

Tunbridge Wells Borough Council

Auditor's Annual Report for the
year ended 31 March 2024

October 2024 - Final



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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.



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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Tunbridge Wells Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

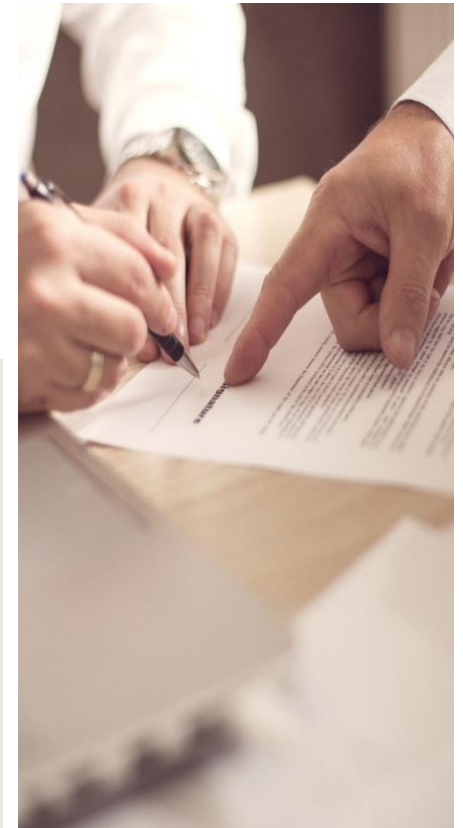
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 26.



Financial sustainability

The Council has a strong track record for financial management, accounts are signed off by the deadline, the revenue budget is set without using reserves and the Council is debt free. This places the Council's financial management in an exemplary position, which is overseen by an experienced and professional finance department. Due to service underspends and additional income the Council delivered an £8.3m surplus for 2023/24. As a result, the Council did not require the planned £0.9m contribution from reserves to balance the 2023/24 outturn position and reduced the planned net contribution from earmarked reserves by £7.3m to £2.9m. The 2024/25 budget was balanced without the need to use reserves. Budget reports clearly set out the main budget assumptions.

The Council updates and reports on the medium-term financial position during the year. The financial planning assumptions of the Council are reasonable, and the Council demonstrates that it understands its financial position. The Budget Update and Benchmarking 2025/26 Report (October 2024) sets out the latest medium-term financial projections. Relatively modest deficits of £0.3m for 2025/26 and £0.7m for 2026/27 are forecast, with a step change forecast for 2027/28 where a £5.8m budget gap is forecast due to the impact of the fair funding review and market cost of reprocurring major contracts. We understand that the Council is currently considering strategies to mitigate the significant increase in costs forecast for the waste contract.

Financial planning reports during 2023/24 set out the growing budget gap over the medium term and updated Members on the emerging savings plans. Total recurring savings of £0.6m were identified which were included in the 2024/25 budget. The Budget 2024/25 Report confirms that officers have been trying to identify further efficiency options to reduce service cost and increase income, but the scope for further savings is limited based on current policies and service levels.

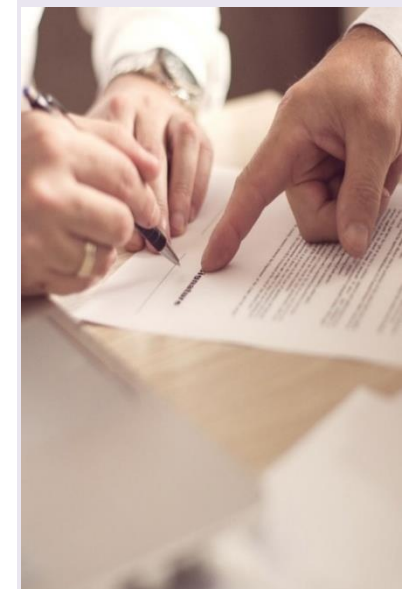
The significant budget gaps forecast from 2027/28 will not be bridged through normal budget processes and the Council is planning how it can deliver more challenging levels of savings. We encourage the Council to implement a Council-wide savings and efficiency programme at pace, so that a range of transformational savings, income generation and savings from changes to discretionary service levels can be considered. Based on the latest financial forecasts, the Council has time to develop a savings and efficiency programme, but ultimately Members may have to make difficult choices in order to balance the position over the medium term.

We have raised an improvement recommendation that the Council should develop a Council-wide savings and efficiency programme in order to address the significant budget gaps identified from 2027/28.

The Council can demonstrate that it plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. There is a coherent link between assumptions in the Council Plan and financial planning, the Council considers statutory and



Our audit of your financial statements is complete and we issued an unqualified audit opinion on 11 December 2024 after conclusion of our closing procedures. Our findings are set out in further detail on page 11.



Executive summary (continued)



Financial sustainability (continued)

discretionary spend through the budget consultation process, and the Council undertakes detailed cost benchmarking against nearest neighbours.

The Council faces recruitment and retention challenges due to its geographic location and cost of living. Increased levels of staff turnover and vacancies can potentially impact on the ability to deliver services, and this is recognised as a strategic risk. As a result of these challenges, employee costs were underspent by £1.2m in 2023/24. One of the mitigating actions that the Council has put in place to ensure there are sufficient and properly skilled staff in post is the development of the People Strategy 2024-27. The Reward and Contribution theme within the Strategy includes a review of pay and rewards during 2024 and the Council has commissioned an external consultant to undertake this review. Once the review is complete, the Council will need to ensure that any financial implications from new approved pay structures are built into financial plans.

