

# Value for Money Progress Report

Broxtowe Borough Council – year ended  
31 March 2021

November 2021



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# VFM arrangements – Progress Report

## Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Our assessment of what constitutes a significant weakness is a matter of professional judgement, based on our evaluation of the subject matter in question, including adequacy of the Council's responses. The National Audit Office's guidance states that a weakness may though be said to be significant if it:

- Exposes (or could reasonably be expected to expose) the body to significant financial loss or risk;
- Leads to (or could reasonably be expected to lead to) significant impact on the quality or effectiveness of service or on the body's reputation;
- Leads to (or could reasonably be expected to lead to) unlawful actions; or
- Involves a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. To arrive at our assessment, we performed a variety of work to obtain an understanding of the Council's arrangements for each specified reporting criteria. This included performing a detailed risk assessment, drawing from a variety of sources, including, but not limited to:

- Meeting with management and reviewing management's self-assessment;
- Reviewing supporting guidance from the National Audit Office, including indicators of significant weaknesses;
- Considering our understanding of sector developments and any local issues;
- Reading and reviewing Committee reports;
- Reviewing the Council's Annual Governance Statement and financial statements;
- Considering the outcomes from the work of internal audit;
- Reading risk registers and risk management reporting; and
- Considering the work of regulators and inspectorates.

### Key observations

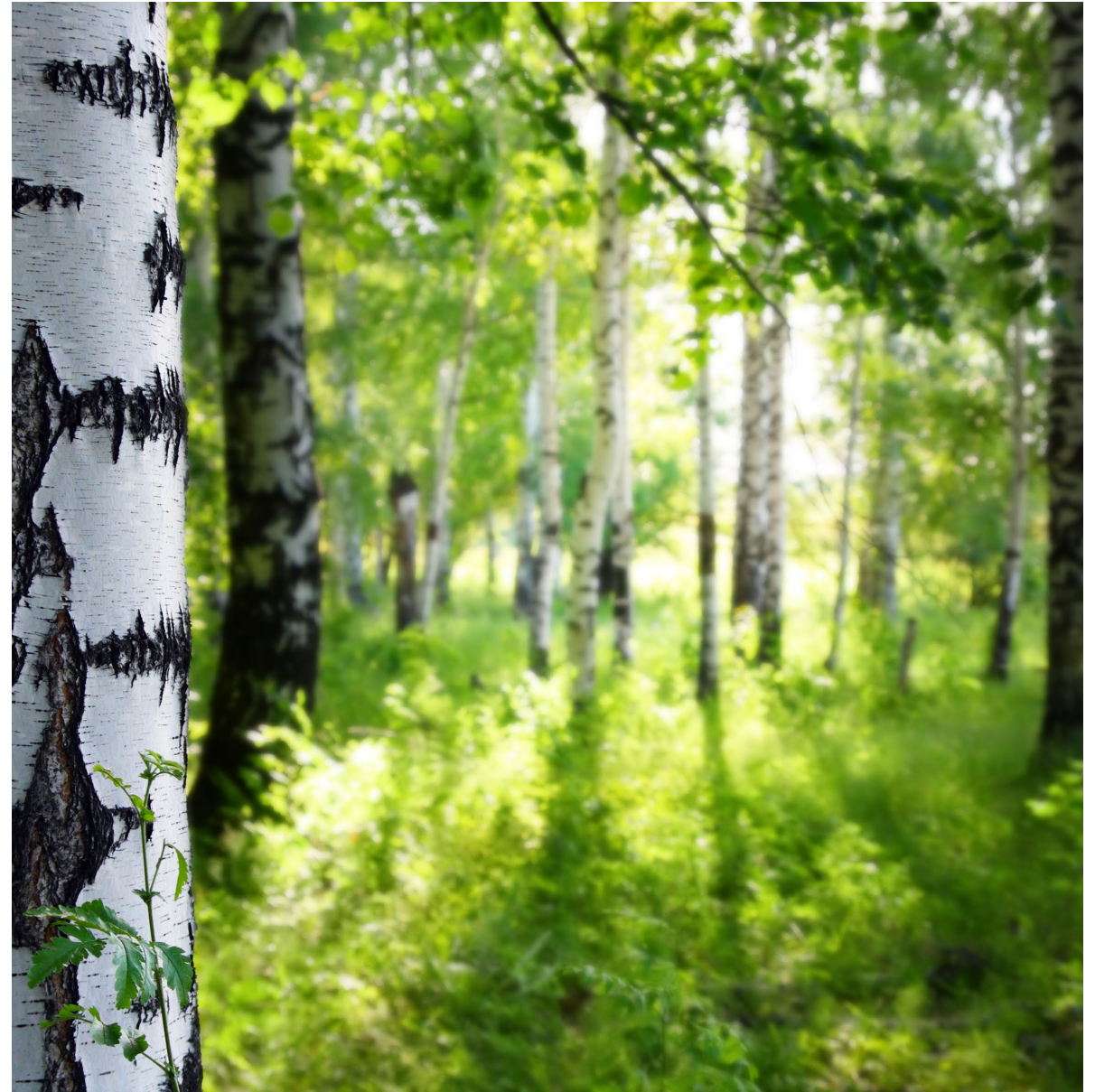
This report summarises our observations on the Council's arrangements across each reporting criteria of financial sustainability, governance and improving economy, efficiency and effectiveness.

