

Auditor's Annual Report on Buckinghamshire Council Interim

2020/21

December 2022



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We are required under s 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) in 2020 requires us to report to you our commentary relating to proper arrangements.

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



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

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Executive summary



Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority 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 Authority'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 Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

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

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	Risks of significant weakness identified in year end processes owing to late production of draft accounts	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	Risks of significant weakness identified owing to Ofsted rating of children's services.	Significant weaknesses in arrangements identified, with a key recommendation made. No improvement recommendations made in respect of this area.



Financial sustainability

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

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position. The Council has put forward a series of proposals which forecast a balanced budgets for three of the next four years. However, the Medium Term Financial Plan (MTFP) identifies a funding gap of £1.36m million in 2023/24, to be funded from general reserves. Savings are identified as being required in each year over the period of this MTFP.

Overall, the Council has a relative amount of capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.

Further details can be seen on pages 7-11 of this report.

Governance

Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Council and any actions instigated as a response to the pandemic. We found the risk assessment and risk management processes at the Council to be good, and that management are well supported by internal audit.

We found arrangements for budget setting, budgetary control and ongoing oversight of the budget to be good. The Council has a good set of policies and procedures in place to ensure the Council maintains appropriate legislative and regulatory standards.



Whilst our risk assessment considered there to be a possible significant weakness in terms of the final accounts processes at the Council, as the production of a complete set of draft accounts was significantly delayed. Our work in this area is ongoing and we are satisfied that many of the underlying causes were as a result of external factors which impacted on the Council's arrangements. Overall we are satisfied that the Council has in place to ensure appropriate governance arrangements are in place.

Further details can be seen on pages 12-21 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.

The Council's Corporate Plan was in place for this, its first year in operation. The four key pillars within this vision are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget and MTFP. Additionally, all capital programmes are described in terms of how they address at least one of the four pillars in the capital strategy programme.

The most recent Ofsted review rated children's services as inadequate. Whilst we recognise the Council has been working to deliver an improvement plan over this area, it is necessary to highlight this as a significant weakness as this rating remained in place during the year.

Further details can be seen on pages 22-25 of this report

Opinion on the financial statements

Our audit of the Council's financial statements is on-going and we are not in a position to determine whether we can issue an unmodified opinion. The issues causing the delays in our audit are detailed on pages 14 and 28. We have raised an improvement recommendation with regard to account production.



Key recommendations



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 Authority. We have defined these recommendations as 'key recommendations'.

Our work has identified one significant weakness in arrangements and therefore we have made one key recommendation. This recommendation is set out on page 25.

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

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

All local authorities 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 Authorities 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) 3, requires us to assess arrangements under three areas:



Financial Sustainability

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



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Authority 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 7 to 27.



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.

2020/21 and ongoing financial pressures

Buckinghamshire Council (the Council) recorded a net underspend of £0.4m for the year to March 2021. Whilst this was broadly in line with the budget and is an improvement on the outturn which had been expected during much of the year, this represents very little headroom in managing the budget. However, the useable general fund reserves balance is strong.

Nationally, councils have seen a steady decline in the local government funding settlement over the last ten years, and the Council's Medium Term Financial Plan (MTFP) is prudent in that it assumes a continuation of this declining trend. Members are therefore made fully aware that the Council's financial plans cannot place reliance on an increasing level of government contributions.

Evidence we have gathered from reports, interviews and the CIPFA financial resilience index indicate a broadly positive financial position for the Council. The three-year MTFP indicates that the budget will be balanced by a combination of increased council tax and adult social care precept, as well as savings. The 2020-21 budget envisaged requiring £13m of identified savings in order to balance the budget. The budget for 2021-22 required further savings of £13.2m. For 2022/23 a further £12.36m of savings were identified as being required and a further £5.427m savings anticipated in 2023/24. There is a high-profile approach to managing and monitoring this savings programme, which is regularly discussed at Cabinet meetings and with the Corporate Management Team (CMT), Directorate Budget Boards, the Leader and the Cabinet Member for Finance. The achievement against these savings plans is discussed in more detail on page 8.

During 2020/21, the three-year MTFP was set aside for an annual budget as Covid (and other uncertainties) made longer term planning difficult for a new authority. This annual budget, and other key assumptions within the plan have been reviewed and are deemed to represent a prudent approach. A monthly budget monitoring report is provided to CMT and detailed financial monitoring information is provided to Cabinet quarterly, so there is regular scrutiny of the Council's financial position and of the ongoing funding pressures it faces. We are pleased to note that a three-year planning cycle has been reintroduced, starting from 2022/23.

For 2020-21 the outturn position was more favourable than anticipated with a the 2020/21 an (unaudited) surplus / revenue underspend of £0.4m. This has been achieved through COVID grants covering additional costs and lost income. The 2021/22 budget assumed use of reserves of £2.05m however the latest outturn report sets out £2.2m approved for transfer to general reserves due to overall a favourable anticipated position for that year. Increased Covid compensation grants and variances in corporate contingency spend accounted for this position. There is no planned use of reserves for 2022/23. For 2023/24 there is a £1.36m gap after accounting for planned savings, this will be funded from general fund balances. This was seen as politically acceptable by members as it is not ongoing funding. Despite this use of reserves for that year, the Council still has adequate provision within its reserves to manage potential future one-off emergencies, as reserves represent 6.6% of the net operating budget. The level of scrutiny and oversight over the budget and in-year expenditure is good, and this must be maintained.

Financial sustainability

The Council had set a capital expenditure budget for 2020/21 of £204m, outturn was below this budget (at £169m expenditure). For 2021/22 there was a 9.5% underspend against budget (£177.5m v budgeted £196.2m). These underspends are in line with what we have seen at other authorities.

We do not consider the underspends to be indicative of a significant weakness in arrangements over the capital programme, but more a reflection of the difficulties faced by all authorities in carrying out their planned capital works as a result of the pandemic and challenging economic conditions.

Savings plans

In the transition to unitary status, the new Council inherited the savings requirements already identified in predecessor authorities. These needed to be factored into the new budget. In 2020/21 £8.8m (67%) of the budgeted £13m savings were achieved. The original budget for the new authority recognised an opportunity to make £18m of savings in moving to a unitary status to be delivered by 2025/26. A ring-fenced transformation pot of c£17m was created to help deliver these savings under the Better Buckinghamshire Benefits Realisation Programme. Savings achieved specifically under this programme were £2.2m in 2020/21 and £2.6m forecast for 2021-22. Total savings of £13.2m were identified for 2021/22 with the Council achieving £12.5m (96%), a shortfall of £0.5m.

Savings are well monitored. The monthly CMT Budget Board receives a detailed budget report, which sets out the outturn for each line of savings within each of the directorates, showing the savings target, amount delivered, amount forecast to be delivered and any shortfall, together with a detailed commentary against each line. There is also another commentary setting out the risks and opportunities, with each saving assigned a RAG rating.

The approach to closing this funding gap is regularly discussed. In addition to formal discussions at Cabinet each quarter, there are monthly Budget Board meetings in the Adults & Health and Children's Services Directorates. These provide a high level of detailed scrutiny over each line of the budget and over each line of the savings plans. It is good that the Council has recognised the benefits of these budget boards, and extended them to cover all of the Directorates in 2021/22.