The Council recognises funding the commitments to become carbon neutral by 2030 represents a budget risk and this is highlighted in budget reports. The Asset Management Plan is critical in supporting carbon reduction. A carbon audit has identified that 68% of the Council's emissions are produced by three of the Council's buildings and so reducing emissions from the Council estate is essential to becoming carbon neutral. The Council has successfully applied for government decarbonisation grants for sports centres and depots. A £3m budget has also been identified that can be used to deliver net zero priorities through the use of the Public Realm Enforcement Reserve, which is a positive outcome for the Council.

Council approved a balanced budget for 2024/25 without the requirement to utilise reserves, which is positive with regards to financial sustainability. The S151 Officer's S25 Statement in the Budget 2024/25 Report confirms that the Council must act without further delay to end the use of reserves for the revenue and capital budgets.

The latest projections for reserves were presented to Cabinet in October 2024. Total useable reserves are projected to decrease from £26.8m as at 31 March 2024 to £10.9m by 31 March 2029. While the General Fund is maintained at £4.5m, and will be available to manage financial risk, the forecast is that earmarked reserves will reduce from £16.9m to just £1.9m by 31 March 2029. Capital receipts are projected to reduce to zero, leaving £4.5m of capital grants to fund capital schemes, increasing the risk that the Council will have to borrow to fund new capital priorities if external funding cannot be secured.

Therefore, even if the budget gap is balanced over the medium term without the use of reserves, over the next five years the Council's useable reserves are still projected to reduce significantly and will leave little capacity in the future to invest in corporate priorities.

We have raised an improvement recommendation that as part of the medium-term financial strategy the Council should maintain prudent levels of reserves for both the management of financial risk and to allow future investment in corporate priorities. The Council should consider strategies for increasing earmarked reserves, for example through the disposal of assets which are not core to the Council's operational requirements and land which has development potential.



Governance

The Council has arrangements in place to identify, mitigate and report on strategic risks. A Risk Management Policy and Strategy 2021-24 is in place and the Audit and Governance Committee receive strategic risk register reports on a quarterly basis. The risk register includes the elements of best practice we would expect. Corporate risks are also subject to deep dive reviews, which are presented to the Audit and Governance Committee by senior responsible officers to provide additional oversight of risk and mitigating actions. Further good practice is evidenced through the level of discussion and challenge by Members of the Audit and Governance Committee when the strategic risk register is presented for review.

Executive summary (continued)



Governance (continued)

There is an effective internal audit function in place, undertaken by Mid Kent Audit. The Head of Internal Audit Opinion for 2023/24 is that the Council has adequate and effective risk management, control and governance processes in place to manage the achievement of their objectives. Internal audit monitor the implementation of agreed audit actions by management, with only one outstanding action that is overdue at the year end, relating to the pre-application planning process.

The Council has an Anti-Fraud and Corruption Policy in place that includes internal audit undertaking proactive work through the annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity. The Internal Audit Plan 2023/24 included 18 days for counter fraud work. However, the Audit and Governance Committee were not provided with updates on counter fraud work undertaken by internal audit. Discussion with officers confirms that internal audit fraud work is reactive, and with no allegations of fraud received in 2023/24, work was limited to the National Fraud Initiative data matching exercise. We raised an improvement recommendation in 2022/23 that training should be provided to all staff in fraud awareness and whistle blowing. This is yet to be actioned but is planned for 2024/25.

We have raised an improvement recommendation that the Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff.

The Council has effective arrangements in place to monitor and communicate the budget position and a robust annual budget setting process.

The Council has arrangements in place to ensure that it makes properly informed decisions and that there are processes in place to scrutinise and challenge decisions. During 2023/24 there were three Cabinet Advisory Boards in place whose role is to help develop Cabinet key decisions and policies recommended to Council. The Boards reviewed a range of strategic, performance, risk and budgetary policies and reports during 2023/24. The Overview and Scrutiny Committee has the role of challenging decisions made by Cabinet through the call-in process, and can also undertake special policy reviews through task and finish groups.

Arrangements are in place to ensure appropriate legislative and regulatory standards are met. The Council's Constitution includes the codes of conduct and rules and behaviours, with the Monitoring Officer responsible for ensuring compliance. The Procurement Strategy 2023-26 was approved by Cabinet in December 2023 and sets out the Council's approach and vision for procurement. The Council works in partnership with Maidstone Borough Council to deliver procurement services, with Tunbridge Wells Borough Council the lead authority. The Procurement Strategy focuses on 6 key themes: compliance, sustainability, localism, commercialism, stability and expansion.



Improving economy, efficiency and effectiveness

The Borough Partnership Council Plan was adopted in March 2023 as an interim plan recognising the uncertainty facing the Council. Five key priorities are defined: Safeguarding Finances; Vibrant and Safer Towns and Villages; Carbon Reduction; Genuinely Affordable Housing and Social Rental Housing; Digital Access, Transparency and Local Democracy. For each priority, the Plan documents what actions will be taken to achieve these priorities. The Cabinet receives performance reports on a quarterly basis, providing Members with narrative updates for projects delivering the Council Plan priorities, and also key indicators for service performance.

We note that the improvement recommendation we raised in the Auditor's Annual Report 2022/23 that the Council should develop a Data Quality Strategy is in progress, and while the recommendation is not raised again, it remains open.

Benchmarking provides assurance that Council is delivering services with relatively low unit costs but that the ability to further reduce costs without reducing range and quality of services or generating additional income is limited. The Finance Director produced a comprehensive analysis of unit costs and benchmarking with other comparable councils, this presentation should be used when developing the savings and efficiency programme as set out in Improvement Recommendation 1.

