as support for the vaccination program via provision of facilities for use as vaccination centres a key example). Businesses closed their doors en masse, obliterating footfall in local commercial centres and significantly affecting fees and charges income as a result of reduction of the use of facilities such as car parks.

In response to this, a series of pandemic support schemes were put into place at a central government level. Councils were required to administer grants for businesses and individuals impacted by the pandemic, ranging from grants to mitigate loss of income as well as discounts to business rates mitigated by additional funding government funding.

As at July 2021, within its financial Outturn report to members, Council finance staff reported that, despite the challenges created as a result of the pandemic, the Council had delivered its net budget to within £39k (a 0.03% underspend). Within that position were some significant budget variances however; most notably overspends of £6.3m and £5.45m in Communities, and Customer & Commercial Services respectively, relating to additional cost pressures arising from the pandemic and loss of income in areas such as Leisure Services as a result of mandated closure of Council facilities.

The Council was able to achieve a significant (£5m) underspend in Finance & Treasury Management stemming from continued borrowing at favourable rates as a result of ultra low rates overall during the pandemic

Furthermore, central government schemes were put in place to:

- Reimburse Councils for lost income from sales, fees and charges;
- Allow Councils to spread local taxation deficits over three years; and
- Provide a further gross £500m of non-ringfenced funding to respond to spending pressures.

Under this program, the Council received a total of £15.1m additional revenue funding (not including the circa £80m in business and individual support grants the Council administered on an agency basis) and an additional £5m in respect of sales, fees and charges compensation schemes. to support its revenue budget, with support schemes (such as the government scheme to support lost income from fees and charges) expected to carry on at least for the first quarter of 2021/22 to reflect ongoing pandemic related restrictions and pressures.

Further to the above, the additional support put in place meant that the Council was able to achieve its outturn position without recourse to unplanned uses of reserves and also delivered a further £2.9m of recurrent savings in year. Whilst the level of savings was overall lower than budgeted (£3.3m budget vs £2.9m actual), the overall impact of this did not result in notable budgetary pressures or additional use of reserves being offset elsewhere within the budget. Furthermore, cumulative savings reported in 2021/22 exceeded the level initially forecast (£5.9m vs £4.5m per the prior forecast) and a further increase to Council Tax and Social Care Precept to the maximum available further reduced the expected reliance on use of One Offs to £173k compared to an expected £9m per the 2020/21 forecast.

Expected future reliance on reserves over the subsequent two year period reduced from around £27m in 2020/21's forecast to around £18m in the 2021/22 forecast, comfortably within the £20.29m allocated to support the Medium Term Budget Strategy during the budget setting exercise for the 2021/22 financial year and suggesting an overall improvement in the medium term financial outlook of the Council over the course of the 2020/21 financial year.

Reserves analysis, overall financial robustness and possible future risks

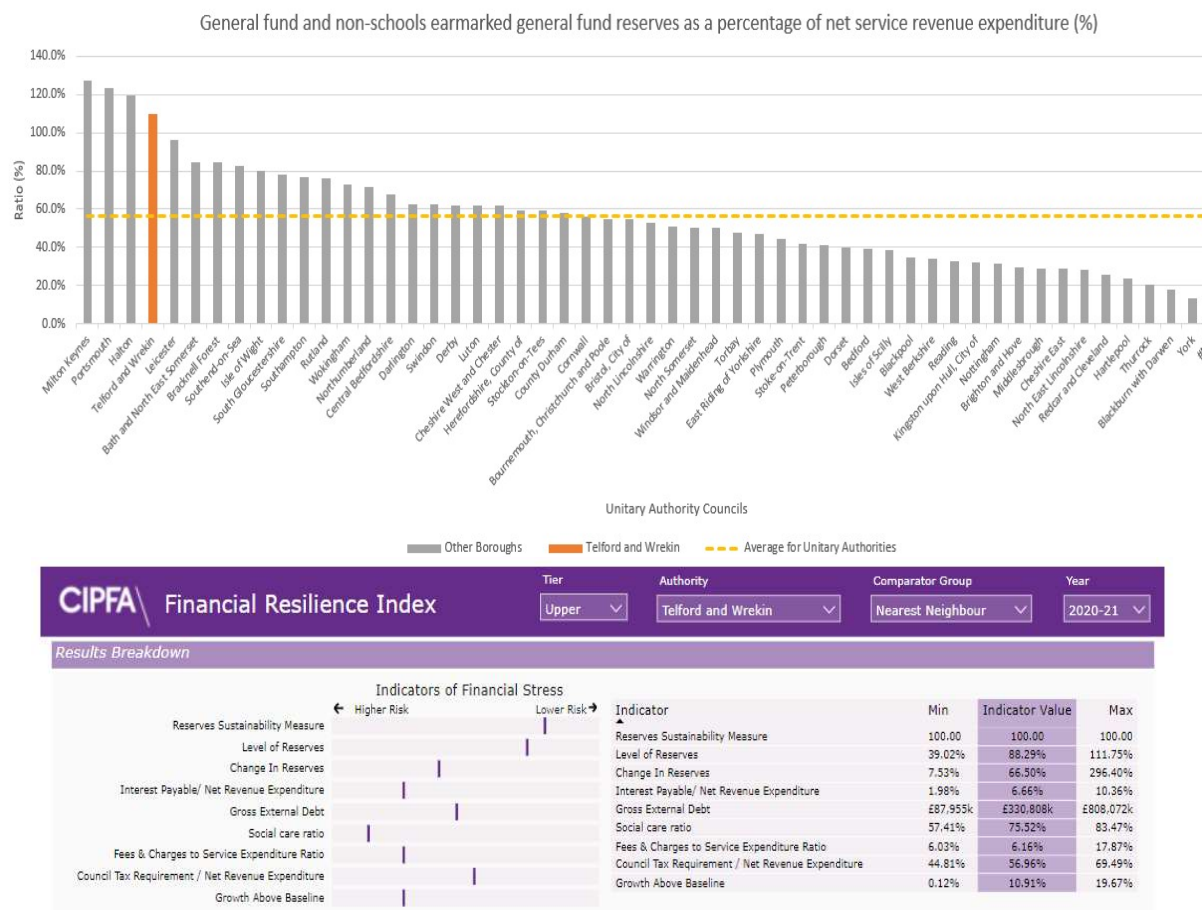
In line with Section 25 of the Local Government Act (2003), Council Chief Finance Officers (or equivalent) are required to make a statement on an annual basis around the overall robustness of their Authority's reserves position. In his statement on the outlook for the 2021/22 financial year, informed by ongoing budget monitoring and financial management processes in the 2020/21 year, the Council's Section 151 officer made the following statement:

"Overall therefore, given the continued delivery of savings which will total £126.4m by the end of this year, the long-term service redesign, particularly in relation to Adults and Children's services, the more commercial approach being adopted and the investment being made in the borough, It is considered that the Council is pursuing a sound financial strategy in the context of both the pandemic and the most prolonged and challenging financial position it has ever faced due to the combined long-term effect of Government grant cuts and increased service pressures. Further, it is considered that the Council maintains an adequate level of reserves and provisions and has an appropriate medium term strategy for the use of reserves."

Our own analysis broadly supports this view. Using available financial statement data, we analysed the positions of 53 Unitary Authorities across the UK and noted that Telford & Wrekin's overall level of non-school general fund and earmarked reserves placed them 20th with £117.840m, marginally below the average from across the group of £120.155m. However, when adjusting for the comparative size of comparator organisations by considering the same value as a proportion of net cost of services, our analysis shows that the Council ranks fourth within the group with a ratio of 110% against a group average of 56%.

CIPFA's Financial resilience index rates the Authority's level of reserves as robust, giving a maximum indicator value of 100 on its Reserves Sustainability Measure and placing the Authority at the lower risk end of its indicators of financial stress scale (opposite).

CIPFA also notes that the Authority is in the middle of the range on its Financing Costs / Net Revenue Expenditure measure at 8.2% versus the average of 10.4% in 2021/22 and 8.8% versus an average of 10.6% in 2022/23.