As these funding pressures have been identified by the Council and are being addressed within the Council's financial plans, these savings requirements do not point to a significant weakness in the arrangements in place, albeit there remains a risk in terms of the ongoing financial pressures being faced by the Council. We have made a recommendation on this.

Financial Planning

The budget provides for an increase in Council Tax and Adult Social Care Precept of 3.99% for 2021/22 and 2022/23 to help address identified funding pressures. From 2023/24 there is an assumed 2.99% increase. The current strategy around council tax is to keep increases to a level needed to balance the budget.

The budget and MTFP have been designed to be integrated with the core strategic priorities of the Council (its Corporate Plan 2020-2023). This planning aims to provide a framework to invest in the Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19.

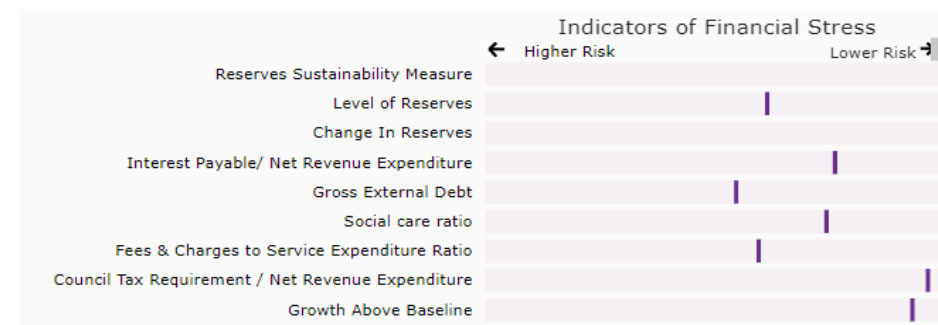
The capital programme also explicitly supports the Council's corporate priorities. There is a good level of reporting on the outturn against these programmes and how these have met or supported the four pillars of the Council's Corporate Plan.

In March 2021, the s.151 Officer produced a report, assessing the Council against the findings in the GT Public Interest Report at Croydon. This review concluded that overall, the council compared favourably to Croydon and that the authority compares well with others in that there is a good record in terms of the legacy authorities managing spend within their overall budgets. Furthermore, there are sufficient levels of reserves (both unallocated and earmarked), there is high member involvement in the budget setting process, and there is a strong Audit & Governance Committee. There has been a commitment to the quarterly monitoring of reserves as part of the 'Financial Sustainability Action Plan'

In addition, corporate contingency budgets, which are used to manage risk and uncertainty in the budget, have increased in line with the uncertainties resulting from the pandemic, and unused COVID funding has been transferred to create a reserve to further mitigate future unfunded and one-off costs.

The Council compares favourably to both its CIPFA nearest neighbours and other unitary authorities comparator groups in terms of its reserves position, and the CIPFA financial resilience index places the Council at the lower end of the scale on risk..

CIPFA Financial Resilience Index – Buckinghamshire Council 2020/21



Financial sustainability

As well as the provision of statutory services, Cabinet approve the decision to voluntarily contribute towards supporting additional discretionary spend. Approved during the year was additional discretionary spending on drainage, street cleaning, planning enforcement and climate change. These are considered priority areas, some of which are key to manifesto commitments, and climate change is seen as a high priority across the council (and is one of the four strategic priorities within the Corporate Plan). We note that there isn't a specific section within the budget setting out discretionary spending vs statutory spending. However, discussions with the Council indicate it takes a holistic approach to financial and service planning and that many discretionary services help with the delivery and cost effectiveness of statutory services. Savings or efficiencies are delivered from both statutory and discretionary services.

Managing risks to financial resilience

Risks are considered within the budget and MTFP. These include the risks of financial pressures meaning services cannot be fully funded. The Council is satisfied that its Medium-Term Planning process is a mitigating action to ensure the Council balances its budget and identifies savings that can be made. We have seen this, and also that the budget monitoring reports to CMT and to Directorate Budget Boards set out the assumptions behind the budget and the risks to the plan.

In addition, each lead portfolio member (Chair of the relevant committee) is closely involved in developing and setting the budget for their service area. Risks are discussed at length as part of this process. Overall, members are presented with a good understanding of the risks.

Also, it is set out within the Standing Financial Instructions that there must be monthly budget reporting and monitoring for each service, and within this it stipulates that variances must be reported and supported by an action plan on how this is to be managed by the year end. This also sets out that the savings tracker must be updated and include mitigating actions and key financial risks identified. Where it is forecast that, despite mitigating actions, expenditure is likely to exceed budget then the Corporate Director will "as soon as possible" report it to the relevant Cabinet Member

The Council also has a Treasury Management Strategy and an Investment Management Strategy. These both indicate the Council has a cautious approach to investments, seeking to minimise risk rather than prioritising investment returns. And whilst there are wholly owned subsidiary companies at the Council, the Council did not place reliance on income from these companies in the 2020/21 budget. This is also indicative of a cautious approach.

Our work confirms that the budget process is robust, that there is wide consultation across the Council in developing the budget and that challenge mechanisms are in place, from the CMT and from the scrutiny offered by the Budget Scrutiny Inquiry Group, in addition to the challenge provided generally by members.

Conclusion

Overall, the Council has a strong capacity to manage variances over the short to medium term. We are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have identified some opportunities for improvement. These are set out overleaf.



Improvement recommendation



Financial Sustainability

Recommendation	There should be a continued keen focus from the Council on identifying and agreeing savings over the next three years, to meet the shortfall identified in the Council's MTFP.
Why/impact	The Council has an obligation to achieve balanced budgets over the medium term. Whilst good work has gone into identifying this shortfall, it would have a significant detrimental impact on the Council's reserves position if savings are not implemented in time to address this shortfall.
Auditor judgement	Unless and until savings plans are successfully implemented, the Council will not achieve balanced budgets in all years.
Summary findings	Savings are identified by the Council as being required during the period of the MTFP. There has also been an identified gap of £1.36m in 2023/24 which cannot be met by savings, and is planned to be met from reserves.
Management comment	<p>Overall we agree and accept the recommendation that the Council needs to maintain a continued keen focus on identifying and agreeing savings over the next three years. This is a key part of our MTFP process where savings are identified and challenged. In addition monthly monitoring of the delivery of agreed savings is undertaken in year as part of our budget monitoring cycle.</p> <p>We are enhancing our monitoring of our 'pipeline' of future savings options and opportunities through additional reporting to CMT and Members commencing in April 2023. This enhancement has been brought forward, following another difficult MTFP period, where the Council has faced exceptional challenges around inflationary pressures and funding uncertainty.</p>



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

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures 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 maintains a risk strategy which is set to be updated annually. This strategy aims to embed risk management into the culture of the organisation and manage risk in accordance with best practice. This strategy identifies, describes and quantifies an approach to risk scoring to be used across the Council. The risk scores are RAG rated and the risk scoring methodology is set out in this strategy, providing assurance that this should be consistently applied across the organisation. Risks are given an impact and a likelihood score, and there is a useful definition against each of the categories / scores.