Executive summary (continued)



Improving economy, efficiency and effectiveness (continued)

The Local Government Association (LGA) undertook a Corporate Peer Challenge at the Council in January 2024, concluding that overall, the Council performs well, has solid finances and is effective. The Peer Challenge identified 10 recommendations to further strengthen arrangements. The Council has developed an action plan that details the Council response to each recommendation and identifies the lead Cabinet Member, lead officer and target dates for actions. The LGA report and associated Council response was reported to Cabinet in October 2024. We have not identified any significant weaknesses from the results of the Peer Challenge, and the Council's response and action plan demonstrates a commitment to strengthen arrangements in response to external reviews.

Partnership working is a key theme running through the Council Plan. Significant partnerships that the Council works within to deliver strategic objectives include the Kent Resource Partnership and Mid Kent Services. We note that the Council does not have a formal approach to partnership working and there is no Partnership Strategy. A Partnership Strategy would formalise arrangements for developing, managing and reporting on partnerships that contribute to the delivery of corporate objectives and ensure that risks to delivery are identified and mitigated.

We have raised an improvement recommendation that a Partnership Strategy should be developed to provide a framework for developing, managing and reporting on partnerships that help deliver strategic priorities.

The Council purchased the long leasehold of Royal Victoria Place in October 2023, incurring a total cost of £8.9m, in order to deliver regeneration and investment priorities in the Tunbridge Wells town centre. The Council commissioned independent surveyors and undertook due diligence to inform the decision to purchase the long leasehold and Member briefings were held during the process. There are ongoing governance arrangements in place to manage and report on the performance of the shopping centre, with Cabinet receiving regular property transaction reports, approving the business plan in March 2024, and the financial implications of the purchase are set out in the outturn report 2023/24. The Council has appointed an external asset manager, property manager and letting agents, and has employed an Investment Property Manager to liaise with these external advisors. A cross-party Investment Advisory Panel has been established to provide oversight of the management of the property. It is important that going forward strong governance arrangements are maintained and that Members have adequate oversight of the financial risks associated with this asset and how they are being managed.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	G No significant weakness in arrangements identified. No recommendations made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Council in improving arrangements for financial sustainability. These relate to developing a Council-wide savings and efficiency programme in order to address the significant budget gaps identified from 2027/28, and maintaining prudent levels of reserves for both the management of risk and to allow future investment in corporate priorities.	↓
Governance	A No significant weakness in arrangements identified, but two improvement recommendations made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made. The Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff.	↔
Improving economy, efficiency and effectiveness	A No significant weakness in arrangements identified, but one improvement recommendation made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation has been made. A Partnership Strategy should be developed to provide a framework for developing, managing and reporting on partnerships that help deliver strategic priorities.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

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



Opinion on the financial statements



Audit opinion on the financial statements

The Council provided draft accounts in line with the national deadline.

Our work on the Council's 2023/24 financial statements is complete. We anticipate issuing our audit opinion by the end of October 2024. We issued our audit opinion on 11 December 2024 following receipt of the Kent pension fund assurance letter.

The full opinion will be included in the Council's Annual Financial Report for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24, and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a good standard and supported by detailed working papers. Our audit had not identified any adjustments to the financial statements which would result in a change to the Council's Comprehensive Income and Expenditure Statement. A small number of disclosure amendments arising from our work were agreed with management and updated in the financial statements.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A draft version of our report was presented to the Council's Audit and Governance Committee on 17 September 2024. Requests for this Audit Findings Report should be directed to the Council.

Use of auditor's powers

We bring the following matters to your attention:

2023/24

Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



Local context

The borough of Tunbridge Wells has approximately 115,300 residents, with 55% living in the town of Royal Tunbridge Wells and the remaining 45% living in the larger towns of Cranbrook, Paddock Wood and Southborough and the surrounding towns and villages. The borough is located in the High Weald of Kent, 70% of which is designated as an area of outstanding natural beauty.

One third of councillors are elected in three years out of four, with the number of councillors reduced from 48 to 39 following the Local Government Boundary Commission for England review. The political composition of the Council at May 2024 was as follows: Liberal Democrat 22; Conservative 7; Labour 5; Tunbridge Wells Alliance 4; Independent 1. The Council operates under executive arrangements, with a Leader and Cabinet model. The Full Council elects the Leader, and the Leader appoints their Cabinet from amongst the members of the Council.

The Tunbridge Wells Borough Council Plan 2022-24 sets out the five priorities that the Council will focus on. The priorities are defined as follows: Safeguarding finances; Vibrant and safer towns and villages; Carbon reduction; Genuinely affordable housing and social rental housing; Digital access, transparency and local democracy.

In January 2024 the Borough Partnership Cabinet approved the first phase of the public consultation on the priorities and direction of travel for a Draft Strategic Plan 2024-27. In September 2024, the Leader of the Council produced a Draft Strategic Plan 2024-32 (including new major projects and reducing the number of priorities from five to three) which was published for consultation between 1 September 2024 and 13 October 2024.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

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 Council has a strong track record for financial management. Due to service underspends and additional income the Council delivered an £8.3m surplus for 2023/24. As a result, the Council did not require the planned £0.9m contribution from reserves to balance the 2023/24 outturn position and reduced the planned net contribution from earmarked reserves by £7.3m to £2.9m.

The 2024/25 budget was balanced without the need to use reserves. The budget report sets out the implications of the local government finance settlement, highlights key variances to the base budget, and includes income budgets based on the level of fees and charges agreed by Cabinet. Budget assumptions are clearly set out and appear reasonable.

The Council updates and reports on the medium-term financial position during the year. While medium term financial planning is made more difficult due to continuing single-year local government finance settlements, the financial planning assumptions of the Council are reasonable, and the Council demonstrates that it understands its financial position.

