

# Auditor's Interim Annual Report on Waverley Borough Council

2021/22

August 2023



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

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



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

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# Executive summary



## Value for money arrangements and improvement 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.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Conclusion	Commentary
<b>Financial sustainability</b>	No significant weaknesses in arrangements identified and no improvement recommendations made	We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering robust financial plans. We have not identified any significant weaknesses in arrangements relating to financial sustainability and have not made improvement recommendations.
<b>Governance</b>	No significant weaknesses in arrangements identified but improvement recommendation made	The Council has demonstrated appropriate processes over budget management and decision making to help ensure that it is open and transparent in its dealings. We have not identified any significant weaknesses in arrangements relating to governance but have raised an improvement recommendations relating to risk management.
<b>Improving economy, efficiency and effectiveness</b>	No significant weaknesses in arrangements identified but improvement recommendation made	The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses in arrangements relating the 3Es but have raised one improvement recommendation. We also note two prior year recommendations have not been fully implemented.

# Opinion on the financial statements and use of auditor's powers

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

Our audit of your financial statements is in progress and is scheduled to be complete once the national issue relating to pensions is resolved.

## Statutory recommendations

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

We have not issue any statutory recommendation during 2021/22.

## Public Interest Report

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

We have not used our powers to make a report in the public interest.

## Application to the Court

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

We have not used our powers to apply to the Court for a declaration an item of account is contrary to law.

## Advisory notice

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

We have not issued an advisory notice during 2021/22.

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

## Judicial review

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

We did not issue any judicial review during 2021/22.



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

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

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

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

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



## Financial Sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out in the next section of the report. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Covid-19 pandemic has been the largest peace time emergency seen in this country for nearly a century. The knock-on effects on local government finance have meant shortfalls in income due to cessation of services and reduction in collection of both Council Tax and Business Rates. There has also been a loss of income in such areas as car parking and commercial rents as people stayed at home and business were forced to close. While government grants have covered part of the general shortfall Councils have been dealing with increased financial uncertainty as initial government support began to unwind.

A balanced budget was set for 2021/22 in February 2021. The 2021/22 budget still, however, expected a reliance on reserves and savings as recovery from Covid-19 began. To ensure organisational focus was maintained on the delivery of extra income and cost savings, a budget strategy was established with a focus on cost review, a commercial and property strategy and business transformation to bring the budget into balance over the medium term.

The review of Council papers indicate the assumptions used for the financial planning for 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

Based purely on the annual funding settlement, the Council faced a funding gap of approx. £20.5 m at the start of 2021/22 over the four years of the Medium-Term Financial Plan with £12.6m of compensating measures identified at February 2021. The immediate gap was addressed in the budgetary planning for 2021/22, with a series of new proposals which produced a balanced budget for 2021/22.

Future funding shortfalls are expected, so the Council is prudent in not planning for an increase in central government funding. In addition to managing this gap, the Council has set a savings targets over the MTFP period of £3.3m. and had set (and achieved) a balanced budget for 2020/21 and 2021/22. The Council had intended to draw down on reserves in 2021/22 but the outturn resulted in a net underspend of £0.45m.

The Council has a detailed financial plan covering four years. Given the uncertainty of the financial regime, its plan has been drawn up on prudent assumptions on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also looked at long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

Under section 25 of the 2003 Local Government Act requires the s151 officer to report on the robustness of estimates and adequacy of reserves. This s25 report was presented to Executive and Council and reported useable reserves in March 2021 and then March 2022. Despite the financial uncertainty the Council's GF reserves only reduced from £13.8m to £12.8m by the year end.

Financial plans are discussed at Council, Executive and Overview and Scrutiny Committee. The Council has a history of transparency in financial matters.

# Financial sustainability

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

The Council's cumulative budget shortfall over the four-year MTFP at April 2021 was £7.8m after compensating measures. This shortfall is attributable almost entirely to the immediate and on-going impact of Covid-19, but when these dissipate the forecast impact of measures start to overtake the pressures on an annual basis in 2024. A mixture of use of reserves, delivery of savings already identified and identification of further savings was identified to bridge this gap. The Council's reserves are projected to decrease slightly but by 2025/26 they are still projected to be in excess of £10m.