There is a 'risk champion' in each of the Directorates. Each directorate has a risk escalation framework, but all use the Pentana system which ensures consistency of approach across the organisation. Each risk and each mitigation action has an owner responsible for it. Pentana prompts when these need to be reviewed. A quarterly risk report is provided to each of the Leadership teams.

There is a Risk Management Network which meets to discuss issues across the Directorates. This risk management group is a sub group of the Audit & Governance Committee and comprises three members of the Audit Committee (one of whom must be the Chair), s.151 officer, Monitoring Officer and Chief Internal Auditor. All members of the Audit Committee are invited to observe. The group is tasked with providing a review of the effectiveness and implementation of the Risk Strategy. This group has a standing item to consider one of the strategic risks on the Corporate Risk Register (in rotation), as well as undertake a deep dive on each of the Directorate Risk Registers in rotation. They also monitor the effectiveness of the escalation processes, of any updates to the Strategic Risk Register and undertake a monitoring of risk management action plans.

This ensures there is good oversight of risk at the Council.

Internal Audit is provided by a shared services team which includes specialist Council officers supported by Mazaars. The Internal Audit annual report contains the opinion of the Chief Internal Auditor and provides "reasonable assurance" on the adequacy and effectiveness of the Council's internal control, risk management and governance framework and an unqualified opinion regarding the effective, efficient and economic exercise of the Council's functions for 2020/21.

The 2020/21 internal audit plan was reviewed and updated several times during the year. A number of officers from the team were redeployed to support the council's response to Covid-19, and it was agreed that the continuation of "business as usual" within this team was not a high priority, and so the majority of audit and assurance activity was put on hold. The exception to this was the risk management activity to support the Covid-19 response, and the work within the Counter Fraud team which has been focused on the Business Rate Grants process.

Findings of counter-fraud investigations are reported to the Statutory Officers Group on a six-weekly basis, and this is also included in the updates provided to the Audit & Governance Committee. These updates set out all the work internal audit have completed in the quarter, the assurance ratings on each of their reports and the action plans in place against their recommendations, so there is good oversight of the work of this service.

In 2020/21 a total of 34 reviews were undertaken. 19 reviews resulted in an Internal Audit opinion on the effectiveness of the control environment. The remaining 15 were "other" assurance type reviews such as grant certifications or advisory/assurance work where an opinion was not provided but control weaknesses and or management actions may have been raised. There is a good acceptance of recommendations, with 90% of audit recommendations accepted by the client during the year. The Pentana management actions tracking system is fully embedded as a business management tool which is reviewed periodically by directorate leadership teams and CMT. All open management actions from each of the legacy authorities were carried forward from previous years into the new unitary organisation where they were reviewed and followed up for implementation.

Governance

Overall, we are satisfied that the procedures for drawing up the annual internal audit plan are sound and capture the relevant risks across the council. This is based on internal audit having a close integration with management. Internal Audit met with Corporate and Service Directors to review the risks and issues in their area and to jointly assess whether the level of internal audit work being carried out or planned remains appropriate. These meetings represent an opportunity to capture emerging issues and to discuss new or proposed legislation or regulations which will impact the Council. As the Internal Audit service is part of a London Audit Group and part of a Home Counties Audit Group, they use these interactions to check they have captured emerging issues within local government, including new legislation, and to determine whether these should be incorporated within their work programme.

The Public Sector Internal Audit Standards require an external assessment of the service at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. CIPFA have been appointed as the external assessor, however due to the pandemic this review could not be undertaken in 2020/21. In the interim, the Business Assurance Team carried out a self-assessment of its processes and were able to report compliance with the Public Sector Internal Audit Standards.

Budget Setting Process

The development of the budget is highly collaborative. The budget setting process has seven stages;

- An initial assessment of the likely impact of external changes to the previously agreed plans.
- A review of the deliverability and continued relevance of existing Directorate plans.
- The development of new Directorate proposals, incorporating the 'Better Buckinghamshire Reset and Recovery' improvement programme.
- A Leadership review of the Directorate proposals through a 'Check and Challenge' process.
- The refinement of proposals into a draft budget which is approved by Cabinet.
- A political 'Scrutiny committee' review of the draft budget
- Final approval of the budget and Medium term Financial Plan by Cabinet and Full Council.

Member portfolio groups do an initial sense check of the initial Directorate budgets. Each directorate has its own finance team, so these budgets should already have been subject to challenge by officers. There is a monthly update to CMT on the budget development process and progress. CMT provide horizon scanning and early challenge at this stage. These challenges include consideration of alternative proposals and scenarios.

The Corporate Management Team and Informal Cabinet receive reports on progress and the proposals made at the end of each development stage to ensure the widest support for proposals and to ensure the consistency of the proposals with the Corporate Plan and to consider any emerging changes to the planned budget.

Individual budget holders have clear roles and responsibilities. Services have their own finance teams. These worked with budget holders in designing the 2020/21 budget whilst in shadow. Proposed budgets are then submitted by Directorates. Corporate Finance developed guidance and produced budget templates to assist this process.

The budget setting processes at the Council are appropriate and in line with what we would expect to see for a Council of this size. There is a good level of ownership of and involvement in the budget setting and monitoring process, from budget holders, through executive directors and up to members.

Budgetary control

Budgetary control and monitoring is strong at the Council. As well as detailed budget monitoring reports prepared monthly for CMT, there are also budget monitoring boards for the main revenue spending areas, who also receive monthly reports. Budget Boards are officer meetings and are made up of key budget holders. The budgetary information provided is highly detailed, with extensive commentary provided on variances and a risk assessment against each line of the budget.

We are pleased to note that from 2021/22, these Directorate Budget Boards have been extended to cover all directorates.

During 2020/21, finance provided a monthly outturn to budget monitoring report. This went monthly to CMT and quarterly to Cabinet. This included tracking savings and had narrative commentary on these if they were not being achieved. These also provide information on spend against each Directorate's capital programme.

CMT and the monthly budget boards provide a good focus on finance. In addition the s.151 officer and Head of Corporate Finance have regular meetings with Cabinet portfolio holders to keep them briefed on budgetary issues. This provides adequate opportunity to identify and follow up on budget variances.

We are satisfied that Cabinet members have a good understanding of the budgetary information provided. Each Cabinet member is the portfolio holder for a service. As such, members were highly involved in the setting of their budgets, and are able to understand the detail contained within these reports.

The budgetary reports provided to Cabinet is very detailed. The MTFP also includes multiple appendices. However, this is in line with what we have seen at other authorities and provides enough information to inform decision making. There is not an excessive amount of detail as the budget information is at a relatively high level and stands alone, and detailed appendices can be reviewed on an 'as needs' basis.

There is also an annual Treasury Management Report made to the Audit & Governance Committee. This sets out the Council's strategy to focus on lower-risk investments utilising cash balances. The Council has a good liquidity position and has opted to utilise cash as internal borrowing to fund the capital programme, reducing overall borrowing costs, in preference to receiving low yield investment returns on surplus cash. This approach is prudent and represents a good use of cash balances.

Governance

Accounts production

In planning this work, we had identified a risk of a significant weakness that the requirement to produce draft accounts on time, which were free from major errors or omissions, had not been met.