The Budget Update and Benchmarking 2025/26 Report (October 2024) sets out the latest medium-term financial projections. Relatively modest deficits of £0.3m for 2025/26 and £0.7m for 2026/27 are forecast, with a step change forecast for 2027/28 where a £5.8m budget gap is forecast due to the impact of the fair funding review and market cost of reprocurring major contracts relating to waste, leisure and grounds maintenance. The budget gap is forecast to increase further to £7.2m by 2029/30.

Arrangements for short and medium-term financial planning are adequate and we have not raised any recommendations in this area.

G

plans to bridge its funding gaps and identifies achievable savings

Financial planning reports during 2023/24 set out the growing budget gap over the medium term and updated Members on the emerging savings plans. Total recurring savings of £0.6m were identified which were included in the 2024/25 budget. The Budget 2024/25 Report confirms that officers have been trying to identify further efficiency options to reduce service cost and increase income, but the scope for further savings has been exhausted based on current policies and service levels.

The significant budget gaps forecast from 2027/28 will not be bridged through normal budget processes and the Council must now plan to deliver more challenging levels of savings. The Council should now implement a Council-wide savings and efficiency programme, so that a range of transformational savings, income generation and savings from changes to discretionary service levels can be considered. Based on the latest financial forecasts, the Council has time to develop a savings and efficiency programme, but ultimately Members may have to make difficult choices in order to balance the position over the medium term.

We have raised an improvement recommendation that the Council should develop a Council-wide savings and efficiency programme in order to address the significant budget gaps identified from 2027/28.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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

The Council can demonstrate that there is a coherent link between assumptions in the Council Plan and financial planning. The Borough Partnership Council Plan defines five key priorities including Safeguarding Finances. The Plan defines an approach to managing finances to reduce the budget in a responsible way including the principles of: User Pays; Enabling; Carbon Reduction; Preventing Future Costs; Delivering Growth; Being Opportunistic.

The Council can demonstrate that it considers discretionary and statutory spend when setting the budget through the public budget consultation surveys. Members of the public are asked to allocate a fixed amount of funding across statutory and discretionary services in order to inform Council spending priorities, which we recognise as good practice in order to inform the budget setting process.

The Council undertakes detailed cost benchmarking as part of the budget process using local government statistical return data for both geographical and CIPFA nearest neighbours to produce service unit cost comparisons. This is used to inform financial planning, and the Council can demonstrate a good understanding of where service costs are high or low compared to nearest neighbours and the reasons for different levels of investment.

G

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

The Council can demonstrate that financial planning assumptions are consistent with other key strategies, such as the Asset Management Plan, Capital Programme and Treasury Management Plan.

The Council faces recruitment and retention challenges due to its geographic location and cost of living. Increased levels of staff turnover and vacancies can potentially impact on the ability to deliver services, and this is recognised as a strategic risk. As a result of these challenges, employee costs were underspent by £1.2m in 2023/24. One of the mitigating actions that the Council has put in place to ensure there are sufficient and properly skilled staff in post is the development of the People Strategy 2024-27 that was approved alongside the budget in February 2024. The Reward and Contribution theme within the Strategy includes a review of pay and rewards during 2024 and the Council has commissioned an external consultant to undertake this review. Once the review is complete, the Council will need to ensure that any financial implications from new approved pay structures are built into financial plans.

The Council recognises funding the commitments to become carbon neutral by 2030 represents a budget risk and this is highlighted in budget reports and the Capital Strategy. The Asset Management Plan is critical in supporting carbon reduction. A carbon audit has identified that 68% of the Council's emissions are produced by three of the Council's buildings and so reducing emissions from the Council estate is essential to becoming carbon neutral. The Council has successfully applied for government decarbonisation grants for sports centres and depots. A £3m budget has also been identified that can be used to deliver net zero priorities through the use of the Public Realm Enforcement Reserve. A climate cross party task force has been established and the Council is developing the plan to identify actions to become carbon neutral by 2030.

G

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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

Budget and financial planning reports set out the significant areas of financial risk and uncertainty and how these are managed. The key financial risks that the Council faces include government funding, inflation, indexation on major contracts, collection of council tax and business rates, recruitment and retention, and energy costs. The Council has recognised the significant financial risk with regard to the expiry of the leisure management, grounds maintenance and waste contracts and significant cost pressures have been built into medium term financial planning.

Council approved a balanced budget for 2024/25 without the requirement to utilise reserves, which is a positive outcome with regard to financial sustainability. The S151 Officer's S25 Statement in the Budget 2024/25 Report confirms that the Council must act without further delay to end the use of reserves for the revenue and capital budgets.

The latest projections for reserves were presented to Cabinet in October 2024. Total useable reserves are projected to decrease from £26.8m as at 31 March 2024 to £10.9m by 31 March 2029. While the General Fund is maintained at £4.5m, and will be available to manage financial risk, the forecast is that earmarked reserves will reduce from £16.9m to just £1.9m by 31 March 2029. Capital receipts are projected to reduce to zero, leaving £4.5m of capital grants to fund capital schemes, increasing the risk that the Council will have to borrow to fund new capital priorities if external funding cannot be secured.

Therefore, even if the budget gap is balanced over the medium term without the use of reserves, over the next five years the Council's useable reserves are still projected to reduce significantly and will leave little capacity in the future to invest in corporate priorities.

We have raised an improvement recommendation that as part of the medium-term financial strategy the Council should maintain prudent levels of reserves for both the management of financial risk and to allow future investment in corporate priorities.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



Areas for improvement – bridging funding gaps and identifying savings

When approved, the 2023/24 budget was balanced through the use of £0.9m of reserves. As we noted in the Auditor’s Annual Report 2022/23, there was no Council-wide savings plan in place at this time.