A savings programme is developed at the start of the budget setting process and then built into the base budget. As part of the process, services are expected to consider service implications of their proposals, so cost reductions do not adversely impact quality of services. The final budget is then approved by Council. The Council has a history of delivering on savings and on its budget and its approach is felt to be appropriate.

The Council has been prudent in its' funding assumptions and the Council Tax base and the Council is predicting collection fund balances should be better than expected and thus not requiring the predicted level of use of reserves.

While savings potential has been impacted by the pandemic, the Council has a history of successful delivery of savings and we will monitor this position going forward especially in the light of the collaboration with Guildford Borough Council and the expectation of savings this is due to produce. In July 2021, the Council and Guildford Borough Council approved the appointment of a single management team for bringing forward business cases for future collaboration. A joint Chief Executive was appointed in November 2021 and is now in post, an inter-authority agreement was agreed in April 2022 and the wider management team down to Head of Service level took up their positions in October 2022. The aim of the collaboration is to work together to improve services and provide savings. The Council has identified a potential opportunity for each council to save in the region of £700,000 from the collaboration over and above what would be achievable individually.

The Council does have debt, with borrowing at 31 March 2022 of £166m. However this figure is serviceable and repayable over a long period of time. The Council has a strong balance sheet and thus long term borrowing as a proportion of long term assets is not a particular area of concern at the present time- investments and cash as at 31 March 2022 were approximately £110m. With rates increasing the Council will need to be mindful of the affordability of any further borrowing.

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

The Council has a financial planning process which ties in with corporate objectives. There is extensive internal consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies.

The Council does not currently has no corporate workforce strategy. Heads of Service plan their own workforce and report that to Management Board. So whilst there is not a central owned document, each Head of service will be responsible for their own workforce plan and decide which posts to recruit to and which to leave. The Management Board retain oversight of resourcing.

We understand a joint workforce plan will be developed in conjunction with Guildford Borough Council as part of their collaboration. This should support the Council and its partner to take a strategic view on how to address the needs of both organisations over the medium term through appropriate training, recruitment and succession planning.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, The Finance team is well established with significant experience of managing the Council's finances. Staff have clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Council appears to have a positive financial culture and an appropriate 'tone from the top'. The ongoing management of the Council's financial position over recent years is evidence of this.

Finance staff have monthly meetings with budget holders to discuss budget positions. Key income streams are monitored every two weeks. A position statement is reported monthly to Management Board and quarterly to Senior Management Team. A quarterly performance report including finance is reported to Overview & Scrutiny Committee and Executive.

The Council has a Capital Programme and has adopted a Capital Strategy and Capital Planning process which are regularly reviewed to reflect changing circumstances. At April 2021 the modest General Fund capital programme was for funding for the replacement of assets which deliver services as well as recurring capital expenditure.

# Financial sustainability

The Housing Revenue Account (HRA) Capital Programme had a £50m capital programme undertaking decent homes work and building new homes. The Council looks to replace every sold home with a new home to keep the available stock at the same level. The Housing Development Capital Programme Budget includes allocation for delivery of new affordable council homes for rent and shared ownership through the acquisition of property under Section 106 (s106) agreements.

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

Planning for 2021/22 was challenging as the pandemic provided increased uncertainty around future funding. In November 2020, a one-year funding settlement was announced and subsequently one year settlements have been announced for 2022/23 and 2023/24. Services have collaborated and appear to understand the wider position of the Council as a whole, and not just their own departments. The budget has been balanced over recent years, which would point to departments not spending their own budgets just to utilise them. We understand that underspent budgets are redeployed, which would suggest services do not spend their budgets simply to protect future allocations but identify savings. Projects to balance the budget can clearly be seen as cross cutting. Service provision is aligned to the funding envelope.

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

Whilst there was a transition to 'business as usual' in 2021/22, the impact of the pandemic still created difficulties in how Councils were able to manage finances particularly due to the changing profile of demands on services. The Council continued to monitor the pandemic's impact through its risk management processes and included a risk in the Corporate Risk Register.

Budget reports are monitored on a regular basis and finance reports are subject to scrutiny and challenge at Committee meetings. A list of key risks is included in MTFS papers sent to Members when setting the Council's budget.

## CONCLUSION

We found no evidence or indication of significant weaknesses in relation to your financial sustainability and as such no further risk-based work has been undertaken in this area.





# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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

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

The Annual Governance Statement for 2021/22 notes “The Senior Management Team regularly reviews and updates the Corporate Risk Register and is required to state positively the level of assurance they can place upon the controls that mitigate risks. If the residual risk exceeds the ‘risk appetite’, managers are required to consider whether cost effective actions that will reduce the likelihood and/or impact of the risk occurring can be introduced. The Risk Register is reviewed by the Audit Committee and used to inform the Internal Audit Plan for annual audit planning.”

A specific review of risk management arrangements has not been completed by Internal Audit in recent years. A review in the next 12 months therefore could be timely.

The Council have a Risk Management Strategy and toolkit in place although as it was last updated in January 2019 it is due a refresh. There are a number of examples of good practice in place including a formal Risk Appetite document and heat map. Risks are mapped onto a heat map which RAG rated to indicate importance of a risk and the level of action required. Risks within the red part of the heat map require active management. The linkage of impact assessments to the risk appetite enables a two-dimensional view of risk management.

A summary of the identified strategic risks, is produced to show the review of that risk against the risk appetite statement and its likelihood.

The Strategic Risk Register is a key governance document underpinning the delivery of the Corporate Strategy 2020 - 2025. The register focuses on the risks that are inherent in delivering the strategic objectives selected and designed to deliver the strategic priorities.

Risk assessments includes an “impact” assessment of a risk event and the “likelihood” of a risk event happening and is categorised in the 5 domains included in the Risk Appetite. These are Financial, Legal, Regulatory, Safety, Service Delivery & Reputational. This ensures there is a structured approach within the Council’s framework to identify risks on a consistent level and provides management focus to ensure that the key risks are being identified.

A review of the Strategic Risk Register went to Audit Committee in March 2022. We note that Members of the committee have had several informal review sessions during 2021. Officers have maintained the register and formally reviewed it on a quarterly basis. The risk management policy states at section 4.7 that this will also be reported annually to Executive and Full Council but we have seen no evidence that this has happened in 2021/22.

As part of our 2020/21 Auditors Annual Report we recommended the number of risks reported to the Audit Committee was reduced because having in excess of 30 risks is probably too many to enable robust challenge and discussion. The Council still had a similar number of risks in 2021/22, however, the presentation of the Heat Map annex which only includes those red rated risks does help focus the discussion to those most significant risks. We have raised an improvement recommendation around potential enhancements to the current risk management process.

# Governance

The Internal Audit function is provided by Southern Internal Audit Partnership and overseen by an in-house Internal Audit Manager. The internal audit service reviews the controls and processes which have been put in place by management to ensure that systems are working as effectively as possible. These reviews include financial systems that contribute to the compilation of the yearly financial statements.

Management reports are produced and implementation of recommendations is monitored by the internal audit service. Our review of Audit Committee papers shows evidence Internal Audit provided quarterly updated on the delivery of the annual plan and progress in implementing recommendations.

The Annual Head of Internal Audit Opinion for 21-22 was presented to Audit Committee in June 2022. The Head of Internal Audit Opinion concludes that:

'Waverley Borough Council's frameworks of governance, risk management and management control are 'Adequate' and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.'

Overall, 98% of the Internal Audit Plan was completed, reasons cited were due to the continued occurrence of Covid-19 restrictions until December 2021, the scheduling of planned reviews were problematic as some staff were unavailable due to isolating. This appears reasonable.

Of the 13 internal audit reviews completed in the year, 23% (3/13) had a substantial level of assurance, 61% (8/13) are reasonable level of assurance and 15% (2/13) provided a limited assurance. These related to Lone Working and Waste Management. We note that this is an improvement since last year where we documented that 40% of internal audit reviews provided limited assurance.

Counter fraud services are also provided by the internal audit team which comprises of a fraud investigation officer who is a dedicated resource to investigate all types of housing tenancy fraud. The internal audit team undertake work related to the National Fraud Initiative and other counter fraud duties. Review of minutes confirmed that the Audit Committee receives periodic updates on counter fraud activity.

As a member of the Surrey Counter Fraud Partnership, the Council works in collaboration with other Surrey districts as a partnership to share ideas and to implement strategies to raise awareness including a publicity campaign on tenancy fraud and provide opportunities for members of the public to raise concerns.

Counter-fraud activity during the year has delivered a programme of proactive and reactive work to complement the internal audit strategy and annual plan focusing resource against assessed fraud risks in addition to new and emerging threats.