Whilst being below average these CIPFA ratios still place the Council towards the higher end of the risk scale in CIPFA's analysis. By its nature the CIPFA benchmarking is a relatively broad measure. CIPFA has assessed the councils are relevant comparator bodies but it cannot take into account how capital expenditure has been applied locally. In Telford & Wrekin Council's case no assets have been purchased outside of the Borough and a large proportion of the debt charges relate to regeneration projects to regenerate brown field sites in the Borough and to address a shortage of high quality homes for long term rent in the private rented sector. These also provide returns to contribute towards annual debt charge costs and creates the potential for asset appreciation over the longer-term. Other expenditure has funded construction of industrial units with the aim of generating jobs alongside rental income that will support debt charges with the aim of avoiding additional pressure on the revenue budget position.

Grant Thornton's own analysis places the Council 10th within the Unitary Authority analysis group when considering long-term borrowing as a proportion of Tax and Non-specific Grant Income, with a value of 157.3% against an average of 116% (an increase of 5 places from the prior period) and 19th within the group when considering the level of long-term borrowing as a proportion of non current assets (27.7% against an average of 25.2%, no change in rank from 2019/20).

The Authority has taken on significant levels of borrowing in recent years to support the establishment of its subsidiary, NuPlace, which aims to provide high quality private sector housing at affordable rates within the borough, addressing the long term needs of the local population. NuPlace has been successful in its aim, consistently returning a small surplus to support the longer term budget strategy of the Council. Borrowing taken on by the Council and used to finance the acquisition and development of housing sites appears to have been used effectively, with NuPlace's most recent financial statements showing long term assets valued at £71m against long term liabilities of £40m, suggesting a significant level of equity built up in the company's property portfolio and an asset base which would be saleable in order to cover repayment of the underlying loans if necessary or the Council changed its strategic priorities.

Whilst this borrowing is currently sustainable, over the long term it is possible that the Council may be exposed to increasing risks. Building resilience into its medium term financial planning will enable the Council to mitigate against significant changes in council tax or housing rents to meet cost increases. The Council does however have a track record of sound financial management and holds a significant level of uncommitted reserves contributing towards resilience in the medium term.

As a result of the strength of NuPlace's balance sheet, the Council's current policy around Minimum Revenue Provision is to not set aside balances on an annual basis against properties held by NuPlace on the grounds that the asset base is unlikely to lose value to the point where finance is unobtainable or not possible to repay via a capital receipt. The Council takes a similar view with its wider Property Investment Portfolio (PIP) held on the Council's single entity balance sheet, providing against only a proportion of the value of the PIP. As noted in our ISA 260 report, our view is that this is contrary to the current guidance set out by central government.

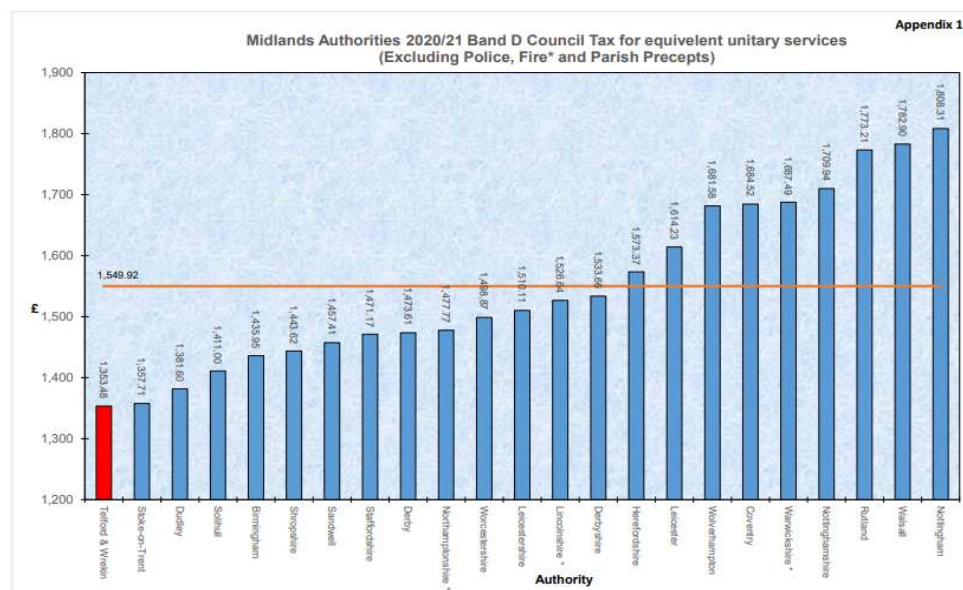
The Government is consulting on updated advice. The Council has approved an MTFs that anticipates allowance will be required for full MRP payments from April 2023 on both housing and PIP. However, it seems likely that the Government will allow discretions in respect of not requiring MRP on loans to wholly owned housing companies and that changes will not be required until April 2024 at the earliest.

Dependent upon the final outcomes of the consultation, when considered in conjunction with the higher risk level attached to the Authority's level of interest payments and the overall levels of financial constraints being felt across the sector, it is clearly important that the Council keep its policy under review.

Other areas of higher risk identified within the CIPFA analysis relate to the Social Care Ratio (social care expenditure as a proportion of net cost of services) and Fees & Charges to Service Expenditure Ratio. Whilst CIPFA places Telford & Wrekin in the middle of its "Near Neighbours" comparator group for Council Tax Requirement/Net Revenue Expenditure, it also notes that the Council achieves Fees and Charges income of 6.16% of its Net Expenditure against a high within the group of 17.87%.

The Council does not levy car parking charges in the majority of its car parks as part of its policy to seek to protect the economies of the district and local centres. The CIPFA profiles are based upon the assumption that higher income from sales, fees and charges gives more flexibility and therefore can help reduce risk. It is for each Council to determine policies based upon local circumstances and priorities but the graphic does show that compared to peers there is scope for the Council to keep their levels of fees and charges under proactive review.

As noted within the Council's Service Financial Planning Strategy document for the year 2021/22. "Council Tax in Telford & Wrekin is currently the lowest across the Midlands region for the services that the Council provides. The average Council Tax at Band D in the Midlands region is more than 14% higher than in Telford & Wrekin. The Council continues to face increasing demands for many services, including Adult Social Care. Whilst the Government have stated for a number of years that they will publish a green paper on how the increasing demand for Adult Social Care services being seen across the country should be funded, no proposals have been issued but rather the Government have again suggested that the cost is funded by council tax payers by the application of a further Adult Social Care precept."



In 2021/22, the Council opted once again to increase Council Tax by the maximum permissible level without recourse to a local referendum in order to support ongoing financial strategy. In the latest budget cycle Councillors have backed a motion to freeze Council Tax for two years for 2022/23 onwards. At a time of high cost of living increases this is likely to be welcomed by local taxpayers. It will of course bring challenges to the Council as it will be subject to the same inflationary pressures within its own cost base whilst at the same time there will be increasing exposure to interest rate risk as rates begin to rise from their record lows in response to growing inflation. Also, whilst the amounts the Council achieves through Fees and Charges income of 6.16% of its Net Expenditure is at the lower end of CIPFA's metrics and therefore means in times of economic challenge the Council is less at risk to reductions it does, somewhat counter intuitively, also put it higher risk in CIPFA's financial resilience index in that there is greater scope to diversify and use these income streams more to support services.

The Council has demonstrated, through a track record of outturns being within budget for the last 15 years, the ability to manage its resources well alongside its commercial activities generating income streams from its wider work with its property portfolio (considered in more detail later in the report). Whilst commercial activities bring inherent risks the Council is aware of these and so far has taken a relatively prudent approach which has served it well. There is also significant on-going economic uncertainty as a result of the impact of the pandemic and global political instability. Against this backdrop the Council should continue to monitor its position and the impact of policies and look to be agile in its responses as the economic environment evolves.