Financial planning reports provided to Members during 2023/24 set out the growing budget gap over the medium term and updated Members on the emerging savings plans. The Budget Projection and Strategy 2024/25 Report (July 2023) set out a draft savings plan identifying recurring savings of £0.4m from 2024/25. These savings proposals covered a range of budget areas including reduced numbers of Councillors, town hall costs, business rates and planning fees. Further updates identified additional savings relating to public conveniences and ending free carparking in Dunorlan. Total recurring savings of £0.6m were identified which were included in the 2024/25 budget.

The Budget 2024/25 Report confirms that Directors and Heads of Service have been trying to identify further efficiency options to reduce service cost and increase income, but the scope for further savings has been exhausted based on current policies and service levels.

The latest medium term financial planning forecasts, as set out in Figure One, identify relatively modest cumulative budget gaps of £0.3m in 2025/26 and £0.7m in 2026/27. However, from 2027/28 the budget gaps are significant, with £5.8m forecast for 2027/28.

The significant budget gaps forecast from 2027/28 will not be bridged through normal budget processes and the Council must now plan to deliver more challenging levels of savings. The Council should now implement a Council-wide savings and efficiency programme, so that a range of transformational savings, income generation and savings from changes to discretionary services levels can be considered by Members.

Based on the latest financial forecasts, the Council has time to develop a savings and efficiency programme, but ultimately Members may have to make difficult choices in order to balance the position over the medium term.

Figure One: Cumulative Forecast Revenue Budget Gap (October 2024)

	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Budget Gap	£0.3	£0.7	£5.8	£6.6	£7.2

We have raised an improvement recommendation that the Council should develop a Council-wide savings and efficiency programme in order to address the significant budget gaps identified from 2027/28. The Council should start work now on identifying a range of savings proposals including transformational savings, income generation, and changes to service levels.

Improvement recommendation 1: The Council should develop a Council-wide savings and efficiency programme in order to address the significant budget gaps identified from 2027/28. The Council should start work now on identifying a range of savings proposals including transformational savings, income generation, and changes to service levels.

Financial sustainability (continued)



Areas for improvement – maintaining prudent levels of reserves

The Council approved a balanced budget for 2024/25 without the requirement to utilise reserves, which is a positive outcome with regard to financial sustainability. The S151 Officer's S25 Statement in the Budget 2024/25 Report confirms that the Council must act without further delay to end the use of reserves for the revenue and capital budgets.

As at 31 March 2024 the Council maintained a General Fund balances of £4.4m, which represents 29% of the £15.2m net budget for 2024/25, and is in line with the minimum prudent balance determined by the Council of £4m. As at 31 March the Council had total useable reserves of £26.8m including General Fund, capital grants, capital receipts and earmarked revenue reserves.

The Budget Update and Benchmarking 2025/26 Report presented to Cabinet in October 2024 provides the latest projections for reserves over the medium term, as set out in Figure Two. These projections assume that the revenue budget can be balanced over the five-year period without having to utilise reserves.

Figure Two: Reserve Projections (October 2024)

	31-Mar-24 £m (Actual)	31-Mar-25 £m	31-Mar-26 £m	31-Mar-27 £m	31-Mar-28 £m	31-Mar-29 £m
General Fund	£4.4	£4.5	£4.5	£4.5	£4.5	£4.5
Earmarked Reserves	£16.9	£7.7	£4.6	£3.2	£2.4	£1.9
Capital Grants & Contributions	£4.5	£4.5	£4.5	£4.5	£4.5	£4.5
Capital Receipts	£1.0	0	0	0	0	0
Total Useable Reserves	£26.8	£16.7	£13.6	£12.3	£11.4	£10.9

Total useable reserves are projected to decrease from £26.8m as at 31 March 2024 to £10.9m by 31 March 2029. While the General Fund is maintained at £4.5m (£0.5m above the minimum prudent range) and will be available to manage financial risk, the forecast is that earmarked reserves will reduce from £16.9m to just £1.9m by 31 March 2029. Capital receipts are projected to reduce to zero, leaving £4.5m of capital grants to fund capital schemes.

The significant decrease in useable reserves is front loaded to 2024/25 and 2025/26, largely due to funding the approved capital programme.

Therefore, even if the budget gap is balanced over the medium term without the use of reserves, over the next five years the Council's useable reserves are still projected to reduce significantly and will leave little capacity in the future to invest in corporate priorities.

We have raised an improvement recommendation that as part of the medium-term financial strategy the Council should maintain prudent levels of reserves for both the management of financial risk and to allow future investment in corporate priorities.

Improvement recommendation 2: As part of the medium-term financial strategy the Council should maintain prudent levels of reserves for both the management of financial risk and to allow future investment in corporate priorities. The Council should consider strategies for increasing earmarked reserves, for example through the disposal of assets which are not core to the Council's operational requirements and land which has development potential.

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

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

The Council has arrangements in place to identify, mitigate and report on strategic risks. A Risk Management Policy and Strategy 2021-24 is in place and the Audit and Governance Committee receive strategic risk register reports on a quarterly basis. The risk register includes the elements of best practice we would expect. Corporate risks are also subject to deep dive reviews, which are presented to the Audit and Governance Committee by senior responsible officers to provide additional oversight of risk and mitigating actions. Further good practice is evidenced through the level of discussion and challenge by Members of the Audit and Governance Committee when the strategic risk register is presented for review.

There is an effective internal audit function in place, undertaken by Mid Kent Audit. The Head of Internal Audit Opinion for 2023/24 is that the Council has adequate and effective risk management, control and governance processes in place to manage the achievement of their objectives. 17 audit reviews were completed in the year, with 2 strong assurance ratings, 14 sound assurance ratings, and 1 sound/weak assurance rating. The Head of Internal Audit confirms that an overview of the key findings does not indicate any significant Council-wide weaknesses in the corporate governance, risk or control framework. Internal audit monitor the implementation of agreed audit actions by management, with only one outstanding action that is overdue at the year end, relating to the pre-application planning process.