The Council maintains a framework of procedures and control through several strategies and policies to support the effective management of the prevention, detection and investigation of fraud and corruption. These include the Counter Fraud Strategy, Policy and Fraud Response Plan and Anti Bribery Policy, Prosecution Policy and Anti Money Laundering Policy which was approved in March 2022 and therefore adequately covers all aspects of fraud detection.

The Fraud policies sit alongside the Council's Whistleblowing Policy and given there has been evidence of whistleblowing to Internal Audit in year, we would suggest that the policy is easily accessible and well understood by staff and given that the issues were across several areas of the Council.

The members Code of Conduct is contained within the Councils Constitution in Part 5 The Councils code is in line with the Local Government Association (LGA)'s Model Councillor Code of Conduct as included in their Constitution. The role of the Councillor is based on the seven Nolan principles of Public life. The role and the expectations required from a Councillor are clearly and explicitly stated in the Constitution. Also included in the Constitution is the Councillor's Planning Code of Good Practice. The aim of the code of good practice is to help Members maintain high standards of conduct and ensure that in the planning process there are no grounds for suggesting that a decision has been biased, partial or not well-founded in anyway.

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

The Council has well established arrangements relating to financial planning and assumptions made appear reasonable. While future funding is unclear, a medium-term financial plan has been produced based on prudent assumptions regarding future income streams. The Council has a track record of delivering their financial position and budgets build in uncertainties. We have seen evidence of the scenario planning but we feel that better use can be made of this tool e.g. presenting a best, worst and likely budget scenario based on current assumptions. We would welcome discussions on this matter.

The budget process starts in July each year with consultation with budget managers to identify challenges and pressures. The Medium Term Financial Plan (MTFP) is a living document and is constantly adjusted through the year.

# Governance

A Draft Medium Term Financial Plan (MTFP) is taken to Executive in November each year. This is worked up through consultation with budget holders, JMT and Members to a draft budget which goes to Executive and Overview & Scrutiny Committee in January. The Final agreed budget is sent to Full Council for approval annually in February.

Investments and Borrowings are included within the financial plan, but the effects are minimal given the current rates of return on investments (even factoring interest rate increases).

## How the body ensures effective processes and systems are in place to ensure budgetary control.

Budget managers have access to finance system and can review budgets at any time. Finance staff have monthly meetings with budget holders to discuss the budget position. Key income streams are monitored every two weeks. A position statement is reported monthly to Management Board and quarterly to Senior Management Team. A quarterly performance report including finance is reported to Overview and Scrutiny Committee, Review of Committee papers indicates that variances are adequately identified and explained.

The Finance team is qualified, stable and experienced. The senior management team has been restructured to a joint management team with Guildford Council down to Executive Head of Service level from October 2022. The S151 Officer is a Joint Executive Head of Service and sits on the Joint Management Team.

We consider budget management arrangements to be satisfactory and we have found no areas of concern during our work.

## How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The review of papers and discussions with staff, indicates Council's decision-making processes are open, transparent and we have no evidence that reactive or unlawful decisions have been made. It is evident from our review of papers sufficient information is provided to members and they challenge and hold senior management to account appropriately. The Council is engaged and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements.

## How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

The Constitution which includes the Scheme of Delegation to Officers, sets out how the council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Constitution also explains the roles and responsibilities of the Executive, Audit Committee, Overview & Scrutiny Committee and Officer functions. All Councillors meet as the Full Council around six times a year and our review confirmed that comprehensive papers are provided to members. The Governance arrangements for the Council are clearly laid out in its Annual Governance Statement.

We note that the Council, in relation to its Affordable Homes Delivery Strategy 2022-25, consulted with residents, partner organisations and other stakeholders on the draft strategy between 27 January 2022 to 24 February 2022. The final draft was then updated to take into account the responses to the consultation. We note that an Equality Impact Assessment was also carried out in March 2022 as part of the Consultation showing the impact of its commitment to build homes to buy or rent for households from all income levels.