The financial statements production and closedown processes for the year ended March 2021 have been subject to significant delay. The audit of the Council's accounts for the year ended March 2021 is still underway with the Council producing its latest set of accounts on 27 September 2022. We provided more detail below and on page 29.

The task of combining the accounts of the five predecessor bodies and producing the first year financial statements for the Unitary Authority was inherently difficult and challenging. Whilst the Council planned and engaged early in the process the lack of capacity and, in particular, continuity in the team responsible for producing the financial statements has resulted in significant delays. This was further compounded by the COVID 19 pandemic which meant that the newly formed finance team had to work remotely and manage a number of other immediate pressures.

We are satisfied the issues experienced by the Council have largely been due to capacity constraints and not due to a lack of skills or expertise. There are, however, a number of areas where the Council is overly reliant on individual members of the finance team, for example the collection fund and group accounts preparation. There is a risk that these areas could present the Council with ongoing points of failure if not appropriately resourced in the future.

It is difficult to determine whether the problems encountered in producing the financial statements for the year ended 31 March were as a result of external factors or as a result of significant weaknesses in arrangements. We are aware that the Council has taken steps to start to address the root causes of the difficulties encountered in producing auditable financial statements. This new arrangements will be subject to further review on the completion of the 2020/21 financial statements audit. Therefore we have not made any key recommendations, and we have made an improvement recommendation at this stage.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates under a Leader/Cabinet system. Councillors are supported by the CMT which is headed by the Council's Chief Executive. The CMT is responsible for the overall leadership and management of the Council, for setting and monitoring overall strategic direction and for ensuring high performance in the delivery of council service. In addition, there are scrutiny committees which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. This constitution is scheduled to be regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. We would expect the Annual Governance Statement to be read alongside the Council's constitution, which should set out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

However, the AGS was not formally agreed and in place during 2020/21. We have made an improvement recommendation on this.

There has been a good level of engagement with the local community and with stakeholders.

Monitoring and ensuring appropriate standards

The Monitoring Officer is the Council's deputy Chief Executive, who, alongside the Chief Executive is responsible for ensuring legality and promoting high standards of conduct in public office. The council asserts that they have arrangements in place to meet the relevant requirements of the CIPFA/Solace Framework.

Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.

The gifts and hospitality policy at the Council compares favourably with some others we have seen in that gifts and hospitality declined must be declared alongside that which has been received. This demonstrates a high level of standards of expected behaviour and of transparency.

We have identified an opportunity to strengthen these policies with a recommendation for a central register of members' interests. Currently, members interests are set out in their individual biographies on the website, but it is not possible to search interests by committee, party or ward.

CMT receive and review much of the information to be put to Cabinet and the Audit & Governance Committee in advance of those meetings. Scrutiny committees also fulfil a role in challenging decisions and request a high level of detailed information in preparing those challenges.

All decisions referred to members are set out using a template. That template includes legal and regulatory implications. This requires legal advice to be obtained or confirmed before all decisions are taken, to ensure decisions are appropriate.

The Council does have wholly owned companies and joint ventures. However, it is not clear that all members and officers acting in directorship / representative roles on these companies have had adequate training to ensure they fully understand their role and responsibility as a Council director/representative, and understand the potential for conflicts of interest.

There was oversight of these entities by a Property Board, which comprises Cabinet members and officers. This Board is tasked with reporting to Cabinet, but there only appears to have been an annual report to Cabinet and only on one of the entities, Aylesbury Vale Estates. We also note there were no specific internal audit reviews over either these entities or looking at the scrutiny and governance over these companies during the year.

We have made improvement recommendations on this.

Governance

Conclusion

Overall, the Council has good policies in place to promote and maintain good standards of governance. We recognise a significant amount of work was undertaken in transition by the shadow authority to agree these policies and these appear to have operated effectively at the new Council. We have identified some opportunities for improvement, set out below.

Improvement recommendation



Governance

Recommendation	The Corporate Finance Team should be strengthened to enable a timely final accounts process. This will require close oversight over the coming months, and we may consider it necessary to elevate this to a significant weakness and a key recommendation if progress is not seen over that timeframe.
Why/impact	Draft accounts were provided late to the auditors, resulting in delays to the audit timetable and the signing of the accounts.
Auditor judgement	When accounts are provided late and not free from significant errors or omissions, this could indicate issues with the year-end close down procedures.
Summary findings	The close down process for final accounts was delayed and draft accounts were produced late. These accounts did not include all the required consolidations.
Management comment	<p>The challenges encountered with the 2020/21 accounts were when establishing an opening position and the associated work that went with this. In addition to this there has been resourcing issues as key staff leaving the Council has meant there was a lack of knowledge transfer from legacy Councils. This was compounded by overall shortage of experienced accountants in the recruitment market.</p> <p>We have now appointed to the Chief Accountants role and the Service Review for this area has been prioritised to be completed by end of March 2023. This Service Review takes account of Growing our Own which will strengthen the team to build its resilience. A dedicated team is working on addressing the audit queries for 2020/21 and preparation of draft statement of accounts for 2021/22</p>



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

Improvement recommendation



Governance

Recommendation The Annual Governance Statement (AGS) should be reviewed, updated and published on an annual basis

Why/impact This statement sets out the Council's assessment on the effectiveness of its arrangements in place. Best practice suggests this overall conclusion should also include an assessment of the organisation's compliance with the principles of the CIPFA Financial Management Code. It may not be clear to residents that this has been undertaken.

Auditor judgement The Council did not agree or adopt an AGS during 2020/21. The 2020/21 AGS was not agreed until March 2022.

Summary findings The AGS for 2020/21 was not formally agreed by the Council during the year.

Management comment The approval of the 20/21 AGS was delayed due to the Covid-19 response and also the delay in the preparation of the financial statements. The 20/21 AGS was agreed by the Corporate Management Team on 14th April 2022 and presented to the Audit and Governance Committee on 11th May 2022. The 21/22 AGS was presented to the Audit and Governance Committee in November 2022 and will be published in due course.



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

Improvement recommendation



Governance

Recommendation Whilst interests declared by members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests by committee, party or ward.

Why/impact Having to check each member separately is piecemeal and makes it difficult to confirm the overall complexion of interests held.

Auditor judgement It is not immediately apparent if there are a number of interests or similar interests held by any particular committee or political grouping.

Summary findings A full register of members interests is not available online as a single document. Transparency could be improved by making this information available in a single place online.

Management comment Whilst the Localism Act requires the publishing 'a register', many local authorities use Mod.Gov which apportions interests 'per councillor'.

As interests are the councillor's, it makes sense that they are individual and would largely be particular to them (employment, land etc). I can see a 'search' might show how many have 'sponsorships', for example, so may have some statistical interest, but Mod.Gov does allow for register to made into a composite register to be searched. We could certainly add this to the website which lists the Councillor interests.