The Council has an Anti-Fraud and Corruption Policy in place that confirms internal audit will undertake proactive work through the annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity. The Internal Audit Plan 2023/24 included 18 days for counter fraud work. However, the Audit and Governance Committee were not provided with updates on counter fraud work undertaken by internal audit. Discussion with officers confirms that internal audit fraud work is reactive, and with no allegations of fraud received in 2023/24, work was limited to the National Fraud Initiative data matching exercise. We raised an improvement recommendation in 2022/23 that training should be provided to all staff in fraud awareness and whistle blowing. This is yet to be actioned but is planned for 2024/25.

We have raised an improvement recommendation that the Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff.

A

approaches and carries out its annual budget setting process

The Council has a robust annual budget setting process. During 2023/24 Cabinet were provided with updated budget projections for 2024/25 and beyond and were kept informed of the development of savings to balance the budget. The budget setting timetable for 2024/25 was communicated in July 2023 and includes key national and Committee dates as well as provision for adequate Member briefings and consultation with the public.

Budget guidelines are sent to managers setting out the forecast deficit, budget process and a budget spreadsheet to compile staff costs, revenue costs and fees and charges budgets. Managers also receive a capital spreadsheet that captures bids and revenue costs of capital schemes, ensuring that capital and revenue budgets are consistent.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

The Council has effective arrangements in place to monitor and communicate the budget position. The Cabinet receives detailed revenue and capital monitoring budgets on a quarterly basis. Revenue budget monitoring reports identify key budget variances and also provide a schedule of usable reserves.

Cabinet also receives quarterly treasury management and prudential indicator reports that set out interest income projections against the budget, analysis of the investment portfolio as well as prudential indicators relating to the capital programme including the capital financing requirement.

G

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

The Council has arrangements in place to ensure that it makes properly informed decisions and that there are processes in place to scrutinise and challenge decisions. The Constitution details the procedures for decision making and was last updated in June 2024. The Council operates under the executive arrangements of the 'Leader and Cabinet' model for decision-making procedures, with the Cabinet responsible for all executive functions within the budget and framework adopted by the Council.

During 2023/24 there were three Cabinet Advisory Boards in place whose role is to help develop Cabinet key decisions and policies recommended to Council. The Boards reviewed a range of strategic, performance, risk and budgetary policies and reports during 2023/24. The Overview and Scrutiny Committee has the role of challenging decisions made by Cabinet through the call-in process, and can also undertake special policy reviews through task and finish groups. The Overview and Scrutiny Committee provide an annual report to Full Council each year outlining the role and work of the Committee.

G

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

Arrangements are in place to ensure appropriate legislative and regulatory standards are met. The Council's Constitution includes the codes of conduct and rules and behaviours, with the Monitoring Officer responsible for ensuring compliance. The Council publicly provides arrangements for Members to declare interests, gifts, and hospitality. The Council's disclosure of interests process operates annually, identifying any instances where senior officers or Members may have a relationship with a business entity that the Council transacts with. Attendees are also asked to state any relevant related party conflicts at the start of Committee meetings. Member declarations of interest are published on the Council website.

The Procurement Strategy 2023-26 was approved by Cabinet in December 2023 and sets out the Council's approach and vision for procurement. The Council works in partnership with Maidstone Borough Council to deliver procurement services, with Tunbridge Wells Borough Council the lead authority. The Procurement Strategy focuses on 6 key themes: compliance, sustainability, localism, commercialism, stability and expansion.

We made an improvement recommendation in 2022/23 that the Council should implement improvements to the officers' declaration of interest system as recommended by internal audit. This recommendation remains open as the Council are currently considering options to replace the officer declaration of interest system.

A

Governance (continued)



Areas for improvement - arrangements to prevent and detect fraud and corruption

The Council has an Anti-Fraud and Corruption Policy in place that confirms the responsibility of the Head of Internal Audit and Counter Fraud for the independent appraisal of controls and for assisting managers in the investigations of fraud and corruption. The Policy also confirms that internal audit will undertake proactive work through the annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.

The Internal Audit Plan 2023/24 included 18 days for counter fraud work. However, the Audit and Governance Committee were not provided with updates on counter fraud work undertaken by internal audit in the progress report or annual report. Discussion with officers confirms that internal audit fraud work is reactive, and with no allegations of fraud received in 2023/24, work was limited to the National Fraud Initiative data matching exercise.

We raised an improvement recommendation in 2022/23 that training should be provided to all staff in fraud awareness and whistle blowing. This training should be refreshed annually and be presented to all staff. This is yet to be actioned but is planned for 2024/25. This recommendation therefore remains open.

We have raised an improvement recommendation that the Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff.

Improvement recommendation 3: The Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff.

Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the audited body:

Commentary on arrangements

Assessment

uses financial and performance information to assess performance to identify areas for improvement

The Borough Partnership Council Plan was adopted in March 2023 as an interim plan recognising the uncertainty facing the Council. Five key priorities are defined: Safeguarding Finances; Vibrant and Safer Towns and Villages; Carbon Reduction; Genuinely Affordable Housing and Social Rental Housing; Digital Access, Transparency and Local Democracy. For each priority, the Plan documents what actions will be taken to achieve these priorities. In January 2024 the Borough Partnership Cabinet approved the first phase of the public consultation on the priorities and direction of travel for a Draft Strategic Plan 2024-27. In September 2024, the Leader of the Council produced a Draft Strategic Plan which was published for consultation between 1 September 2024 and 13 October 2024.