Conclusion

Despite facing an unprecedented challenge in the form of the pandemic and related financial impacts, the Council was able to deliver its planned budget. Reserves remain in a robust position, as recognised by Grant Thornton and CIPFA analysis, and the overall level of reserves the Council has been able to accumulate is indicative of a culture of prudent financial management.

However, in common with all partner organisations in the sector, the Council faces numerous financial challenges in the coming years as the effects of global economic uncertainty converge with continued funding restraint on the part of central government and ever increasing demands on the Council's services.

The Council should therefore continue its philosophy of prudent financial management whilst looking to diversify income streams by further exploring possibilities to develop fees and charges income, ensuring a sustainable approach is taken to local taxation and continuing to work effectively with partners in the commercial and housing sectors.

We have not identified any risks of significant weakness with regards to financial sustainability, but make several improvement recommendations which are detailed overleaf.



Improvement recommendations



Financial sustainability

1 Recommendation	The Council, along with all others, should keep its Treasury Management policy under review in order to ensure there is appropriate modelling and monitoring of potential interest rate and regulatory changes, alongside scenario analysis for potential market shocks, that will impact upon its medium term financial strategy (MTFS).
Why/impact	The Council has a comparatively high level of external borrowing and interest costs compared to net revenue expenditure measure for an organisation of its size and type on CIPFA's index. A significant proportion of this is very long term fixed rate loans - up to 50 years duration. With the recent rate increases this does mean the Council has a degree of protection and the borrowing has primarily been linked to projects that will generate income that is currently projected to continue to at least offset borrowing costs. However, whilst this borrowing is currently sustainable, over the long term it is possible that the Council may be exposed to risks in relation to rising interest costs, asset market shocks and regulatory risks linked to MRP requirements. Failure to adequately plan for these possibilities may impact on service delivery or reserve balances as unexpected budget amendments are required, leading to a longer term impact on financial sustainability.
Auditor judgement	Whilst this borrowing is currently sustainable, over the long term it is possible that the Council may be exposed to increasing risks. Building resilience into its medium term financial planning will enable the Council to mitigate against significant changes in council tax or housing rents to meet cost increases. The Council does however have a track record of sound financial management and holds a significant level of uncommitted reserves contributing towards resilience in the medium term.
Summary findings	The Council has a comparatively high level of external borrowing for an organisation of its size and type. Whilst this borrowing is currently sustainable, and much has been linked to projects that will generate income that is currently projected to continue to at least offset borrowing costs, over the long term it is possible that the Council may be exposed to risks in relation to rising interest costs, regulatory change and asset market shocks.
Management comment	In order to provide private rental sector tenants with high quality alternative properties to rent and to help drive up the standard of other private sector rented accommodation within the Borough, the Council has invested significantly in its wholly owned subsidiary Nuplace. As well as offering high quality secure long-term accommodation from a responsive and responsible landlord Nuplace has been a financial success for the Council. There is over £30m of equity within the company and a significant financial benefit has been received from the investment that has helped to reduce the cuts to front line services that would otherwise have been required. A similar approach has been taken to selected investment, within the Borough, through the Council's Property Investment Portfolio, with a view to securing existing and attracting new employment opportunities. The Council has a long track record of sound financial management having out-turned within budget for over 15, very challenging, years and has a significant level of uncommitted reserves which mean that it is currently in a robust financial position - despite the current national challenges. The council will continue to maintain its medium term budget forecasting model and take regular advice from expert Treasury Management Advisors to ensure that treasury management risks continue to be managed effectively. In recent years treasury management has contributed over £3m pa to the Council's financial outturn position due to the cautious approach adopted by the Council in setting treasury budgets. The vast majority of debt is long term (up to 50 years) fixed rate loans from the Government's Public Works Loans Board and not therefore subject to short term variations in interest rates.

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

Improvement recommendations



Financial sustainability

2 Recommendation The Council should actively review and monitor the diversification and levels of its Services, Fees and Charges income.

Why/impact	The CIPFA Financial Resilience Index shows that the Council has a comparatively low level of fees and charges income when compared to comparator organizations. These can be linked to key priority objectives for the Council i.e. only charging for car parking in Ironbridge and Telford Town Centre, not charging for green waste collection to encourage recycling and reduce fly tipping and continuing with extensive leisure concessions to encourage health life styles. As the current economic circumstances begin to impact and with increasing expectation of reduced public spending by central government (or not matching inflationary pressures in the short-term) the Council is likely to experience increasing budget pressures with statutory caps on increasing local taxation to meet its obligations. Fees and charges will therefore be a discretionary area that the Council should keep under review.
Auditor judgement	Through its commercial activities the Council is generating revenue streams through property and housing revenue streams such that overall income levels are not currently a significant issue. However, increased diversity of, or receipts from, income streams would help make the Council more resilient to future economic circumstances.
Summary findings	Whilst CIPFA places Telford & Wrekin in the middle of its “Near Neighbours” comparator group for Council Tax Requirement/Net Revenue Expenditure, it also notes that the Council achieves Fees and Charges income of 6.16% of its Net Expenditure against a high within the group of 17.87%. This is consistent with the Council’s priorities and objectives but believe the Council should keep this area under active review as one a potential lever for managing the increasingly difficult economic environment for service delivery but recognise a balance must be struck with the impact upon individual’s personal and household budgets.
Management comment	<p>There are both benefits and risks associated with having a higher reliance on Sales, Fees & Charges: while it does provide more flexibility to use income streams to support services and therefore places less reliance on government funding, it also exposes authorities at times of economic crisis (such as experienced during the coronavirus pandemic and in the current high cost of living and potential recession crisis) to potentially large Sales, Fees & Charges income shortfalls.</p> <p>As part of the Council’s ongoing Medium Term Financial Strategy a key strand is actively seeking to generate additional and new income streams; c. 20% of savings proposals in 2020/21, 2021/22 and 2022/23 related to additional/new income. We are however, also mindful of ensuring services, such as leisure and school meals, are accessible and affordable to the whole community and prices are set in this context. The Council only charges at a limited number of car parks in Ironbridge and Telford Town Centre but deliberately chooses not to charge in its Borough Towns and other local centres to support local economies. Green waste collections are free in the Borough to encourage recycling and reduce fly-tipping. Many other councils charge considerable sums for green waste collection. The Council also has an extensive range of concessions available for swimming (e.g. free swimming for young people and swimming for just £1 for over 50’s) etc to encourage active, healthy lifestyles. In addition to sales, fees & charges, the Council’s additional investment in NuPlace and the Telford Growth Fund also results in additional business rates and council tax income thus providing what we feel is a more diverse and balanced approach in terms of risk management.</p> <p>Comparisons made using the CIPFA financial resilience tool have limitations, and indeed the tool itself acknowledges that local narrative is an important component in understanding an authority’s position. The nearest neighbours sales, fees and charges (SFC) comparisons include one authority (with 17.87% total SFC) which has Highways & Transport Income of £41m due partly to a specific capital investment in a toll bridge, compared to the rest of the group average of £2.2m Highways and Transport Income. Other anomalies relate to Adult Social Care client contributions which range from £7m to £19m which will depend on the socio-demographic mix of an area. Clearly, local democratic decisions on priorities for the local area and the relative importance given to supporting local residents through the cost of living crisis compared to maximising income from services provided by the Council are a matter for elected councillors in each locality that need to be taken in to account when preparing the MTFS.</p>

Governance



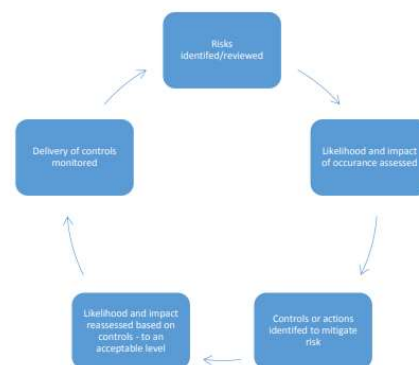
We considered how the Council:

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

Monitoring and assessing risk

The Council's approach to risk management is ultimately governed by its constitution, which sets out the relevant governance arrangements. The Leader of the Council and Chief Executive take lead responsibility for members and officers respectively but the Constitution also stresses that *"it is the responsibility of all employees and members to ensure that the Council's risks are properly managed"*.