As reported in its AGS, one of the key principles that the Council has set to achieve good standards of governance is to ensure openness and comprehensive stakeholder engagement. This will be achieved by:

- Demonstrating, documenting and communicating the Council's commitment to openness and accountability in acting in the public interest.
- Establishing clear channels of communication with the community and other stakeholders, and encouraging open consultation.
- Ensuring an effective scrutiny function is in place

## Conclusion

We found no evidence or indication of significant weaknesses relating to your governance arrangements and as such no further risk-based work has been undertaken in this area

# Improvement recommendations



## Governance: Recommendation 1

### Auditor judgement

- Risk management arrangements have not been reviewed by Internal Audit in recent years
- The Risk Management Policy & Toolkit has not been updated since January 2019
- The risk management policy states that the Strategic Risk Register will be reported annually to the Executive and Council but we have seen no evidence that this has happened in 2021/22.

### Summary Recommendation

Consideration should be given to the following actions to help support the continued evolution of risk management that is in progress at the Council:

- Ask Internal Audit to complete a review of strategic risk management.
- The Risk Management Policy and toolkit is refreshed as changes to processes have taken place since it was last updated in January 2019.
- Executive and Council is presented with a copy of the Risk Register for review at least annually (as set out in the Risk Management Policy and toolkit.)

### Management response

- An internal audit of the Council's risk management arrangements was undertaken in 2022/23. The purpose of the audit was to review the existing arrangements in place and ensure these allowed risks within the organisation to be identified, evaluated and managed efficiently and effectively. The internal audit report identified that improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Responsibility for risk management transferred to the Executive Head of Organisational Development in October 2022 as part of the Council's new Joint Management Team structure. The action plan agreed by the Executive Head of Organisational Development in response to that internal audit commits to a number of actions to be completed including: a review of the current Risk Management Policy and Toolkit; to develop and agree a Risk Management Strategy; to review the format and content of the risk register and to confirm staff resource to support risk management at Waverley following the departure of the Risk and Insurance Officer. These actions are underway and have a target completion date of March 2024.



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



# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

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

The Council measures progress and performance against its plans and priorities using a range of measures and the ongoing monitoring of Key Performance Indicators (KPIs) is part of that process. The aim of these KPIs is to indicate how successful the Council is in the delivery of its services against set targets, which is an essential part of performance management and the scrutiny process. The indicators are included in the corporate performance report which is reviewed quarterly by the Senior Management Team, Executive and O&S Committees. Data on all corporate indicators is stored in a corporate performance monitoring application called Pentana.

Quarterly performance monitoring is presented to the Overview and Scrutiny committee. The Corporate Performance Report Q4 2021/22 end of year Outturn report was presented to the Committee at the June 2022 meeting. 53% of indicators were classed as Red which means they were over 5% off target with 33% Green - on target. We can see that the number of indicators rated as Red has gradually increased each quarter during 2021/22, in Q1 there were 26% KPIs that were red compared to 53% at Q4. Detailed summaries are provided in the service dashboard element of the report for each corporate KPI ensuring that members are fully informed of the key issues and can challenged those services highlighted as needing improvement.

Some benchmarking of costs has been carried out during the year but the timeliness and accuracy of the data available from similar bodies is limited which has meant there are caveats in any use of such data. An LGA Peer Review was carried out in 2021. The Council works with the South London Partnership and the services that are shared work with and learn from their shared service partners to apply improvements across all authorities they work with.

The low overall performance of some of the key corporate indicators is due to the continuing challenges arising from Covid-19. However, it is noted that performance in these high-profile services is improving, and we note that improved performance is being reported in 2022/23 and the last report for Q2 in December 22 reported 57% of indicators as green and only 31% at red.

The Council's Performance Management Framework provides the governance structure to enable the delivery of the Council's objectives. Performance monitoring is conducted at all levels of the organisation, from the strategic corporate level, through the operational/team level, leading to individual staff performance targets.

The data is collated at the end of each quarter and a broad range of measures have been included to provide a comprehensive picture which include:

- Key performance indicators
- Progress of Internal Audit recommendations
- Complaints monitoring
- Workforce data
- Financial forecasting
- Housing Delivery monitoring.

As a result of the Councils annual review of KPIs, the proposed changes to the current corporate performance indicators for 2022/23 were agreed at the Overview & Scrutiny Committee in March 2022 and formal approval by Executive Committee in April 2022. There are six new proposed KPIs which are being monitored in 2022/23.

We are satisfied that the Council has adequate arrangements in place to ensure the accuracy of financial and performance reporting to Executive.