The Cabinet receives performance reports on a quarterly basis, providing Members with narrative updates for projects delivering the Council Plan priorities, and also key indicators for service performance.

We note that the improvement recommendation we raised in the Auditor’s Annual Report 2022/23 that the Council should develop a Data Quality Strategy is in progress, and while the recommendation is not raised again, it remains open. Having a robust Data Quality Strategy ensures that the performance and cost data on which decisions are based and resources are allocated to strategic priorities is sound, and so the best outcomes are achieved for residents.

Benchmarking provides assurance that Council is delivering services with relatively low unit costs but that the ability to further reduce costs without reducing range and quality of services or generating additional income is limited.

A

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

There is evidence that the Council evaluates the services it provides to assess performance and identify areas for improvement. The Council’s performance monitoring and reporting team produce the Quarterly Performance Report for Cabinet. Members play a regular role in performance management, and are expected to provide challenge to officers. Cabinet portfolio holders have regular meetings with Strategic Directors and review finance and performance indicators.

The Local Government Association undertook a Corporate Peer Challenge at the Council in January 2024 looking at themes including priorities and outcomes, leadership, governance and financial planning. The report concluded that overall, the Council performs well, has solid finances and is effective, and identified 10 recommendations to further strengthen arrangements. The Council has developed an action plan that details the Council’s response to each recommendation and identifies the lead Cabinet Member, lead officer and target dates for actions. The LGA report and associated Council response was reported to Cabinet in October 2024. We have not identified any significant weaknesses from the results of the Peer Challenge, and the Council’s response and action plan demonstrates a commitment to strengthen arrangements in response to external reviews.

The Ombudsman Annual Review Letter 2023/24 does not identify any risks of significant weakness with regard to service performance.

G

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

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

Partnership working is a key theme running through the Council Plan. Significant partnerships that the Council works within to deliver strategic objectives include the Kent Resource Partnership (waste management) and Mid Kent Services (internal audit, IT and legal services) which have their own governance and reporting structures. We note that the Council does not have a formal approach to partnership working and there is no Partnership Strategy. We have raised an improvement recommendation that a Partnership Strategy should be developed to provide a framework for developing, managing and reporting on partnerships that help deliver strategic priorities.

The Council engages and consults with key stakeholders to determine local priorities and resources, and this is clearly evidenced through the annual budget consultation. Talking Point is the Council’s consultation webpage, providing stakeholders the opportunity to comment on Council projects and proposals. The Council is currently engaging on the revised draft Strategic Plan.

A

commissions or procures services, assessing whether it is realising the expected benefits

Contract Management is devolved to the service where the contract is held, with service managers monitoring performance.

The Council purchased the long leasehold of Royal Victoria Place in October 2023, incurring a total cost of £8.9m, in order to deliver regeneration and investment priorities in the Tunbridge Wells town centre. The Council commissioned independent surveyors and undertook due diligence to inform the decision to purchase the long leasehold and Member briefings were held during the process. Property transaction reports presented to Cabinet every six months update Members on commercial property transactions, including lease transactions for Royal Victoria Place. Cabinet also received the Royal Victoria Place business plan in March 2024 which reviewed performance over the first 100 days and identifies key objectives for the centre from January 2024 to March 2025. The 2023/24 Outturn Report also provided Members with an analysis of the financial impact on the revenue budget of purchasing the long leasehold. To ensure adequate governance arrangements are in place to manage the property the Council has appointed an external asset manager, property manager and letting agents. The Council has employed an Investment Property Manager to liaise with external advisors and has established a cross-party Investment Advisory Panel to have oversight of the management of the property. It is important that going forward strong governance arrangements are maintained and that Members have adequate oversight of the financial risks associated with this asset and how they are being managed.

G

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement – Partnership Strategy

Partnership working is a key theme running through the Council Plan. Significant partnerships that the Council works within to deliver strategic objectives include the Kent Resource Partnership (waste management) and Mid Kent Services (internal audit, IT and legal services) which have their own governance and reporting structures.

We note that the Council does not have a formal approach to partnership working and there is no Partnership Strategy.

We have raised an improvement recommendation that a Partnership Strategy should be developed to provide a framework for developing, managing and reporting on partnerships that help deliver strategic priorities. A Partnership Strategy would ensure that partnership risks to the delivery of strategic priorities are identified and mitigated.