The report states that the Senior Management Team (SMT) will regularly review the Council's strategic risks, report to the Cabinet on an exception basis when significant risk management issues arise and keep the Cabinet Member for Finance, Governance & Customer Service updated on their reviews of strategic risks. It is the responsibility of the Leader and Cabinet Executive to receive the exception reports on significant risk management issues arising during the year and agree the Annual Governance Statement.



Further to this, the Council maintains a Risk Management Strategy document which is periodically updated (most recently in December 2018;). The Strategy document lays out in more detail the process for managing risk and identifies the different levels at which the Council expects staff to manage risk. A further review of the risk management strategy is scheduled for this coming year (2022/23) and, moving forward, the Council plans to implement a biennial review, in alignment with other key risk management policies such as those in relation to Anti-Fraud, Money Laundering and Whistleblowing.

The Strategy further clarifies that risks will be managed via a Corporate Risk Register, owned by the SMT, which looks at strategic level risks as well as by Service level management via individual Service Plans. There is then also an independent review of the Council's Risk Management activities which is provided to the Audit Committee by the Audit & Governance Lead Manager.

Organisations within the Local Government sector typically determine a "Risk Appetite", defined by CIPFA as "the amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time." A typical risk management process might be to deem acceptable risk tolerances on impact and likelihood of events, allowing risks which currently exceed this risk appetite to be easily plotted on a visual representation of the risk register. This then allows the entity to focus attention on any risks which currently exceed the acceptable level of risk per the risk appetite.

The Council's approach to risk management is less formalised. Risks are still assigned ratings in terms of likelihood and impact of related events but the overall risk appetite of the entity is less clearly defined (and is not included within the Council's Risk Management strategy document).

Under the Council's approach, officers work to identify emerging risks and report on progress against mitigating existing risks on an ongoing basis. All risks are recorded in a register, including risk description, risk owner, risk scores if uncontrolled, descriptions of the controls in place to mitigate the risk and an overall assessment of impact and likelihood of occurrence once controls are applied.

Public strategic risk management reports also provide information on the direction of travel of risks within the Corporate Risk Register since the previous report. On a periodic basis, officers are required to report on the overall direction of travel and activities taken to mitigate risks as required. Risks can also therefore be added to, or removed from, the various risk registers as required. There is an overall oversight function performed by senior management (with a view to taking ownership of the policy, collating and reporting information and championing the process) and members, in particular in the Audit Committee and Cabinet, with a view to providing effective review and challenge and overall strategic direction.

We have reviewed example reports to the Cabinet and Audit Committee and are satisfied that they are both sufficiently detailed and timely to support adequate Risk Management processes. We also note that the Corporate Risk Register was, and continues to be, reported to the Audit Committee with sufficient frequency. However, we feel that the Council could make its level of risk appetite clearer in public facing documents and enhance the way it visualises risk management processes to increase the level of understanding of users of the reports.

Internal Audit

To support the Risk Management and wider Governance functions, the Council employs an Internal Audit function. This service operates under a standard charter, as required by the Public Sector Internal Audit Standards, and provides risk management, internal audit, advice and investigatory services to the Council. They review and give assurance on the controls in place to manage the key risks facing the Council and perform wider scope "horizon scanning" to feed into discussions and considerations of emerging risks.

To do this, a programme of audits are devised which are discussed and agreed with senior and service level management before the start of each financial year. The aim of each audit is to give an independent and objective opinion to managers on the adequacy of controls in place to manage risks within services.

A report is issued for every audit which documents findings and incorporates an action plan which has been agreed with the relevant manager to address any weaknesses. Recommendations are made which are then tracked and followed up on with ongoing reporting also undertaken by the Internal Audit function with regards to direction of travel and completion of recommendations.

Internal Audit report to the Audit Committee on the results of each audit and the progress with delivering the annual audit plan. Regular liaison meetings are also held with management to ensure that Internal Audit work continues to contribute appropriately to key risk areas across the Council.

Having worked closely with the Council's Internal Audit function over several years, we note that there is a stable team in place, with a high level of experience and knowledge of the Council, its partner organisations and the wider local government sector. From attendance at Audit Committee and review of reports produced by Internal Audit we are satisfied that these are sufficiently detailed and of high quality.

As noted by the Council's Head of Internal Audit within the Internal Audit Annual report, *"completion of planned Internal Audit work has significantly reduced in 2020/21"* as a result of *"all Council services being asked to contribute to supporting the community in respect to the response to COVID-19 throughout the year"* and *"Internal Audit officers being nominated to designated COVID-19 related tasks due to their skill set"*. This is in line with our expectations based on experiences within the sector stemming from the high level of remote working necessitated by pandemic conditions. However, remote working and a reduced level of work available to be performed by the Internal Audit function inevitably increases the level of risk that controls may not be operating effectively.

From discussions with the Chief Internal Auditor and team, their view is that the Council transitioned effectively to remote working in most aspects and key controls continued to operate effectively with most functions such as approvals and review of documents able to be performed remotely. The Chief Internal Auditor's report also notes that *"Internal Audit have not been refused access to any services throughout 2020/21"* which reflects the view that the lower level of activity was necessitated by pandemic conditions as opposed to any specific risks around fraud or non-operation of controls.

As part of the annual reporting process, the Chief Internal Auditor is required to "review the effectiveness of the governance, risk management and control processes of the Council to aid improvement, provide a level of assurance and an opinion on them to the Council" For 2020/21, the report concluded that "there has been a reasonable level of assurance that the governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework" and "sound governance arrangements are in place".

Anti-fraud, bribery and corruption

The Council has a counter fraud, bribery and corruption framework which is underpinned by a commitment to "openness and honesty which supports the Council's commitment to zero tolerance in respect to fraud, theft, bribery and corruption" and seeks to "frustrate attempted fraud, theft, bribes or corruption" in order to support the organisation's overall strategic aims.

There is a standing Counter Fraud and Corruption policy which outlines this framework as well as the approach to managing the associated risks across the organisation. The policy sets out the expectation that “members, employees, partners, volunteers and governors play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud, theft, bribery and corruption, regardless of seniority, rank or status, confident in the knowledge that such concerns will be investigated and wherever possible be treated in confidence.” Similar expectations are extended to the Council’s suppliers, contractors and members of the public.

The Council’s policy is clear that members are answerable to the citizens of the Borough and carry an expectation to safeguard the Council itself and the taxpayer’s funds it is entrusted with in order to ensure it is appropriately employed. In addition to the policy itself, a Code of Conduct for Members exists and members are also expected to have regard from the Council’s Constitution and all relevant legislation.

The policy sets out the processes via which management, in conjunction with employees in general, will minimise fraud from the recruitment stage onwards by reinforcing the Council’s Values and Employee Code of Conduct, ensuring that adequate training is in place at all stages to enable staff to ensure compliance with relevant legislation and policies, regular updates and reminders of support available and engendering a culture where staff feel supported and secure to speak up.

Internal and External Audit also have key roles in the process. Internal Audit are actively involved in process of identifying and enforcing measures against fraud via the establishment of an investigations team, with the Chief Internal Auditor taking a key role in this process. Internal Audit regularly communicate with External Audit counterparts with regard to any issues identified in order to inform the overall risk assessment of the latter. During the 2020/21, we were not made aware of any material instances of fraud and can confirm that there is a culture of openness and transparency with our relationship with the Council’s team.

The policy also identifies External Audit as key stakeholders in the anti fraud process. Whilst our focus in this area is different (our remit is narrower, focusing on the risk of material fraud – deemed to be relating to a balance, omission or similar which would alter the economic decisions of a user of the accounts – as opposed to the wider, operational level focus of the Council’s internal teams), we maintain a focus on the possibility of fraud throughout the external audit process.