Our work has **not** identified any matters that could be considered either a risk, or an actual, significant weakness in the Council's arrangements.

The Council does have a recognised financial challenge and through the 2021/22 to 2023/24 Business Plans it must address the use of general fund reserves to support the budget to prevent reserves falling below the Council's minimum £1.5m threshold in 2024/25. **Failure to do so, could result in an adverse finding in our future audit.**

# VFM Progress Report

Observations on Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services





# VFM Progress Report – initial observations on arrangements for financial sustainability

## Covid-19: Context & Financial Impact

We obtained Local authority Covid-19 financial impact monitoring information published by the Ministry of Housing, Communities & Local Government and Department for Levelling Up, Housing and Communities, which is summarised in the following tables. It shows £6.9billion in additional expenditure and £5.1billion in income losses.

We have read the Council's summary of its response to Covid-19 in the Narrative Report to the financial statements. This includes disclosure of £28m in grants received where the Council is acting as an agent of the Government and £8.5m in grant income recognised through the financial statement. Our testing of grant income through the audit of the financial statements did not identify any significant errors.

There is no denying the financial impact of the pandemic, but as the Government remains committed to supporting public finances, there is no indication of a significant weakness in the Council's arrangements for financial sustainability as a result of Covid-19.

|                       | 2020-21 Additional expenditure due to Covid-19 by class of authority (£'m) | 2020/21: Income losses due to Covid-19 by class of authority (£'m) |
|-----------------------|--|--|
| Shire District        | 330  | 1,308  |
| Shire County          | 2,111  | 259  |
| Unitary Authority     | 1,791  | 1,114  |
| Metropolitan District | 1,504  | 1,053  |
| London Borough        | 1,127  | 1,343  |
| <b>Total</b>          | <b>6,863</b>   | <b>5,077</b>   |

| 2020-21: Additional expenditure due to Covid-19 by class and service area (£'m) |                |              |                   |                       |                |              |
|---|----------------|--------------|-------------------|-----------------------|----------------|--------------|
|   | Shire District | Shire County | Unitary Authority | Metropolitan District | London Borough | Total        |
| Adult Social Care – total   | -              | 1,255        | 849               | 663                   | 414            | <b>3,181</b> |
| Children's social care - total (excluding SEND)                                 | -              | 95           | 131               | 90                    | 63             | <b>379</b>   |
| Housing - total (including homelessness services) excluding HRA                 | 63             | 5            | 75                | 42                    | 113            | <b>299</b>   |
| Environmental and regulatory services - total                                   | 34             | 68           | 68                | 67                    | 64             | <b>299</b>   |
| Finance & corporate services - total  | 48             | 53           | 84                | 77                    | 78             | <b>341</b>   |
| All other service areas not listed in rows above                                | 185            | 635          | 585               | 565                   | 395            | <b>2,364</b> |
| <b>Total</b>  | <b>330</b>     | <b>2,111</b> | <b>1,791</b>      | <b>1,504</b>          | <b>1,127</b>   | <b>6,863</b> |

| 2020-21: Income losses due to Covid-19 by class and source of income (£'m) |                |              |                   |                       |                |              |
|--|----------------|--------------|-------------------|-----------------------|----------------|--------------|
|  | Shire District | Shire County | Unitary Authority | Metropolitan District | London Borough | Total        |
| Business rates   | 276            | -            | 194               | 207                   | 538            | <b>1,216</b> |
| Council tax  | 399            | -            | 218               | 191                   | 233            | <b>1,041</b> |
| Sales fees and charges   | 516            | 195          | 554               | 397                   | 476            | <b>2,138</b> |
| Commercial income  | 82             | 24           | 121               | 204                   | 52             | <b>484</b>   |
| Other  | 33             | 40           | 27                | 54                    | 45             | <b>199</b>   |
| <b>Total</b>   | <b>1,308</b>   | <b>259</b>   | <b>1,114</b>      | <b>1,053</b>          | <b>1,343</b>   | <b>5,077</b> |