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

Improvement recommendation



Governance

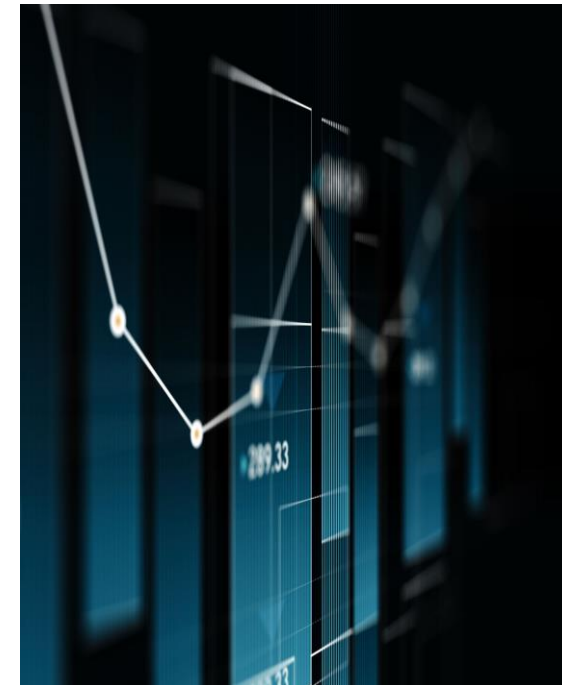
Recommendation Training should be provided for members and officers acting in directorship and/or representative roles on associated companies and joint ventures.

Why/impact Officers and members could be exposed to the risk of being accused of acting inappropriately if they have not received focussed training specific to these roles.

Auditor judgement There is a risk that conflicts of interest are not adequately identified and understood.

Summary findings It is not clear that adequate training has been provided for those working with associated companies. There is a risk of role confusion.

Management comment Training took place on 23/09/22 and involved directors, members of the shareholder committee and advisors to the committee. This covered roles and responsibilities as well as best practice in running a company. Training requirements for any new directors will be considered by the Service Director for Legal Services. Furthermore, conflicts of interest guidance for officers and members becoming directors has been produced based on national best practice and recent local government inspections. This was discussed at the Shareholder Committee meeting on the 12/10/22 and formally to be adopted by the Committee in January 2023.



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

Improvement recommendation



Governance

Recommendation There should be regular reporting to TCWG of the activities and financial plans and performance of associated companies.

Why/impact There is a risk of reputational damage or financial loss to the Council if companies are not performing or operating as expected.

Auditor judgement Whilst the Property Board, established on vesting day, did undertake oversight of associated companies, this scrutiny could be improved with more regular, formalised reporting to Cabinet.

Summary findings There was not formalised, regular reporting to TCWG on the companies associated with the Council.

Management comment Cabinet agreed to the setting up of a Shareholder Committee (sub-committee of cabinet) on 29/03/22 to review and scrutinise the governance arrangements, financial plans, activities and performance of the Council's companies and joint ventures. The first meeting was held on the 19/07/22 and meets quarterly. Terms of Reference were agreed at this meeting. To date the existing business plans and financial position have been reviewed and the Committee will receive updated business plans prior to the start of the next financial year. Furthermore, there was a deep dive around the finances of Consilio at its meeting on the 12/11/22. The shareholder Committee will report back to Council on at least an annual basis.



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

Improvement recommendation



Governance

Recommendation Internal audit should consider whether work on associated companies should be included within the annual audit plan.

Why/impact There is a risk that there is insufficient scrutiny and oversight over companies closely associated with the Council.

Auditor judgement Whilst internal audit may not deem there to be sufficient risk to include this within the plan, consideration of the risk, both reputational and financial to the Council should be included within the internal audit planning cycle.

Summary findings No reviews of associated companies were undertaken by internal audit during 2020/21.

Management comment An internal audit review of the Council's companies and joint venture will be included in the audit annual plan for Q1 2023/24. This will allow for recent enhancements / changes to be implemented.



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

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 review, monitoring and assessment

The Council's Corporate Plan was established at the formation of the new authority. This sets out the four key 'priority objectives' of

- Strengthening our communities
- Improving our environment
- Protecting the vulnerable
- Increasing prosperity.

These four objectives are high profile and referred to throughout most of the key strategic documents and reports presented to members, including the budget, capital programme and MTFP.

The shadow organisation had a Performance Framework Document in use which set out the starting point for agreeing the indices and key performance indicators (KPIs) for the new unitary. The implementation of reporting on these KPIs to TCWG was slightly delayed by COVID, but was in place for reporting to Cabinet by November 2020.

There are quarterly performance reports to Cabinet which track the outcomes of Council activities. These are set out against key performance indicators and include detailed commentaries on associated risks, achievements and other issues. These reports also highlight remedial actions being taken where slippage does occur. The report is set out by members' portfolios, and they present their KPIs with a verbal report to Cabinet, which helps ensure members remain focused on agreed objectives and priorities.

These KPIs are well contextualised. They are categorised as red, amber and green, and in addition, "not due to be reported", which is KPIs the Council will be reporting, but on which they don't currently have the data (as a new organisation, the data has either not yet been collected or comparator data is not applicable). It is good to see this level of transparency and discussion on areas which will be subject to a high level of oversight in the future. Benchmarking information is included within the Cabinet report. Benchmarking analysis is also used to inform the setting of targets set against these KPIs.

Whilst the overall performance report goes quarterly to Cabinet, services also look at their own KPIs more regularly. The quarterly performance report is signed off in advance by each Directorate to confirm the data is accurate. It is then also seen by CMT before it is presented to Cabinet. So, there is regular oversight over performance data, which provides comfort over the accuracy of the data being used by and presented to Cabinet.

KPIs and targets are due to be reviewed annually and members were highly involved in developing and reviewing these at the end of 2020/21. They have used the prior full year's data as a basis for consideration as to whether the KPIs were useful, relevant and timely. This, and the setting of the indicators and targets displayed against each KPI, is signed off by Cabinet.

During COVID, the Business intelligence Team was asked to develop weekly KPIs. This was specifically requested by the Chief Executive. These outturns were accompanied by a detailed service data commentary. Some services have maintained these additional weekly dashboards eg client transport asked to have this in response to a high number of complaints and enquiries. ASC also receive weekly data. So this level of performance reporting can be made available on request, and the Business Intelligence function has shown itself to be dynamic and reactive to the needs of the users of the data it produces.

Overall, we are satisfied that KPI, benchmarking and other performance reporting is strong at the Council

Improving economy, efficiency and effectiveness

The Council has an ambitious capital strategy which was created by amalgamating the existing plans of the five legacy Councils. The capital programme sees £569m scheduled to be invested over the 4 years to 2024/25. The Council's long-term capital investment is underpinned by the objectives of the Corporate Plan. So assets held (or built) by the Council must fall into specified categories linked to the Corporate Plan. This overall capital programme is agreed by Cabinet on an annual basis and the reporting on this provides updates on the progress against the plan, costs, sources of funding and the progress of key projects.

Each Directorate reports its capital and revenue spend associated with the capital programme to its Directorate Budget Board monthly. CMT then sees an amalgamation and summary of these reports. Reports on individual, large capital projects are also regularly presented to Cabinet.

There are also four Capital Boards. The Corporate Investment Board (CIB) takes an overview of the capital programme. This is informed by three boards which sit below the CIB covering Property, IT and Highways. (schools fall within property). There is a gateway process for the release of capital funds. An outline then full business case must be produced if bidding for capital expenditure. If each stage is approved, then a detailed project plan is submitted for approval. This is to minimise unnecessary expenditure on speculative early design proposals. Approvals are then granted by the relevant Boards. This is supported by the Capital Project Manager, who sits within Corporate Finance.