This begins with our overall risk assessment which is informed by management’s responses to the Informing the Risk Assessment document (which sets out management’s understanding of controls in place in relation to areas which may be susceptible to fraud such as Related Party Transactions as well as details of any frauds identified) and an ISA 540 Estimates letter which sets out management’s detailed processes for arriving at estimate calculations which informs our assessment of the possibility of the existence of management bias in arriving at these estimates. Both documents are presented for the review of members of the Audit Committee at the planning stage to ensure that members are given the opportunity to challenge and fully understand the Council’s processes in these areas.

The possibility of bias is also a key focus of our audit program via our work on management override of controls, as part of which we focus heavily on the possibility of the use of “manual” (as opposed to system driven) accounting entries to override controls and present a false picture of the Authority’s financial position. During 2020/21, as per our ISA 240 Audit Findings Report, we did not find any issues which would point to a concern in this area.

Budget setting process

The budget setting process is driven internally by the Section 151 Officer, who communicates the process and timelines accordingly. Individual budget holders are asked to feed into the exercise by considering revenue cost and demand pressures in their respective service lines as well as potential capital costs. Officers are also asked to consider issues such as time limited costs, one off costs and possible savings, supported by narrative and considerations of relevant assumptions.

The budget is then compiled by Finance staff and presented to relevant Finance and Audit Committees for scrutiny and challenge before being presented for debate and ratification by the Cabinet and then Full Council. The Medium Term Financial Strategy (MTFS) is also refreshed on an annual basis as part of the budget setting process, with the relevant governance bodies also presented with options and sensitivity analyses to support their decision making processes. Furthermore, on a quarterly basis management present a document detailing progress against the Financial Strategy to Cabinet, which contains variance analysis against forecast as well as information on agreed changes to the budget and impact on strategic direction.

We note from our review of the Service Financial Planning Strategy document that, whilst Finance staff present a high level of detail on areas of uncertainty and the report itself is supported by a number of appendices providing further detail and supporting evidence for many of the underlying assumptions, the Council’s budget reports do not typically contain ranges of possible outcomes. Our view is that when reviewing its approach to risk appetite it consider whether present pessimistic, mid range and optimistic scenarios for the underlying assumptions could assist members to understand the context and impact of their decisions.

Also contained within the budget setting reports is a detailed analysis of savings delivered to date and an analysis and breakdown of the Council’s process for identifying and delivering savings. The current approach acknowledges that, with more than £120m of recurrent savings having already been delivered by the end of the 2019/20 financial year, ongoing savings will be harder to identify and a new approach will be required. In response to this, development of savings proposals was uncoupled from the annual budget setting process, with members and staff instead encouraged and empowered to identify and act on savings proposals as they arise, thereby enabling the budget engagement process to become a “live”, ongoing process and thereby more flexible than an annual assessment.

Leadership and committee effectiveness/decision making

The effectiveness of the Authority's political and professional leadership and the various committees through which governance functions are controlled is subject to scrutiny at various levels. As previously described, the Authority employs both internal and external audit functions which provide annual reports and opinions on the operation and effectiveness of the Authority's control environment, the material accuracy of its financial statements, compliance with relevant reporting frameworks and standards of its Annual Reports and Governance Statements, and the adequacy of the arrangements it has in place to secure Value for Money for the local populace in its use of resources.

Whilst External Audit will no longer be required to provide a Value for Money opinion from 2020/21 onwards (focusing instead on risks of significant weakness via the Annual Auditor's Report), during the prior period the Council achieved an unqualified Value for Money opinion along with two successive unmodified external audit opinions on the financial statements. As referred to previously, the Chief Internal Auditor also concluded that there were adequate controls in place during 2020/21.

During June 2021, the Council also took part in the LGA Corporate Peer review process, during which the Council invited a group of senior leaders from peer organisations to interview a wide ranging group from across the Council's service lines with the aim of identifying recommendations or areas of concern for future development. The report focused on an assessment of the Council's "organisational leadership and governance" and "capacity to deliver" (as well as focusing on wider areas such as understanding of place and financial planning).

The report concludes that "The council can be very proud of what it is achieving, with it clearly being very ambitious, top-performing in key areas and striving constantly to deliver for local people ... The authority is held in high regard as a partner, founded upon credibility and a convincing track record of delivery and it is very highly trusted ... 'Telford & Wrekin fights for Telford and Wrekin' is a theme strongly associated with the council."

Specifically in relation to organisational leadership, the report notes that "there is strong and effective political and managerial leadership of the council "The leaders, at both Cabinet and Senior Management Team (SMT) level, are highly visible to people in the organisation and are felt to be approachable and engaging." The LGA's findings are consistent with our own and those of the Council's internal audit function, building a picture of a local authority with an effective and prudent leadership. The report makes a small number of recommendations, principally around continuing to develop data led approaches to working and building relationships with partner organisations, though none of the recommendations are critical of the Council and are broadly focused on continuing and further developing good practice, again consistent with the findings of other reviews.

There is also evidence that the Council engages effectively with public stakeholders. There are various mechanisms via which the public are able to engage with the Council and feed into decision making processes or register their views, ranging from:

- the options to consult online,
- in person as part of the budget setting and savings identification process (as identified earlier in the report), and
- consultation events with key groups.

These are alongside the wider complaints and feedback procedure, which is reported on periodically via regular Customer Feedback Reports which feed into the Annual Customer Feedback and Complaints Report. Consultation events are also held with key groups. The 2020/21 edition of this notes an improvement in the direction of travel, with a 16% decrease year on year in the number of complaints received and a corresponding 35% increase in the number of instances of positive feedback received. The overall level of satisfaction with the Council felt by members of the public is reflected in the findings of the Summer 2020 Residents Survey, with 82% of "residents who responded indicating they were satisfied with Telford and Wrekin as a place to live."

In addition to consensus building with the public and engagement with external reviews, Council committees and wider governance function participants participate in self assessment processes. As well as the overall self assessment of the effectiveness as part of the Annual Governance Statement (AGS) process, we also note self assessments within the work plans of committees such as the Audit Committee and use of performance indicators to measure performance and drive improvements at service line level and within areas such as Internal Audit.

NuPlace and the wider Property Investment Portfolio



Per the Group Accounts, the Council and its subsidiary NuPlace hold a highly material investment property portfolio (valued at £179m as at 31 March 2021). This is split between legacy commercial and industrial holdings received from the Telford Development Corporation as part of the establishment of Telford new town, further investments within the Property Investment Portfolio as part of the Council's wider strategy to develop commercial income and in conjunction with programs such as the Growth Fund and the development of key projects within the Borough such as the Southwater complex, and approximately £70m in investment properties and housing development sites held by NuPlace.

As noted in the financial sustainability section of the report, the Council has a comparatively high overall level of external borrowing and levels of interest payments (currently offset by the rental income from investment properties and the market rate of interest charged to NuPlace) when considered as a proportion of the overall budget and, as such, strong governance arrangements in relation to decision making processes on projects to undertake or investments are crucial to mitigating the associated risks.

Consequently, the Council has a number of internal bodies in place to consider, challenge and approve business cases and related applications for funding for proposals. With regards to NuPlace (the aim of which is to act as a provider of quality, private sector rented accommodation to address the local demand) a Housing Investment Board is in place which includes the Council's Chief Executive, Director of Property Investment, Section 151 Officer

Cabinet portfolio holders for regeneration and housing investment and expert representation from NuPlace itself. The board is specifically designed as a joint member and officer board (with the unusual addition of officer voting rights) to ensure that an appropriate blend of professional expertise and political representation is fed into the decision making process.

Business cases are developed at management level and are brought to board for debate and scrutiny. The thresholds for approval are on the prudent side and many projects are not approved. As part of the VfM assessment process, the engagement team viewed an example proposal to the board; initial reports are prepared detailing information on the site and related constraints and strengths, an overall site plan and outline of the proposed development, conditions relating to planning and issues such as likely levels of Section 106 contributions, searches information and financial viability modelling including assumptions around expected void rates, revenue and capital costs and likely rental yield. The reports are then debated and scrutinised before a final conditions report and presentation is brought before the board for approval. From our review of the processes and level of documentation, there is a high level of scrutiny and appropriate expertise in place during the process.