# VFM Progress Report – initial observations on arrangements for financial sustainability

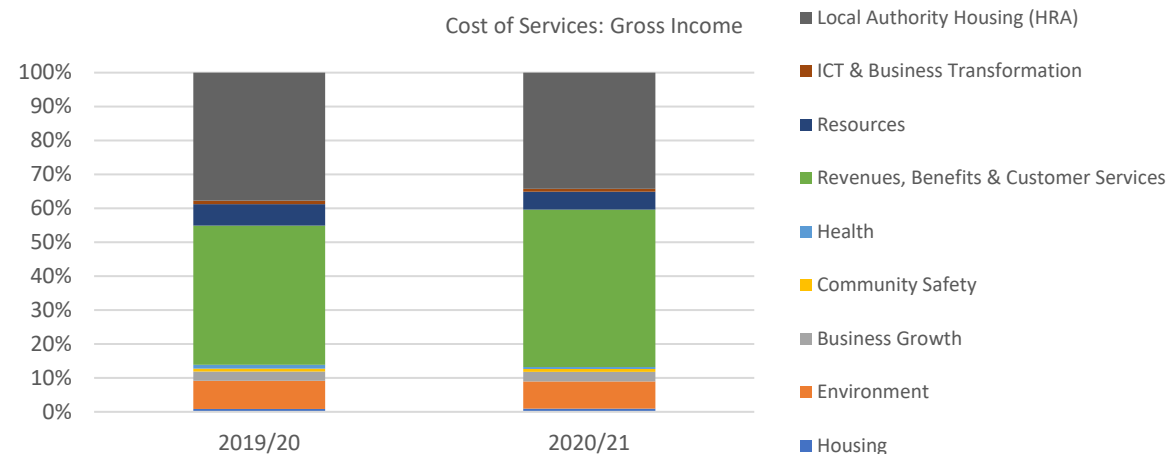
## Matters brought forward from 2019/20

In our Audit Completion Report for 2019/20, we did comment on the future financial challenges to the Council's financial resilience, including maintaining an adequate level of useable reserves through the medium term financial strategy. Our overall 2019/20 conclusion was that "On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Broxtowe Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020."

We therefore have no risks of a significant weakness in the Council's arrangements brought forward from 2019/20 into the current year.

## 2020/21 Financial Statement Performance

We have carried out a high level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement and the Balance Sheet, our work has not highlighted any risks of significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

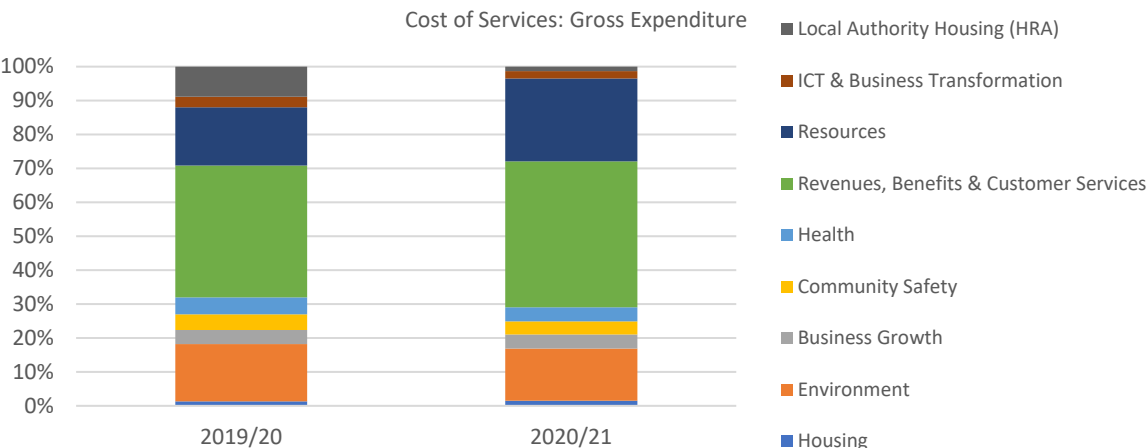


The Council's useable reserves have increased from £15m to £25m in 2020/21, with:

- General Fund & Earmarked Reserves of £14.7m, up from £5.8m in the prior year
- HRA Reserve of £5.9m, up from £4.6m in 2019/20
- Capital Reserves of £3.5m, down from £4.8m in 2019/20 in line with funding of capital expenditure.

We say more on the Council's reserves position on page 12.

We have also compared Gross Expenditure and Gross Income in the cost of services. There has been no fundamental change in business purpose and, although the proportion of expenditure devoted to business growth has expectedly decreased in 2020/21, the distribution of expenditure by service is sufficiently consistent with the prior year to indicate no risk of significant weakness in VFM arrangements for financial sustainability.



# VFM Progress Report – initial observations on arrangements for financial sustainability

## 2020/21 Financial Statement Performance (continued)

The Council's net current asset position (being current assets less current liabilities) has fallen by £11m from [minus] -£3.9m to [minus] -£15.5m. Fluctuations over the collection fund have given rise to an additional £8.7m debtor and additional £10m creditor balances. The level of short-term borrowing has also increased from £15.2m to £23.8m, which reflects the age profile of the Council's debt because overall council borrowing has only actually risen by £3m.

The most significant change in the balance sheet relates to movements in the Council's share of the pension fund net liability (being a deficit position) of £73m, up from £54m in the prior year as shown in Note 38 of the financial statements. The main movements being:

- an increase in the value of pension assets from £94.7m to £113.6m
- offset by a larger increase in the value of pension

|                            | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Increase since 2015/16 |
|----------------------------|---------|---------|---------|---------|---------|------------------------|
| Net liability – LGPS £'000 | -59,501 | -55,604 | -53,209 | -53,931 | -73,307 | -13,806                |

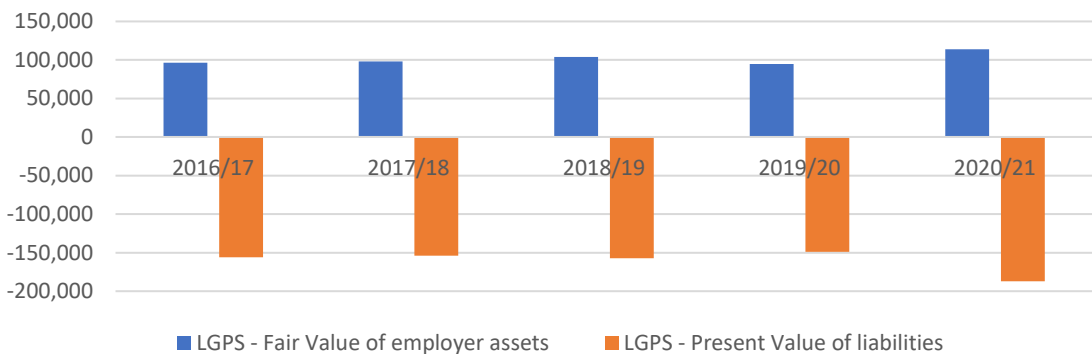
liabilities from £148.6m to £186.9m..

The overall movement in the balance sheet is a reduction in the Council's net assets from £86m to £69m.

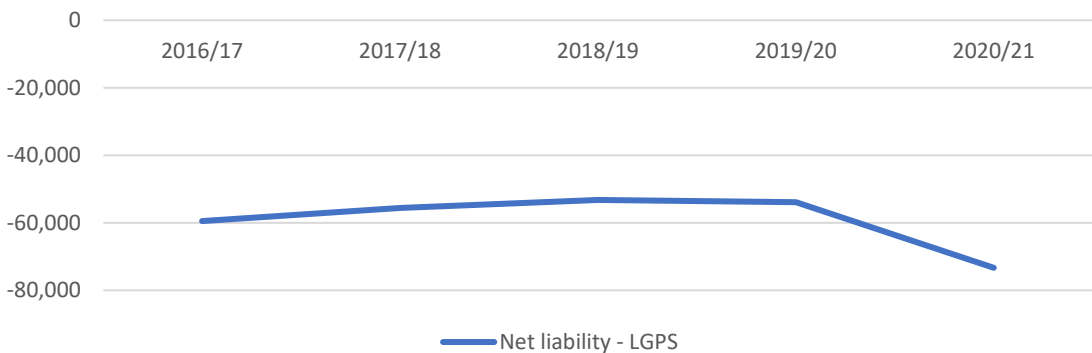
In the past few years, it is not unusual to see material movements in the net pension liability and this is consistent with our experience at other councils. We have tracked the movement in the net pension liability over a five year period to illustrate the changes and summarised in the table below and the charts opposite.