We are satisfied that there is a good level of oversight of the overall capital programme and of individual capital projects.

Service evaluation

There was an inadequate rating in place from the most recent [2018] Ofsted review of children's services at the predecessor County Council. We have seen there is an improvement plan in place, and there is regular monitoring of progress against this plan. Updates against the plan were considered by Cabinet twice during the year, who were provided with progress reports. These reports showed progress against performance measures which are RAG rated. However, the main oversight rests with an Improvement Board which met monthly throughout the period. The Chief Executive attends these meetings and states there is sufficient challenge over the work being done. The Chief Executive also has one-to-one meetings with the Director of Children's Services and receives weekly KPIs on the service. The Improvement Board papers are available to CMT for an additional layer of challenge.

The improvement plan was updated in May 2020 in light of the impact of the pandemic. Whilst there has been some progress over the year, it is acknowledged there is still scope to improve the service. This need to improve has been confirmed by an Ofsted rating of 'requires improvement' which was reported in December 2021. Although this represents an improvement from the previous 'inadequate' rating further action is still required in key areas such as: the support provided to children who present as homeless; and the need for social workers to maintain consistent and regular contact with our children. This must be reflected here as a significant weakness in arrangements. We have made a key recommendation on this.

We understand one of the challenges faced by the Children's Services Directorate has been staff recruitment and retention. We are pleased to see one of the Council's initiatives to address this has been the creation of a 'Social Care Academy'. This has been set up to bring in cohorts of trainee social workers in groups of 20. The intention is to train them to qualified social worker status. Whilst the Council will incur the up front costs in running this academy, the intention is to save on agency costs later.

We have also seen good oversight of other reports from regulators. There have been CQC reports on other Council services, and we have seen action plans which were put in place after these inspections.

Overall, we are satisfied the Council has good arrangements in place to monitor and assess its response to regulatory findings.

Improving economy, efficiency and effectiveness

Partnership working

For transition to Unitary there was a workstream called 'Strategic Partnerships for the Transition. There was an established Strategic Partnership Board for Day 1, and this was operating in shadow, to enable ongoing communications with stakeholders, including newsletters as well as ongoing meetings. There has always been a lot of focus on the voluntary sector, and now the authority is working with c 2,400 charities.

During 2020/21 the Council mapped where their partnerships were working and mapped the key influencers within partnership arrangements. This is good as we have not seen at many other authorities this corporate 'map' of partnerships or a corporate understanding of all the partners working with the authority, as arrangements elsewhere have evolved organically over time. Here, the shadow body had the chance to do this mapping and assessment at its outset.

There Council has in place four strategic partnership boards. These are

- i. The Buckinghamshire Safeguarding Children Partnership
- ii. The Buckinghamshire Safeguarding Adults Board
- iii. The Buckinghamshire Health and Wellbeing Board (encourages joined up health and care services)
- iv. The Safer Buckinghamshire Board (sets out a community safety plan and monitors its progress)

A joint chairs protocol is in place across these four boards to support effective joint working. The joint chairs meeting, chaired by the Bucks CEO, meets three times a year to identify synergies, cross cutting themes and learning opportunities. They are joined by NHS and police representatives, as well as the Adults and Children's Corporate Directors. This was set up in early 2020 and is scheduled to be reviewed and updated annually. This was operating in shadow, so it was here they thought about the risks and opportunities for working with partners in the move to unitary status.

Boards are also tasked with maintaining strong links with other strategic groups, including for example the Police and Crime Commissioner Panel, the Children and Young People's Partnership, the Voluntary Sector Recovery Board and the Local Enterprise Partnership Board. These workstreams helped identify the active partnerships in place, enabled communication to partners and identified what was already working well and what would and wouldn't need to change under unitary. They also identified that not all arrangements needed to move to the county wide new unitary, some were better off remaining at a district level.

Through this, there is good oversight of the bodies that work together on/with these boards.

There is an officer steering group, which supports the four Strategic Partnership Boards. This meets monthly. This group develops briefing materials and collates metrics and evidence to assist with the Board's work. There is a significant amount of information and intelligence sharing between these Boards, and each produces an annual report and work plan and monitors and reports on progress, impacts and outcomes. This is reported to the Communities and Localism Select Committee. Members either Chair or participate in partnership bodies, so they are well networked across partnership arrangements. CMT also include partnership conversations in their weekly meetings.

The Council has also set up 16 Community Boards. Each of these Boards has a Chair and an additional member from the Council. Town and Parish Councils, voluntary sector, health, fire and police colleagues all sit on these Boards. The work done by these Boards during transition meant they had a good local understanding and were able to help establish practical support within 2 days of the pandemic lockdown. The Council put in place Community Board area coordinators who could work in tandem with the pop-up community groups which emerged in the pandemic.

Partnership working is a key theme running through the Corporate Plan and working with partners is mentioned throughout. In reading the plan, these aims and aspirations are clear.

We are satisfied that the Council has taken appropriate steps to identify and design its role with significant partnerships.

From the Corporate Plan 2020-2023

Getting involved: community boards

Community boards enable a focus on local solutions. There are 16 boards across the county. They bring together councillors and local communities to help solve local issues, take local decisions and influence local service design and delivery.



Improving economy, efficiency and effectiveness

Procurement

As there had been variability of contract management approaches across the previous legacy Councils, a Supplier Management Group was established. This is a steering group that looked at Supplier Relationship Management and identified areas for improvement. This group aims to promote consistent and high-quality Supplier Relationship Management across the organisation, maximise value for money, promote social value and understand and promote supplier resilience.

In order to develop a new positive culture and ensure a high level of assurance, a Strategic Procurement Team was also set up. This team has provided training on several areas. This level of training is above what we have seen at some other Councils and covers:

- Understanding Procurement training
- ProContract e-Sourcing Tender portal training
- Contract Management Development training
- Contract Management Application (CMA) training
- Modern Slavery in the Supply Chain training
- Best Practice Self-Assessment training

Procurement rules form part of the standing financial instructions contained within the Constitution. The general procurement rules require all contracts over £25k to be subject to competition. Waivers are permitted in certain circumstances. These waivers must be authorised by the s.151 officer, Chief Monitoring Officer, relevant Corporate Director and relevant Cabinet Portfolio holder. Any such contract waivers or breaches are regularly reported to Audit and Governance Committee. This report sets the highest and lowest value waivers in the period, together with a commentary on why these were used.

There is a Supplier Management Policy in place which forms part of the Council's Commissioning Model and provides best practice guidance on the processes that are to be followed to enable effective management of contracts. The Supplier Management Policy specifies the mandatory documents and data fields that should be populated on the Contract Management Application (CMA) system for each contract. This includes setting out the contracts that should have a Best Practice Self-Assessment (BPSA) carried out on an annual basis. Contracts with suppliers where there is an ongoing relationship and who have an aggregated value of £5k or more must be entered on the CMA. All contracts held on CMA are segmented according to the annual spend and criticality, looking at risk and supply threats of the product or service supplied.