# Improving economy, efficiency and effectiveness

The Council does not have a Data Quality Policy but it does have two publicly-available, personal data orientated policies in existence Data Protection Policy and Consent Policy which were both approved in February 2022. The Information Governance Strategy and Information Management Policy are out of date and the holistic review of all existing information /data governing documents, as well as the creation of a new Data/Information Vision and Strategy underpinned by a clear and phased delivery programme is planned for approval in 2023.

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

The Corporate strategy is used by officers to deliver services and to inform their recommendations to service committees. Councillors use it to inform their decisions too. The current Corporate Strategy runs until 2025.

The annual letter from the Local Government Ombudsman (LGSCO) confirms that for the Council there were four investigations for the period between 1 April 2021 to 31 March 2022 and the Council had two complaints (50%) upheld. This compares to an average of 51% in similar organisations. In 100% of cases the Ombudsman was satisfied the organisation had successfully implemented the recommendations made. The two complaints that were upheld related to Housing and the recommendations made by the LGSCO were implemented by the Council.

A report was taken to the Overview & Scrutiny Committee in September 2022 providing a summary of the complaints received by the Council that were closed during 2021/22, the Council's performance in responding to those complaints and, where applicable, the lessons learned. We note 66% of all complaints closed in 2021/22 were resolved at Level 1 compared with 64% the previous year.

Housing Operations and Planning and Economic Development received the highest number of complaints, a total of 114 and 109 respectively. This is an increase of 7% for Housing and 43% for Planning when compared with the total of 106 and 76 for 2020/21. The majority of the Housing complaints concerned property maintenance and responsive repairs and in Planning they concerned Development Management.

The corporate target currently states that 95% of all complaints should be responded to within 10 working days of receipt at Level 1 and within 15 working days of receipt at Level 2. In 2021/22 84% of all closed complaints were responded to within the target timescales.

We found no evidence of failure to meet minimum service standards or consider appropriate service delivery options The Council has a focus on long term development and not short-term expediency. However, we make an improvement recommendation that the Council identify those service areas with high level of complaints and provide an action plan/progress update to members detailing service improvements made as a result of the complaints investigations made.

## How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

Partnerships have not previously formed a significant part of the operations of the Council. The plans to collaborate with Guildford Borough Council with a shared management team will move the authority into a new phase of partnership working.

The collaboration aims to help both councils cut costs by reducing the duplication of work, increasing efficiency and purchasing power, providing better value for money for residents and helping to protect local public services. We were informed the partnership will be one of the largest between borough councils in the country, providing local services to 275,000 residents. During 2021/22, a Joint Chief Executive was appointed. Joint Executive Directors and Heads of Service took up their posts in 2022/23 with planning commencing of how the collaboration would be taken forward at that time and this is still ongoing.

A Joint Appointments Committee comprised of six councillors from across political groups in both councils has overseen the recruitment and selection of the three Joint Strategic Directors. In addition, a Joint Governance Committee has been established to oversee the governance arrangements for inter-authority working. The first meeting of this new committee was held on 9 December 22.

A collaboration risk register is in place which is to be reviewed by the Joint Governance Committee every six months. The initial collaboration risk register was approved by both Councils in April 2022, and is updated by officers to reflect developments and actions to mitigate risks accordingly.

A draft Heads of Terms for the Inter Authority Agreement (IAA), that will form the basis of the partnership between Guildford and Waverley borough councils was agreed by councillors at the Guildford Borough Council meeting on 5 April 22 and at Waverley on 26 April 2022. The IAA is a contract between the two councils, containing the legal framework under which the partnership will operate.

# Improving economy, efficiency and effectiveness

It sets out the principles of how the two organisations will work together and how assets will be used, how staff will work for both councils, and how costs – and savings achieved from the benefits of the partnership – will be shared. It also contains a formal dispute resolution process, should the two councils be unable to reach agreement on a particular issue.

In June 2021, a financial feasibility study on the collaboration was undertaken by the Local Partnerships organisation to report on the financial benefits that closer partnership working between the two councils would provide. A key finding was that the collaboration could result in around £1.4m of savings from the collective staffing budgets of both councils with around 50% of these predicated on implementing a shared single management structure down to Head of Service level. The feasibility report went to full Council for review in July 2021 meeting where the options for collaboration were discussed.