Improvement recommendation 4: A Partnership Strategy should be developed to provide a framework for developing, managing and reporting on partnerships that help deliver strategic priorities.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR1 The Council should develop a Council-wide savings and efficiency programme in order to address the significant budget gaps identified from 2027/28. The Council should start work now on identifying a range of savings proposals including transformational savings, income generation, and changes to service levels.</p>	Improvement	Financial sustainability	<p>Medium term financial planning forecasts identify relatively modest budget gaps of £0.3m in 2025/26 and £0.7m in 2026/27. However, from 2027/28 the budget gaps are significant, with £5.8m forecast for 2027/28.</p>	<p>The significant budget gaps forecast from 2027/28 will not be bridged through normal budget processes and the Council must now plan to deliver more challenging levels of savings.</p> <p>Based on the latest financial forecasts, the Council has time to develop a savings and efficiency programme, but ultimately Members may have to make difficult choices in order to balance the position over the medium term.</p>	<p>Actions: Once there is a clearer understanding of the new government's direction of travel regarding funding and flexibilities for local government and the Council has agreed the 2025/26 budget and Strategic Plan, work will commence on a multi-year Savings and Efficiency Plan for 2026/27 to 2031/32.</p> <p>Responsible Officer: Lee Colyer, s151 Officer</p> <p>Executive Lead: Cllr Chris Hall, Cabinet Member for Finance and Property</p> <p>Due Date: 25 February 2026</p>
<p>IR2 As part of the medium-term financial strategy the Council should maintain prudent levels of reserves for both the management of financial risk and to allow future investment in corporate priorities. The Council should consider strategies for increasing earmarked reserves, for example through the disposal of assets which are not core to the Council's operational requirements and land which has development potential.</p>	Improvement	Financial Sustainability	<p>Total useable reserves are projected to decrease from £26.8m as at 31 March 2024 to £10.9m by 31 March 2029. While the General Fund is maintained at £4.5m, the forecast is that earmarked reserves will reduce from £16.9m to just £1.9m by 31 March 2029. Capital receipts are projected to reduce to zero, leaving £4.5m capital grants to fund capital schemes.</p>	<p>Even if the budget gap is balanced over the medium term without the use of reserves, over the next five years the Council's useable reserves are still projected to reduce significantly and will leave little capacity in the future to invest in corporate priorities.</p>	<p>Actions: A review of the Council's land and property assets will commence from April 2025 with a view to generating capital receipts and will form part of the Savings and Efficiency plan for 2026/27 to 2031/32.</p> <p>Responsible Officer: Lee Colyer, s151 Officer</p> <p>Executive Lead: Cllr Chris Hall, Cabinet Member for Finance and Property</p> <p>Due Date: 25 February 2026</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 The Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff.	Improvement	Governance	<p>The Council has an Anti-Fraud and Corruption Policy in place that confirms that internal audit will undertake proactive work through the annual audit plan, identifying potential areas where frauds could take place and checking for fraudulent activity.</p> <p>The Internal Audit Plan 2023/24 included 18 days for counter fraud work. However, the Audit and Governance Committee were not provided with updates on counter fraud work undertaken by internal audit in the progress report or annual report. We understand that internal audit work was reactive, and with no allegations made regarding fraud, work was limited to the National Fraud Initiative.</p>	The Council should ensure that there are robust arrangements to prevent and detect fraud and corruption to protect public funds and prevent reputational damage.	<p>Actions: An Anti-Fraud Plan is being developed along with training for all staff.</p> <p>Responsible Officer: Katherine Woodward, Head of Mid Kent Audit</p> <p>Executive Lead: Cllr Chris Hall, Cabinet Member for Finance and Property</p> <p>Due Date: April 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4 A Partnership Strategy should be developed to provide a framework for developing, managing and reporting on partnerships that help deliver strategic priorities.	Improvement	Improving Economy, Efficiency and Effectiveness	Partnership working is a key theme running through the Council Plan. We note that the Council does not have a formal approach to partnership working and there is no Partnership Strategy.	A Partnership Strategy would formalise arrangements for developing, managing and reporting on partnerships that contribute to the delivery of corporate objectives and ensure that risks to delivery are identified and mitigated.	Actions: A Partnership Strategy will be developed to include governance arrangements and delivery of strategic priorities. Responsible Officer: William Benson Executive Lead: Ben Chapelard, Leader of the Council Due Date: June 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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.

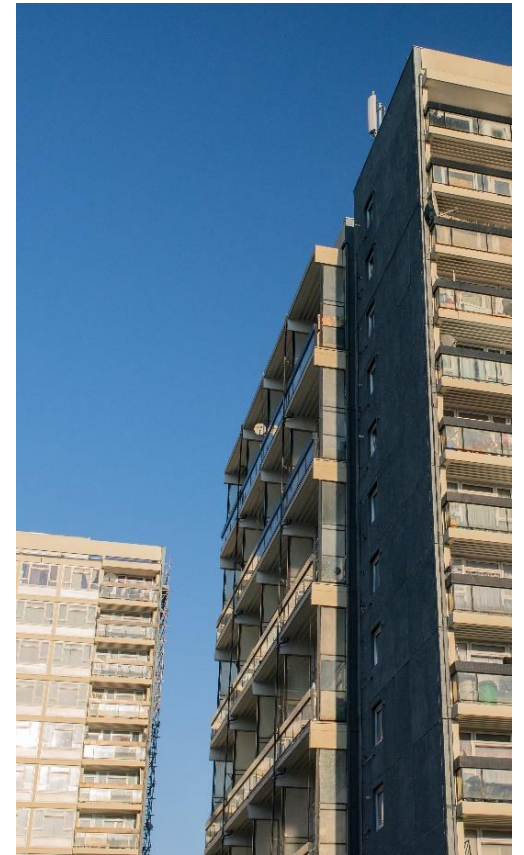
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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) 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: Value for Money Auditor responsibilities



Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 Training should be provided to all staff in fraud awareness and whistleblowing. This training should be refreshed annually and be presented to all staff.	Improvement	February 2024	This is yet to be actioned but is planned for 2024/25. This recommendation therefore remains open.	No	We have raised an improvement recommendation that the Council should strengthen arrangements to prevent and detect fraud through the development of an annual anti-fraud plan that includes proactive work. Progress against the plan should be reported to the Audit and Governance Committee. The Council should also roll out fraud awareness and whistleblowing training to all staff. See IR3.
2 The Council should ensure that the improvements in control around declarations of interest recommended by internal audit are fully embedded.	Improvement	February 2024	This recommendation remains open as the Council are currently considering options to replace the officer declaration of interest system. In the meantime, officers receive an annual reminder of the requirement to make declarations.	No	No – recommendation remains open.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3 The Council should develop a Data Quality Strategy. The Strategy should define what good quality data looks like, describe the Council's data quality objectives, roles and responsibilities and monitoring, review and reporting processes. It should also lay out the Council's expectations in relation to data security, data sharing and the use of third party data.	Improvement	February 2024	This recommendation is in progress. Compensating controls such as enhanced data checks have been implemented.	No	No – recommendation remains open.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