The 'Best Practice Self-Assessment' is how contract managers evidence their performance management of contracts, and these assessment reports include a range of information that considers performance evaluation, as well as KPIs and relationship structure. These represent an annual assessment of major contracts.

Based on the information we have reviewed, the Council appears to have a comprehensive system to consider and maintain an ongoing review of risks and rewards of outsourced and contracted arrangements.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified one significant weakness, set out below.

Key recommendation



Improving Economy, Efficiency and Effectiveness

Recommendation	There should be a continued and acute focus on the children's services improvement plan. Work must continue to highlight the traits of a good service with an ongoing gap analysis of the performance of the Council against these traits.
Why/impact	Any system failure in children's services is likely to have a devastating impact, both to the service users and to the Council staff involved as well as to the reputation of the Council.
Auditor judgement	An Ofsted inspection was concluded in December 2021 and the Council was rated as 'requires Improvements'. The Council must continue to focus on providing a service which meets the needs of its clients and will demonstrate that the improvements in the plan have been implemented.
Summary findings	An Ofsted rating of 'requires improvement' was reported in December 2021, although this represents an improvement from the previous 'inadequate' rating further action is still required in key areas such as: the support provided to children who present as homeless; and the need for social workers to maintain consistent and regular contact with our children.
Management Comments	<p>In February 2021, Ofsted conducted a Covid Focused Visit in Buckinghamshire and inspectors evaluated the quality and impact of key decision-making in the following practice areas:</p> <ul style="list-style-type: none"> • children in need of help and protection • children in care and care leavers • impact of leaders. <p>Inspectors specifically looked at what had happened for children and families during the 6 months prior to the visit in order to understand children's experiences and review our local response to the pandemic. The full report can be found here; however, a summary of the findings are shown on the next slide:</p>



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

Key recommendation



Improving Economy, Efficiency and Effectiveness

Management Comments (continued...)

- Strong partnership arrangements have ensured the provision of support to the most vulnerable children in Buckinghamshire throughout the pandemic.
- Leaders have an accurate understanding of the service and have maintained a firm focus on doing the best for children and families.
- The recruitment and retention of a stable workforce rightly remain the top priority in the local authority's improvement plan.
- The council has provided additional financial investment to enable the service to respond to the growing challenges for those families who have been affected.
- The Multi-Agency Safeguarding Hub (MASH) provides a proportionate response to initial concerns about children.
- Threshold decisions about the provision of early help are proportionate, and transfers between early help and children's social care are managed well.
- Most children are visited in accordance with their needs; however, despite improving practice in this area, visiting is not always timely for some children.
- The local authority and schools have worked together well since the start of the pandemic.
- Children in care have continued to make some progress despite the challenges presented by the pandemic. Most live in stable homes that meet their needs, with carers who are committed to them.
- Care leavers benefit when they have established relationships with personal advisers, but this is not always possible given changes in the workforce. For some, this negatively affects the progression of their plans.
- Although management oversight is now routinely evident on children's files, actions arising are not consistently followed up, leading to delays in some children's plans being progressed.
- Audit and quality assurance activity needs to be embedded and completed alongside practitioners to drive quality of practice.

Overall, we are pleased with the feedback and the recognition given from Ofsted on the progress made during the last year despite the unprecedented challenges faced. That being said, the service has a clear plan in place and is working at pace on the areas of improvement identified.



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

COVID-19 arrangements



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

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

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income, for example in the collection rates of Council Tax and Business Rates, and notably a significant fall in its sales, fees and charges income. The risk to income from commercial tenants has been mitigated by the fact all outstanding rent arrears have been chased via telephone and will receive follow up letters, giving better assurance that projected losses are in line with COVID loss reporting. A Rental Arrears working group meets fortnightly to review the position and progress.

Expenditure by the Council has seen additional pressures, most notably on adult social care.

The additional funding offered by government to offset the impact of COVID-19 was critical. The impact on cash-flow was favourable as the government funding in respect of business grants, general allocation and the Council Tax hardship fund was received in advance of the spend and covered both lost income and additional expenditure incurred.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny, with budget reports showing separately COVID related impacts on budget variances and business as usual impacts on budget variances.

The four year MTFP was set aside during the year and the Council reverted to a one year budget. This was because the first thing they did as a new council was respond to COVID, so their previous financial planning and MTFP were perhaps not as helpful as other authorities found them to be. We do not think this is indicative of a significant weakness in arrangements, and there was a transparency of communication on this decision between members and officers.

Despite the 'cushion' of emergency COVID funding from government, the Council expects financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22, with savings and efficiencies built in, the Council will undoubtedly need to maintain a high level of monitoring and scrutiny over its finances in order to achieve this budget.

Governance

With the new Authority emerging during the start of lockdown the Council was in emergency mode for the first quarter of 2020/21. In addition, the election scheduled for May 2020 was postponed, meaning the Council had some 200 members. This involved an intensive period of moving everyone to and training them on Teams. Minor constitutional changes were also required as members had to register questions in advance, which required changes to the standing orders. These were done in good time to enable the first remote meetings to function.

The Council also had to implement remote voting to ensure committees and full Council meetings could go ahead.

Additional risk management was put in place during the year. Financial risks caused by Covid were included within the directorate risk registers and/or the Covid-19 response cell in added to risk registers. In addition, a significant proportion of the internal audit resource during 2020/21 was used to provide assurance over the Covid-19 grants received from central government.

Additional measures were put in place to monitor the grant income being received from central government. Internal Audit also provided quarterly reporting to central government on specific Covid-19 grants that are administered by the Revenues and Benefits Team. A Covid-19 Grants Register that reported to each Directorate Budget Board and then to CMT on a monthly basis was put in place to enable clear and complete oversight of all Covid-19 grant expenditure by the Council

As the authority was formed at the start of the pandemic, internal audit were not required to audit any adaptations to finance systems, as the new, unified systems were appropriate in responding to the pandemic. Instead, they focused on the risk management side of adapting to Covid.

The 2020/21 internal audit plan was reviewed and updated several times during the year. A number of officers from the team were redeployed to support the council's response to Covid-19, and it was agreed that the continuation of "business as usual" within this team was not a high priority, and so the majority of audit and assurance activity was put on hold. The exception to this was the risk management activity to support the Covid-19 response, and the work within the Counter Fraud team which was focused on the Business Rate Grants process.

COVID-19 arrangements

For Bucks council grant funding, there was a grants register in place. There was a monthly review of this by CMT to consider whether the grant was spent on agreed, critical activities only and to consider plans for any underspend. This was to consider and try to reduce the risk of subsequent clawback.

All returns and reconciliations to Government were subject to review/ approval from the relevant Corporate Director and the finance Service Director to ensure the accuracy of financial positions being reported and that all activities were factored into the returns.

As well as this monthly CMT review, some grants were subject to additional deep dives with Business Assurance, Heads of Finance and Lead officers reviewing and reporting back to the CMT Budget Board. This was based on the materiality of the grants and scale and reach of the schemes.

Internal audit have carried out a number of grant validation reviews and were able to provide assurance that grants were being spent in line with their terms and conditions. However, the team did investigate potentially fraudulent business grant applications and identified 10 to be considered for prosecution, with four cases being put forward.