There is also evidence of the success of the governance process through the continued success of NuPlace. As noted within the November 2020 Business Case update, the original business plan was underpinned by expert input from Savills. As at November 2020, the project had delivered 466 properties fully developed or in development against a planned level of 425 (of which 55 properties are available for affordable rental), void levels were running at 1.88% against a prudent estimate of 3% at inception and capital growth over build costs of 17% as at March 2020 (a trend which continued into the 2020/21 year and beyond, as noted in the financial sustainability section of the report).

A NuPlace specific Risk Register is also in place, with regular updates on Risk Management brought to Housing Board Meetings. The board also receives regular monitoring reports, focusing on areas such as void levels, rent arrears and maintenance and repair costs.

In terms of strategic direction, the Council is looking to understand the demand for specialist adaptations to housing to enable elderly or otherwise vulnerable tenants to remain in their homes, a move which may enable savings via avoiding retrofitting homes after the fact. Innovations such as the "Virtual House", via which local residents can access information on tools and services to assist continued home living will assist with this project.

There is substantial evidence that the NuPlace project is underpinned by strong levels of oversight and expertise, identifying and supporting a genuine need in the Borough and delivering strong financial returns for the Council and group. As noted in the financial sustainability section of this report the Council will need to assess the impact of any changes proposed by government on MRP guidance in respect of its current policy but we note that the Council has fully budgeted for the 'worst case scenario' in its MTFS from April 2023.



Via the Growth Fund, the Council continues to expand on the portfolio of industrial and commercial sites bequeathed to it by the Development Corporation with the aim of supporting the overall tax base of the Borough through rental income, supporting the attraction of new and retention of existing jobs in the Borough.

Council staff noticed a developing trend of existing tenants looking to move out of the Borough due to a lack of availability of larger industrial units. In order to avoid the exit of healthy, growing businesses from the Borough and the related impact on Non Domestic Rates income, as well as to support the provision of good quality jobs to match growth in housing around the Borough, the Telford Growth Fund was set up with an initial £50m available for the development of new properties for inclusion within the PIP.

There is a similar process for identification and approval of new projects in place as for housing; cases are first presented to the Council's internal property expert and then considered by the Section 151 officer. Projects which successfully pass this initial scrutiny are then presented to a Cabinet member for approval and sign off. A Rapid Decision Making process is in place to allow the Council to move quickly to take advantage of available opportunities.

The Council has also used the Growth Fund to invest further in industrial land sites via the Telford Land Deal, an arrangement with Homes England which has seen Telford invest around £20m in existing sites owned by HE with a view to inputting infrastructure and attracting businesses providing jobs, additional rates income and supporting housing developments. The Council has also been able to leverage its relationship with the West Midlands Combined Authority (WMCA), who also have an interest in development in this area and have contributed to development of some of the sites. Telford's arrangement with Homes England sees the Council retain 85% of the capital uplift in values in developed sites. With potential new occupants given the option to buy as well as rent sites, this is a significant opportunity for the Council, with the related profit share expected to be highly significant.

The Land Deal is overseen by a Land Deal Board which the Property Director and Chief Executive attend. The Board considers proposals in a similar manner to the Growth Fund board and is able to act proactively to capitalise on commercial opportunities. The Land Deal Board also publishes an annual report to members detailing its progress and outcomes of investment. The 2020/21 report notes the sale of 4 commercial sites and 6 residential developments, earning the Council a net profit share (after distribution to the Marches LEP) of £2.37m in year. The cumulative profit share generated for the Council via the Land Deal is thought to be around £6m, with 941 new homes and 1726 jobs brought to the Borough yielding Council Tax and Non Domestic Rates income of £1.175m and £2.8m respectively. The Council is able to recycle these funds back into the local economy, supporting further growth.

The Land Deal also received independent oversight and scrutiny via reporting to MCHLG (now DLUHC) and members of the WMCA, providing further opportunities to take on board insight and commentary.

Child Sexual Exploitation (CSE) inquiry

Following media and public interest in historic cases of CSE which took place in the Borough, in 2018 the Council unanimously voted to commission its own independent inquiry into the facts surrounding those cases and the actions of the Council and its partner organisations in safeguarding vulnerable individuals.

The inquiry stems from the relationships built between partner organisations following the conclusion of Operation Chalice which, beginning in 2008, worked to identify and prosecute individuals involved in the exploitation of children and young people, resulting in the conviction of seven individuals for a total of 49 years. Telford was the first area of the UK to begin an investigation of this nature and the second to secure convictions against the perpetrators. Since that time, a task force has remained in place (comprising Council and partner organisation, including police, staff) to identify and support victims or those thought to be vulnerable to abuse. The Council has also carried out various internal reviews of its arrangements in this area and has received positive regulatory feedback on efforts to combat the issue. In 2016, Ofsted described the Council's work in this area as "strong" and received an overall effectiveness rating of "outstanding" in the Council's latest regulatory review, as at January 2020 and published in March that year.

The Council's website has a prominently displayed section which provides service users information and links relating to support and understanding of issues around CSE. The website also links to the website of the independent inquiry, through which victims are also given an opportunity to report instances of abuse or provide evidence in relation to historic cases.

Working in conjunction with (and with the support and consent of) victims of historical cases, the Council took the further step of commissioning law firm Eversheds Sutherland as the Commissioning Body for the inquiry in 2019. An independent Chair was also appointed and the process of gathering evidence began. At the time of writing, the inquiry is nearing a conclusion, currently undergoing a process of "Maxwellisation" (the process whereby individuals who may be criticised in the report are given a private right to reply to avoid unfair reputational damage) and expected to report shortly.

The Commission reported on 12 July 2022 and made 47 recommendations. The report reflects that the Council's and partners practices have been transformed since 2016. The Council is now responding to the recommendations by developing an action plan including working with:

- survivors to help shape how we implement the recommendations; and
- partners to ensure a good governance structure and to ensure all partners hold each other to account.

The Council has already implemented 2 recommendations in respect of budgetary commitments and counselling. We will monitor the outcomes and report further in future Value for Money conclusions.

Conclusion

We are satisfied that the Council has robust and appropriate risk management arrangements in place but believe they could be further enhanced through the Council making its level of risk appetite clearer in public facing documents and enhancing the way it visualises risk management processes to increase the level of understanding of users of the reports.

The Council voluntarily asked the LGA to review its arrangements with the LGA concluding the Council was ambitious, top-performing in key areas and striving constantly to deliver for local people. The LGA's findings are consistent with our own and those of the Council's internal audit function, building a picture of a local authority with an effective and prudent leadership. The LGA report makes a small number of recommendations including expanding its Service Financial Plan to a full Medium Term Financial Strategy.

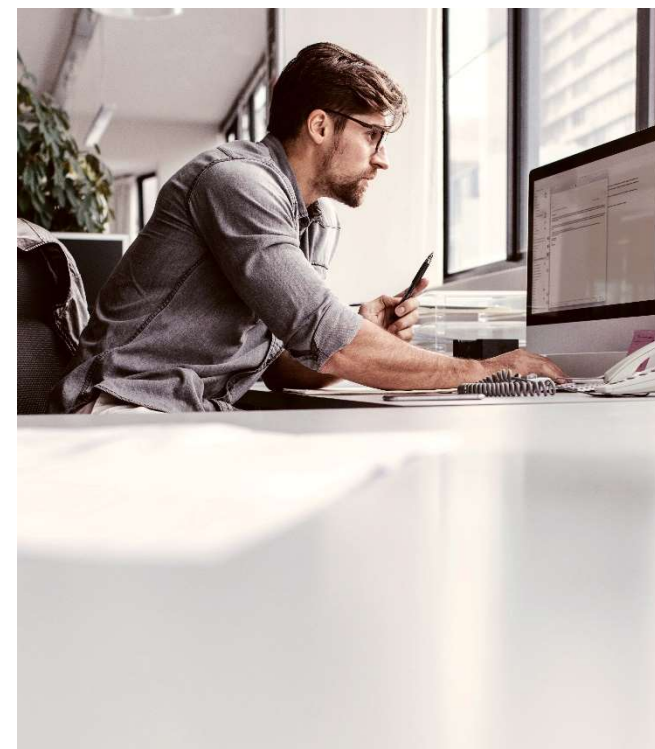
There is evidence that the NuPlace project and Land Deal are underpinned by strong levels of oversight and expertise, identifying and supporting a genuine need in the Borough and delivering strong financial returns for the Council.