The deficit position is not unusual to Broxtowe Borough Council and is a recognised area of financial challenge for local authorities.

Pension fund assets and liabilities over time (£'000)



Pension fund net liabilities over time (£'000)



# VFM Progress Report – initial observations on arrangements for financial sustainability

## Budget monitoring

The Council monitors performance by service, integrating finance and performance management to provide a complete overview against Business Plan objectives. We have reviewed reports provided to Committees, including the Finance & Resources Committee, Policy and Performance Committee and Leisure and Health Committee throughout the year. Our review of reports confirms that Members receive information that adequately explains the main variances to budget on the Housing Revenue Account and the General Fund, which allows Members to challenge and gain assurance on services.

We have also considered the Council's historic performance of budget vs actual to understand the Council's track record of financial control and compared the Council's budget to actual position and its 2020/21 Revised Estimate to the 2021/22 budget. In doing so, we note that:

- Reports are aligned to the overall corporate plan, allowing adequate levels of oversight on performance management objectives, achievements and activity. It includes financial performance information covering employee costs and the most significant variable income streams, as well as an update on the capital programme.
- Reports are consistently presented and provide sufficient detail to enable Members to scrutinise, challenge and monitor performance by each service.
- The Council has a track record of spending within net budget of an immaterial amount in both 2018/19 and 2019/20 (see the Table below). Whilst 2020/21 net expenditure on services was of a greater variance, this was caused by additional and unplanned covid-19 funding and costs.

As the underlying arrangements for financial planning and control are largely unchanged and unqualified value for money conclusions were issued in both 2018/19 and 2019/20, we have no indication of a risk of significant weakness in arrangements.

| Net expenditure on services | Revised budget | Actual | Variance | % Variance |
|-----------------------------|----------------|--------|----------|------------|
| 2018/19                     | 9,995          | 9,565  | (430)    | (4)%       |
| 2019/20                     | 10,311         | 9,948  | (363)    | (4)%       |
| 2020/21                     | 10,355         | 8,234  | (2,121)  | (20)%      |

## Leisure Services

We reviewed the strategic risk register and discussed the challenges facing leisure services, including Liberty Leisure, through the ongoing impact of Covid-19 throughout 2020/21 with Officers.

In October 2019, the Council commissioned Continuum to research, audit, consult and produce a comprehensive proposal for the future leisure facilities strategy. We have read the covering report and supporting strategy approved by the Policy and Performance Committee in October 2020. The report explains the context, consultations performed, supply, demand and an outline business case. It is comprehensive and demonstrates the Council putting arrangements in place to consider and manage the risk associated with leisure provision.

We read the 2020/21 annual review of performance of Liberty Leisure received by the Leisure and Health Committee in June 2021. The report adequately explains the background of business plans and performance management against strategic objectives. The impact of Covid-19 on leisure services is understood by the Council, with Liberty Leisure having to close facilities during lockdown, which put the organisation under financial strain and restricting its ability to meet its Business Plan objectives. We obtained the 2019/20 equivalent report as presented to the Leisure and Health Committee in June 2020, which showed the majority of Business Plan targets were met and goes to highlight the disruption caused by covid-19 in 2020/21.

During the year, the Council has engaged with Liberty Leisure to understand the impact on services. Our review of minutes confirms that the overall management fee increased through to £1m for 2020/21. We have read the 2020/21 financial statements for Liberty Leisure, which shows a positive net current assets and a £0.4m positive balance in the Income and Expenditure Reserve.

We read the Liberty Leisure Limited Business Plan for 2021-24, which explains that the financial estimates have been developed within a five-year business plan drawn up as part of the business case for the establishment of the company. The anticipated spend has been incorporated into the revenue budgets for 2021/22 as a fixed fee and any variation against the fee paid for 2021/22 at the financial year end will result in a budget adjustment to the following year's proposals.