Overall, internal audit did not identify any serious weaknesses in internal controls as a result of COVID processes or challenges over the course of the year.

Improving economy, efficiency and effectiveness

The Council has been mindful of the impact of the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to support staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

The Council maintained a high level of performance monitoring during the pandemic, with quarterly performance reports provided to the Audit & Performance committee and additional weekly reporting on some KPIs. Partnership working with community partners increased during the pandemic. This was set out in the reporting to those charged with governance. The Council has been working closely to maximise support to communities and has given grants to support the pandemic response and recovery.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the Covid-19 pandemic.



Opinion on the financial statements



Audit opinion on the financial statements

Our audit of the Council's financial statements is on-going and we are not in a position to determine whether we can issue an unmodified opinion. The issues causing the delays in our audit are detailed on pages 14 and 28. We have raised an improvement recommendation with regard to account production.

Preparation of the accounts

2020/21 is the first set of unitary council financial statements for Buckinghamshire Council. The Council had planned to provide draft accounts at the end of July 2021, in advance of the national deadline of 31 August 2021, however draft accounts were not provided until 5 October 2021. The draft financial statements provided for audit were not complete, with significant elements missing – including the Statement of Cash Flows (a core financial statement), group accounts, the expenditure and funding analysis, and grants disclosure. The Balance Sheet was also missing brought forward balances in respect of the Unitary's plant, property and equipment, such as accumulated depreciation and revaluation reserves. Our technical review of the draft accounts identified many areas of the financial statements and notes requiring investigation and/or rectification by Finance. The audit team worked with Finance to identify areas of the that could be progressed, such as review of the fixed asset register and IAS 19 testing, whilst the draft accounts were being updated but the trial balance was not available until early October, which held up much of our substantive testing.

Since October 2021 there have been many iterations of the draft accounts, with the most recent version provided to audit in September 2022, version 15. In this revised set of

accounts the Council's net expenditure position in the Comprehensive Income & Expenditure statement reduced by £23.548m (from £64.9m in the original draft accounts to £41.352m). This change has meant that the audit materiality has been revised to £15.3m from £17.9m. Significant movements in the Balance Sheet see the net assets position increase by £30m (from £925.675m in the original draft accounts to £955.707m) – changes relate mainly to:

- Short term investments – decrease of £58.266m
- Assets held for sale – increase of £9.923m
- Available for sale financial assets – increase of £48.888m
- Cash & cash equivalents – increase of £26.9m
- Short term trade & other payables – increase of £15.963m
- Long term trade & other payables – decrease of £6.993m

We have carried out a further technical review on version 15 of the accounts and the Finance team is working through issues raised.

Issues arising from the accounts

Our work is ongoing at this time and we have not yet issued our 2020/21 Audit Findings Report. Significant findings and adjustments to date include:

- Exclusion of group accounts from the 2020/21 draft accounts
- Exclusion of brought forward balances in relation to plant, property and equipment (accumulated depreciation and revaluation reserves)
- Many errors in the Collection Fund leading to a revised Collection Fund being prepared for version 15 of the accounts
- Bank reconciliation including many reconciled items and incorrectly classified debtor and creditor balances
- Grant income transaction listing not fully reconciled to the accounts until June 2022

One area that has caused significant delay is the quality of transaction listings shared with audit. We have worked closely with Finance to:

- Ensure listings agree to the disclosed amounts in the accounts
- Ensure listings are cleansed of contra entries that do not impact on year end balances

Other key findings

We have not, to date, identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report, Annual Governance Statement or the Pension Fund financial statements.

Audit Findings Report

Our 2020/21 Audit Findings Report has not yet been issued. We aim to present the report to the February 2023 Audit & Governance Committee meeting.

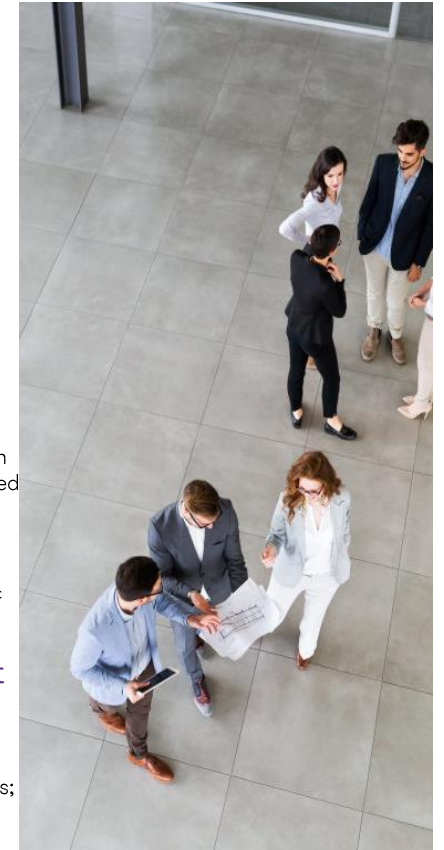
Whole of Government Accounts

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

We will complete our work on the Whole of Government Accounts consolidation pack in due course, upon completion of the 2020/21 financial statements audit.

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

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

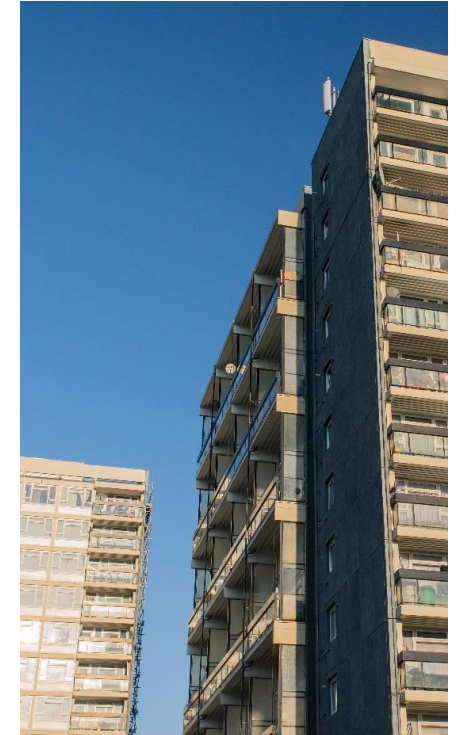
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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
The predecessor County Council received an inadequate Ofsted rating in respect of Children's Services.	Reviewed progress against and actions taken as part of the Improvement Plan. Discussed this with Senior Officers.	Whilst improvements were noted during the year, both by the Council and in Ofsted monitoring visits, and a focussed visit during 2020/21, the inadequate rating remained in place during the year.	This has been reported as a significant weakness, as the regulator has not issued a changed rating.
The Corporate finance function had not produced draft accounts on time which were free from significant omission.	Liaised with the financial statements audit team to consider whether this was indicative of a significant weakness. Discussed this with senior officers at the Council.	Whilst there are resource constraints within this team, we are satisfied this is a capacity issue, not a result of a lack of expertise. The inability to recruit permanent members of staff to Council finance teams has been seen at a number of other authorities.	Our conclusion is that this is not a significant weakness. We have made an improvement recommendation in respect of this.

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'.	Yes	X	
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	FS Governance	XX-XX XX-XX