The Child Sexual Exploitation inquiry has very recently reported. There are a number of recommendations for the Council and its partners to address. The Council is developing an Action Plan to address those specifically directed at it. We propose to report more fully upon this in our 2021-22 report. Subject to our review of the CSE report we have not identified any risks of significant weakness which require immediate reporting with regards to governance but make several improvement recommendations which are detailed overleaf.

Improvement recommendations

Governance

3 Recommendation	The Council should more clearly define its risk appetite and consider the use of defined risk tolerance within its risk management processes.
Why/impact	This will enable the Council to take a more focused approach to Risk Management and assist with reporting to members and other stakeholders, thereby reducing the risk related to omitting or missing key risk areas.
Auditor judgement	We are satisfied that the Council has robust and appropriate risk management arrangements in place but believe they could be further enhanced through the Council making its level of risk appetite clearer in public facing documents and enhancing the way it visualises risk management processes to increase the level of understanding of users of the reports.
Summary findings	We have reviewed example reports to the Cabinet and Audit Committee and are satisfied that they are both sufficiently detailed and timely to support adequate Risk Management processes. We also note that the Corporate Risk Register was, and continues to be, reported to the Audit Committee with sufficient frequency. However, we feel that the Council could make its level of risk appetite clearer in public facing documents and enhance the way it visualises risk management processes to increase the level of understanding of users of the reports.
Management comment	The Council is planning to review its Risk Management Strategy in the current financial year [2022/23]. As part of this review, it will take into account this recommendation and, in particular, ensure that the strategy articulates the general risk appetite of the Council and seek to provide visual representations to reflect the risk management process.



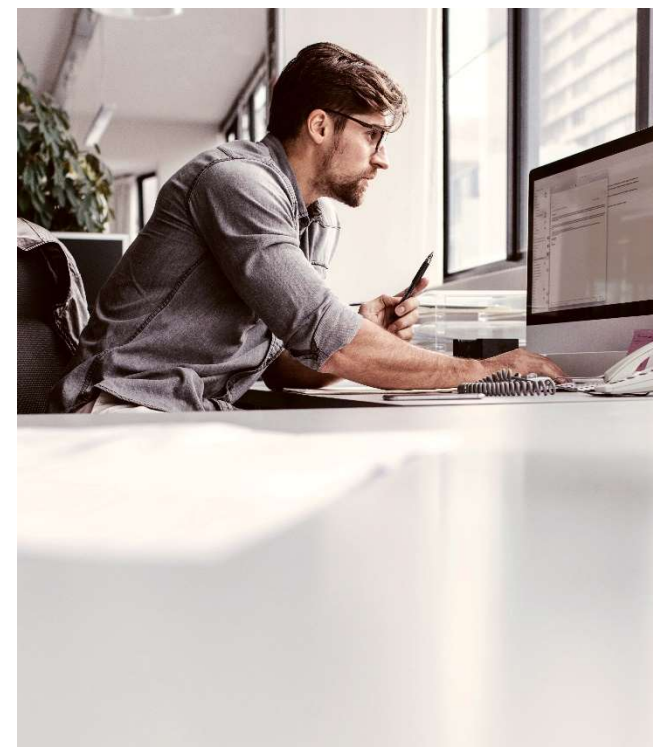
The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

4 Recommendation	In line with suggestions from the LGA following its peer review, the Council should look to expand its Service Financial Plan to a full Medium Term Financial Strategy.
Why/impact	The shorter term timelines of the Council's current financial planning, whilst understandable in a time of uncertainty, may ultimately clash with the need to develop a longer term strategic narrative via the Council's Corporate Plan and supporting programs such as its residential and industrial property investments.
Auditor judgement	The LGA's findings are consistent with our own and those of the Council's internal audit function, building a picture of a local authority with an effective and prudent leadership. The LGA report makes a small number of recommendations including expanding its Service Financial Plan to a full Medium Term Financial Strategy.
Summary findings	<p>During June 2021, the Council also took part in the LGA Corporate Peer review with the report focussing on an assessment of the Council's "organisational leadership and governance" and "capacity to deliver" (as well as focusing on wider areas such as understanding of place and financial planning).</p> <p>The report concludes that "The council can be very proud of what it is achieving, with it clearly being very ambitious, top-performing in key areas and striving constantly to deliver for local people ... The authority is held in high regard as a partner, founded upon credibility and a convincing track record of delivery and it is very highly trusted ... 'Telford & Wrekin fights for Telford and Wrekin' is a theme strongly associated with the council."</p> <p>The LGA's findings are consistent with our own and those of the Council's internal audit function, building a picture of a local authority with an effective and prudent leadership. The LGA report makes a small number of recommendations including expanding its Service Financial Plan to a full Medium Term Financial Strategy.</p>
Management comment	In response to the LGA peer review, the 2022/23 budget was presented as part of a MTFS covering the four year period 2022/23 through to 2025/26 rather than as a one year service and financial planning strategy. In their follow-up review, the peer assessors acknowledged that good progress had been made by the Council. Work is ongoing to extend the MTFS to a five year planning horizon from 2024/25 onwards. More robust forecasts of expenditure tend to be possible as opposed to projections of resource availability given that the Government have confirmed that only a 2 year settlement will be provided for 2023/24 and 2024/25 (although this is now in some doubt and, yet again, a one year settlement is perhaps more likely) which makes effective longer term financial planning very difficult as values of future key funding streams will be unknown.



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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance Monitoring

Alongside its budget setting and monitoring processes, the Council develops a strategic level Council Plan, which sets out the Authority's core priorities and outlines how the Council intends to deliver against each of these priorities and monitor performance. The plan is typically refreshed on a triennial basis with the 2019/20 to 2021/22 plan based around the Council's stated aim to "protect, care and invest to build a better borough" being refreshed from 2022/23 onwards.

The Council monitors performance against the plan via its scrutiny and performance monitoring system. Directorates are given a number of Key Performance Indicators (KPIs) to track performance. A data analysis tool, Power BI, is used to visualise this data via a number of dashboards which can be used to present performance at summary level to scrutiny committees and Senior Management meetings. Dashboards can be filtered by relevance to a particular priority; for instance, directorate KPIs can be filtered by complaints to track information such as number of complaints received, response times and outcomes. Directorates are also monitored proactively as well as reactively, for instance Highways Management is tracked on areas such as the number of potholes identified and response times.