Overall, there are clear challenges for leisure service provision for Broxtowe, but we are satisfied that there is no indication of a significant weakness in arrangements.



# VFM Progress Report – initial observations on arrangements for financial sustainability

## 2020/21 Financial Performance: Capital Programme

We have reviewed capital expenditure as presented in the financial statements and tested capital additions, with no material issues arising.

We have reviewed minutes of meetings and the supporting and reports relating to the Capital Programme to the Finance & Resources Committee to confirm arrangements are in place to monitor and report on the capital programme. Reports adequately explain the progress on capital projects, including funding and changes in the programme.

We have discussed the approach to more granular monitoring of the capital programme with Officers and reviewed the Capital Control Statement. The Statement is prepared using information from the finance system and uses a traffic light based risk rating against each project to help monitor progress. The report mirrors the committee and service structure to enable budget leaders to link back to business plans. This is demonstrative of having adequate arrangements in place.

### Beeston Square

Backed with funding from D2N2, the new Beeston Square, in the centre of the town is set to attract more and more people to stay local and support the town. The Arc cinema opened in Broxtowe in May 2021.

We have discussed progress on the Beeston Square development through the year and also reviewed reports provided to committees over the course of the year.

The project is required to be self-financing – meaning that rental income will be sufficient to cover interest costs on the Council's net borrowing requirements. It has not yet been necessary to draw down on external funding and PWLB interest rates have reduced over recent months. The Council will need to undertake long-term borrowing in accordance with its plans for financing the scheme and it is anticipated that this will be later in 2021/22.

We reviewed the Progress Reports provided to both Policy and Performance and Finance and Resources Committee, which demonstrate arrangements are in place for Member oversight of the project. In addition, we confirmed that Governance, Audit & Standards Committee sought assurance on project governance during the year.

We reviewed capital outturn reports for the year to the finance and resources committee. These adequately describe the capital programme, budget and spend to date. The capital programme was hindered by Covid, but as the following table shows, there was ongoing development of Beeston Square through the year.

| Finance and Resources Committee Meeting | Agenda Item                      | Period covered to | Actual    |
|---|----------------------------------|-------------------|-----------|
| 08-Oct-20                               | Capital Programme 2020/21 Update | 31-Aug-20         | 2,756,351 |
| 10-Dec-20                               | Capital Programme 2020/21 Update | 31-Oct-20         | 3,577,678 |
| 07-Jan-21                               | Capital Programme 2020/21 Update | 30-Nov-20         | 4,343,506 |
| 08-Jul-21                               | Accounts Outturn Summary 2020/21 | 31-Mar-21         | 7,285,408 |

# VFM Progress Report

Observations on Governance: How the Council ensures that it makes informed decisions and properly manages its risks



# VFM Progress Report – initial observations on arrangements for governance

## 2021/22 Budget Setting and the Medium Term Financial Strategy

We have read reports to Finance and Resources Committee covering the budget setting for 2021/22 and the Medium Term Financial Strategy. We have also held a number of meetings with Officers throughout the year.

The arrangements in place for budget setting and updating the Medium Term Financial Strategy are as expected for a District Council, with arrangements for: consultation, evaluation of financial risk, alignment to business plans and sources of funding. We have discussed and considered the budget setting process, which is consistent with our understanding of the Council and arrangements in place include:

- a framework embedded in the Constitution and Financial Regulations;
- Financial Procedures and supporting policies, including a Risk Management strategy;
- a scheme of delegation and governance structure including Full Council, the Finance & Resources and Governance, Audit & Standards Committee;
- a functioning Internal Audit team; and
- the role of statutory offices in the s151 and Monitoring Officer.

There is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans, albeit with some variation this year due to unpredictability arising from Covid-19.