Although this is not an operational partnership and more strategic the Safer Waverley Partnership is made up of representatives from a range of partner organisations who work together to ensure that Waverley is a safer place to live and work. The key partners involve are: Waverley Borough Council, Surrey County Council, Surrey Police, Surrey Fire and Rescue Service, National Probation Service, Surrey Heartlands Health and Care Partnership and Frimley Integrated Care Board. The SWP Partnership Plan sets out the priorities of the 3 year rolling plan which is renewed on annual basis and supported by a delivery plan to enable people to live safe lives.

The Council worked closely with partners to assist victims of Anti-Social Behaviour (ASB) as part of its awareness week throughout the borough and signed 5 key ASB principles as part of the Safer Waverley Partnership. These include encouraging victims to report ASB, to have clear and transparent processes to ensure victims are kept well-informed of progress once a report is made and to provide adults and children who exhibit signs of anti-social behaviour the opportunity to take responsibility for their behaviour and repair the harm caused by it.

Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Procurement support services across the organisation delivering front line and back-office services. The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money.

The Council's Contract Procurement Rules (CPRs) outline the review of the Contract Procurement Rules and the changes made. The Audit Committee approved the draft in March 2022 and Full Council approval was made in April 2022. It was recommended to the Council the proposed amendments to the Contract Procurement Rules be approved and incorporated into the councils constitution. Our review confirmed that this has been completed.

The main purpose of the CPRs is to ensure that the Council meets current legal and policy requirements. Whilst securing value for money for residents, minimise the risk of challenge / undue criticism, support social value and sustainability and provide transparency as to how it spends public money. The document sets out the minimum requirements the council must follow when procuring and/or entering into Contracts for the supply of goods, works and services including consultants. The CPR document is available to staff and is also publicly available and therefore increases the ease of following these guidelines.

The council have an e-sourcing portal which is a collaboration between public sector authorities in the South East region to provide a simple, secure and efficient way for managing sourcing and quotation activities, reducing time and cost for buyers and suppliers. There is access to the Contracts register via the website showing all contracts in value over £5,000. The Council's contract register is published online and so is transparent, Review of contracts starting in 2021 and 2022.

We reported in 2020-21, that the Council does not have Procurement Strategy and made an improvement recommendation that the Council should consider developing a Procurement Strategy. Our review of arrangements in 2021-22 has shown that there is still no procurement Strategy and just the CPRs. We understand the intention is to implement a strategic procurement framework later in 2022/23, working with Guildford Borough Council.

We found no evidence that appropriate procurement processes were not followed during 2020/21.

## CONCLUSION

We found no evidence or indication of significant weaknesses to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area

# Improvement recommendations



## Improving economy, efficiency and effectiveness: Recommendation 2

### Auditor judgement

We reviewed complaints reported to Overview & Scrutiny Committee. Housing Operations and Planning and Economic Development received the highest number of complaints, a total of 114 and 109 respectively. This is an increase of 7% for Housing and 43% for Planning over the previous year. The majority of the Housing complaints concerned property maintenance and responsive repairs and in Planning they concerned Development Management. No follow up reporting was provided on actions taken in these areas to improve performance.

### Summary Recommendation

The Council should identify those service areas with high level of complaints and provide an action plan/progress update to members detailing service improvements made as a result of the complaints investigations made.

### Management response

We are aware of an increased level of complaints in planning and housing and are taking steps to resolve some of the issues raised. Our new complaints database does now also allow us to capture lessons learnt and actions taken as a result of a complaint received by the council which has increased visibility of trends behind these complaints. We support the recommendation in the report.