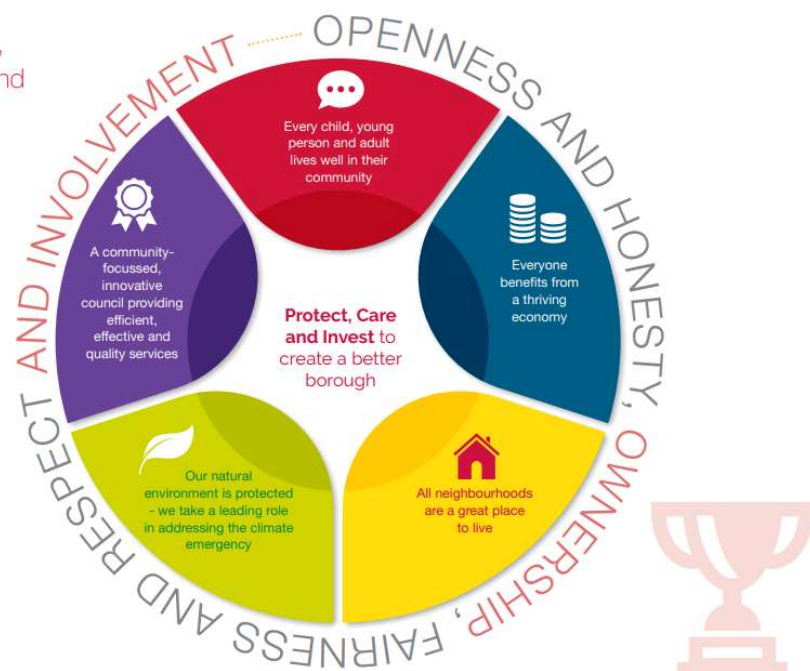
Power BI enables the Authority to make comparisons by Directorate and identify areas where more complaints or more costs are arising and begin to explore trends and understand what the implications are for the wider Council. Positive outliers are also assessed to determine whether there are any indicators of unreliable reporting or inconsistencies in approach.

Performance data is summarised by Directorate management into report form which is taken to the various scrutiny committees areas such as Business and Finance, Children and Young People, Communities, Environment and Health as well as Strategic Level Scrutiny Management Board which takes a high level view of the process as a whole. Members on these communities can challenge and drill down into performance data to ensure trends and arising issues are understood.

Performance data at summary level is also taken to the Cabinet's periodic Business Briefing. Data from these presentations will then typically filter into Committee reports for decision making processes with KPI data typically used to support policy recommendations. The Council's process also ensures that there is adequate legal services input into every report that may be used for decision making purposes to ensure that the Council does not take a course of action outside of its powers. In addition to the regular scrutiny committee and Cabinet reviews, weekly meetings take place between the Authority's Chief Executive, Section 151 Officer and Monitoring Officer to consider any issues and trends as they arise as well as ensuring that appropriate legal and financial input has been provided into any reports which may be used for decision making purposes.

The Council is a high performing authority. As touched on elsewhere in the report, the Council has been recognised as outstanding in its latest Ofsted report in 2020. It has also received positive outcomes in external reviews by the Care Quality Commission and its Corporate Peer Review from the Local Government Association, in addition to a strong track record of budget management which supports our view notion that its performance monitoring processes are sufficiently robust.

Our Vision,
Priorities and
Values



There is also clear evidence that the Council has taken proactive steps to respond to historic performance issues, such as its voluntary convening of the CSE Commission to review historic events and identify an action plan to further strengthen arrangements in future.

In addition to the various Committee reports to support policy and decision making, the Authority presents an annual Council Plan report, a public facing document detailing performance against the plan in year. From 2022/23 onwards, the Council will also provide enhanced Financial Monitoring reporting to Scrutiny Committees.

Partnership working

The Council participates in various strategic partnerships with partner organisations from across the region. The Council has demonstrated effective partnership working with West Mercia Police in relation to its ongoing work in the area of CSE. The Council also participates in the Telford & Wrekin Health & Wellbeing Board which provides a vehicle for local government and other partner organisations to feed into the conversation around integrated provision of healthcare in the region as the local system moves towards implementation of the Shropshire, Telford & Wrekin Integrated Care Board (ICB). The Council also participates in a local Joint Committee, West Mercia Energy, in conjunction with Shropshire Council, Herefordshire Council and Worcestershire County Council, which operates as a buying organisation, delivering savings on energy bills across the Midlands region and returning a small surplus to support delivery of the owner authorities' budget positions on an annual basis.

The Council is an associate member of the West Midlands Combined Authority, with a view to increasing collaboration with partner authorities across the wider West Midlands region. The Combined Authority has worked with the Council on its project developing the former Telford Corporation land as part of the Council's deal with Homes England, which has already delivered positive economic returns to the Council.

Conclusion

We are satisfied that the Council has robust and appropriate performance management arrangements in place. It has received positive outcomes in external reviews and can demonstrate that where there are performance issues it does not shy away from addressing them.

The Council can demonstrate good partnership working and examples where its initiatives have delivered positive economic returns to the Council. Overall, we have not identified any risks of significant weakness with regards to economy, efficiency and effectiveness.

COVID-19 arrangements



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

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

As the Covid 19 pandemic began to take hold in early 2020, lockdown restrictions were put in place across the UK, millions were placed on furlough and ways of working fundamentally changed for nearly all organisations.

From a Council perspective, local authorities were permitted to hold virtual meetings from 4 April 2020, when regulations came into force. These are the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (SI 2020/392), made under section 78 of the Coronavirus Act 2020.

These regulations applied to all local authorities in England and Wales, including parish, town, and community councils. They specify that a 'meeting' of a local authority can lawfully take place online, with members 'in remote attendance' who can hear and be heard by, and if possible see and be seen by, other members. Therefore, from April onwards the Council held all meetings virtually and these were streamed live and recorded for later consumption. It should be noted that while these arrangements were put in place, a small number of meetings were cancelled however this is not outside of our expectation and is consistent with other local authorities.

Internal Audit also supported with consideration of control operation during pandemic working conditions, ensuring that questions around changes to processes and controls were included in their approach to all reviews carried out during this period.

Clearly, finance was impacted significantly by the pandemic, with major changes to the in year financial strategy having to be made almost as soon as the 20/21 budget had been approved.

Regular financial monitoring reports were made to Cabinet from July 2020 onwards monitoring forecast additional pressures and available funding. The initial expected position reported in July 2020 was projected pressure of £20.7m in addition to a projected shortfall of £8m in relation to business rates against £10.1m grant funding received, resulting in a net pressure of £18.6m requiring financing solutions from within the Council or other external sources.

Cabinet voted to delegate responsibility to the Council's Section 151 officer to analyse the situation and make changes as required to the Service and Financial Planning strategy to ensure that the Council remained able to meet its obligations throughout the year. Initial plans to mitigate the financial impact and associated cost pressures of the pandemic centred on postponing capital programs until the coming year to free up cash to meet pandemic related spending requirements.

However, as the year progressed, the situation improved. Additional government funding was provided and, as the effects of the pandemic and ways to manage the response became clearer, the projected costs pressures reduced. By January 2021, the Council reported total grant funding of more than £18m and a net pressure of around £1.5m, a significant improvement from initial forecasts and comfortably within the Council's capacity to manage through available budgets and one off balances. As reported earlier in the report, the Council ultimately delivered its budget to within a very low margin of error without recourse to use of balances, reflecting both sound financial management on the part of the Council and an effective support program roll out from Central Government.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements on 18 December 2021

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit Committee on 28 September 2021.

Whole of Government Accounts

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

Required procedures have been completed in respect of the 2020/21 financial year.

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:

There were no issues arising from the external audit of the Council's financial statements which would impact the Value for Money conclusion.

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

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



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

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

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

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

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

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

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

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



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability	Review of medium term financial planning and related budget documents; Review of 20/21 financial outturn; Interviews undertaken with Section 151 Officer; Consideration of findings from external audit	No key issues to report. The Council appears to be in a robust financial position with strong process in place to plan and forecast	Appropriate arrangements in place, two improvement recommendations raised.
Governance	Documents review in relation to Council committee structure; Minute and Internal Audit reviews; Interviews with key stakeholders	No key issues to report – however, opportunities for improvement were identified in relation to provision of key information for decision making purposes.	Appropriate arrangements in place, two improvement recommendation raised.
Improving economy, efficiency and effectiveness	Review of external benchmarking documents; Review of procurement strategy; Consideration of external reviews; Interviews with key stakeholders	Overall we are satisfied that appropriate arrangements are in place, two improvement level recommendations were raised.	Appropriate arrangements in place, no recommendations raised.
COVID-19	Review of reporting against Covid 19 recovery plan; Interviews with key stakeholders; Consideration of observations arising from external audit work.	No key issues to report – one improvement recommendation identified.	Appropriate arrangements in place, no recommendations raised.

Appendix C - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	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	Pp 9, 10, 17, 18