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



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>1 We recommend the Council considers whether a Strategic Risk Register with approximately 30 risks is appropriate. A smaller document with only red risks might be more appropriate and allow challenge and scrutiny within the Committee structure.</p> <p>There is a possibility risk scores are either not being appropriately adjusted, or that controls in place are doing little to the scoring outcome. The Council may wish to consider whether its prioritisation of actions is appropriate e.g. if time and effort are being ineffectively applied to some risk areas could resources be better directed to other risks where actions would have more impact.</p>	Improvement	June 2022	There remains a high number of risks on the Strategic Risk Register however the Heat map document presented to the Audit Committee allows for scrutiny of the high risk areas.	Yes	No
<p>2 We recommend a Procurement Strategy is developed. In addition to explaining the Council's approach to procurement and how it complies with legal requirements it should also include the following: SMART (specific, measurable, achievable, realistic, and timely) objectives clearly set out in the Strategy to allow the Council to subsequently assess whether the Strategy is delivering as intended.</p> <p>A framework for how the delivery of the Strategy will be achieved. An annual or biennial review against SMART objectives reported to the Overview and Scrutiny Committee would allow the Council to assess how successful the Strategy is in delivering its objectives.</p>	Improvement	June 2022	No progress was identified on this matter although we note the intention is to implement a strategic procurement framework later in 2022, working with Guildford Borough Council.	No	Yes, scheduled for implementation in 2022/23.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
<p>3 The Council does not currently have a formal Data Strategy in place. Its good practice to have a formally published strategy or policy which sets out the Council's approach to ensure information is fit for purpose, with appropriate balance between the characteristics of good quality data (relevance, accuracy, timeliness, accessibility, coherence and comparability. Such a policy supports an organisation in enabling it to set expectations of staff and other organisations it works with regards to the treatment of data, whether from a collection or a decision making point of view.</p>	Improvement	June 2022	<p>The Council has two publicly-available, personal data orientated policies in existence <u>Data Protection Policy Feb 2022</u> and <u>Consent Policy Feb 2022</u>. The Information Governance Strategy and Information Management Policy are out of date and the holistic review of all existing information /data governing documents, as well as the creation of a new Data/Information Vision and Strategy underpinned by a clear and phased delivery programme will be undertaken by the newly appointed Information Manager.</p>	Partially	<p>Yes, scheduled for implementation in 2022/23</p>

# Appendices

# Appendix A – Responsibilities of the Council

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

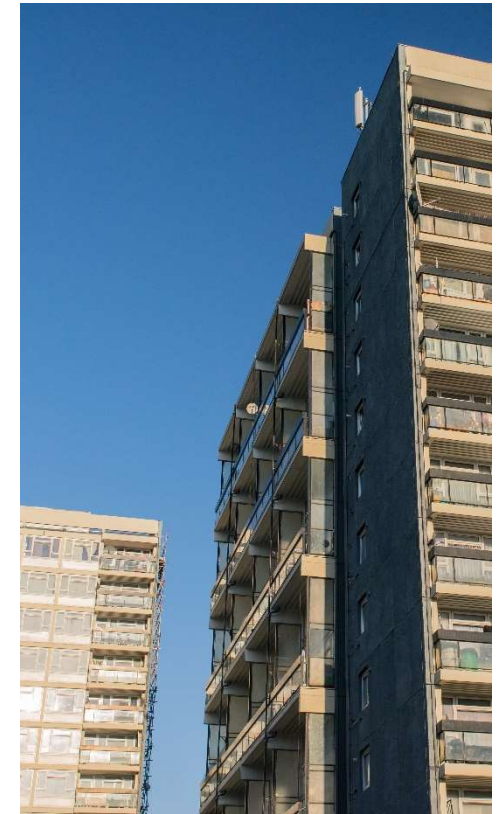
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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





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# Appendix B – Risks of significant weaknesses, our procedures and findings

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As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We identified no such risks

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 12 and 176

# Appendix D – Sources of evidence



## Staff involved

- Tom Horwood – Joint Chief Executive (Guildford & Waverley)
- Annie Richton - Joint Strategic Director -Community Wellbeing)(Guildford & Waverley)
- Dawn Hudd - Joint Strategic Director - Place (Guildford & Waverley)
- Ian Doyle – Joint Strategic Director – Transformation & Governance (Guildford & Waverley)
- Peter Vickers – Executive Head of Finance
- Stephen Rix – Interim Head of Legal and Democratic Services
- Robin Taylor – Executive Head of Organisational Development
- Rosie Plaistow – Financial Services Manager
- Gail Beaton – Internal Audit Manager



## Key Documents Reviewed

- Constitution
- Corporate Strategy 2020- 2025
- Medium Term Financial Plan
- Executive papers
- Audit Committee Papers
- Overview & Scrutiny Committee Papers
- Capital Strategy & Programme
- Annual Governance Statement
- Strategic Risk Register
- Treasury Management Strategy
- Contract Procurement Rules
- Risk Management Policy
- Annual Internal Audit opinion
- Internal Audit Plan
- Member Code of Conduct
- Officer Code of Conduct
- Counter Fraud Policy
- Anti Money Laundering Policy
- Relevant Internal Audit reports