We reviewed the Council's budget to actual performance as presented in the financial statements for 2018/19 and 2019/20. As shown in the table, the Council has a track record of spending within the net budget to within an immaterial variance in both 2018/19 and 2019/20. As the underlying arrangements for financial planning and control have not significantly changed for 2020/21, there is no indication of a significant weakness in arrangements for financial forecasting and financial planning.

| Net expenditure on services | Revised budget | Actual | Variance | % Variance |
|-----------------------------|----------------|--------|----------|------------|
| 2018/19                     | 9,995          | 9,565  | (430)    | (4)%       |
| 2019/20                     | 10,311         | 9,948  | (363)    | (4)%       |

We also compared the budget outturn report presented to Policy and Performance Committee in July 2021 to the 2021/22 Budget Setting report to Finance & Resources Committee in February 2021. This shows:

- the revised estimate as presented to Finance & Resources was materially consistent with the estimate included in the July 2021 report to the Policy & Performance Committee
- The base budget for 2021 is not significantly different to 2020/21 or 2019/20, which is consistent with the Council's business
- Explanations for the variances between actual expenditure and funding versus the budget is explained in the papers to Policy and Performance Committee and in the financial statements, mainly being Government grant paid to Councils to support administration and services during the Covid-19 pandemic amounted to £1.194m unbudgeted net income, plus the effect of business rate equalisation leading to an earmarked reserve of c£7.3m.

We are satisfied these matters do not lead to a risk of significant weakness in arrangements.

|   | Finance and<br>Resources<br>Committee,<br>February 2021 | Policy and Performance Committee,<br>July 2021 | Finance and<br>Resources<br>Committee,<br>February 2021 |
|---|---|--|---|
|   | 2020/21 Revised<br>Estimate                             | 2020/21 Revised<br>Estimate                    | 2020/21 Outturn   |
|   |   |  | 2021 Base<br>Budget                                     |
| Committee Net<br>Expenditure              | 10,625,505  | 10,354,671                                     | 8,234,132   |
| Total Funding                             | (9,641,233)   | (9,641,229)                                    | (17,180,661)  |
| (Addition to)/withdrawal<br>from balances | 984,272   | 713,442  | (8,946,529)   |
|   |   |  | 749,522   |



# VFM Progress Report – initial observations on arrangements for governance

## 2021/22 Budget Setting and the Medium Term Financial Strategy

We reviewed the budget and Medium Term Financial Strategy approved by the Council in March 2020 that covered the period 2020/21 to 2023/24. We also reviewed the Medium Term Financial Strategy presented to the Finance & Resources Committee in February 2021 covering the period 2021/22 to 2024/25. We considered the impact of budget decisions on the general fund balance through to 2024/25. In doing so, we noted:

- The impact on general fund balances is clearly laid out in a table, including highlighting that the Council is forecast to fall below it's own recommended £1.5m minimum balance in 2024/25.
- As shown in the table below, this is a result of needing to use the general fund to balance the budget, which is not sustainable.

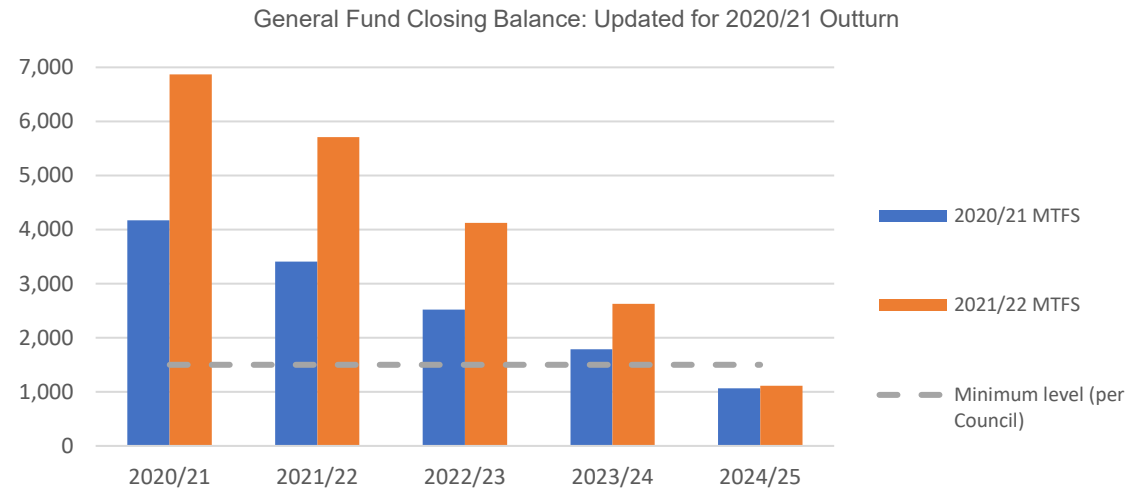
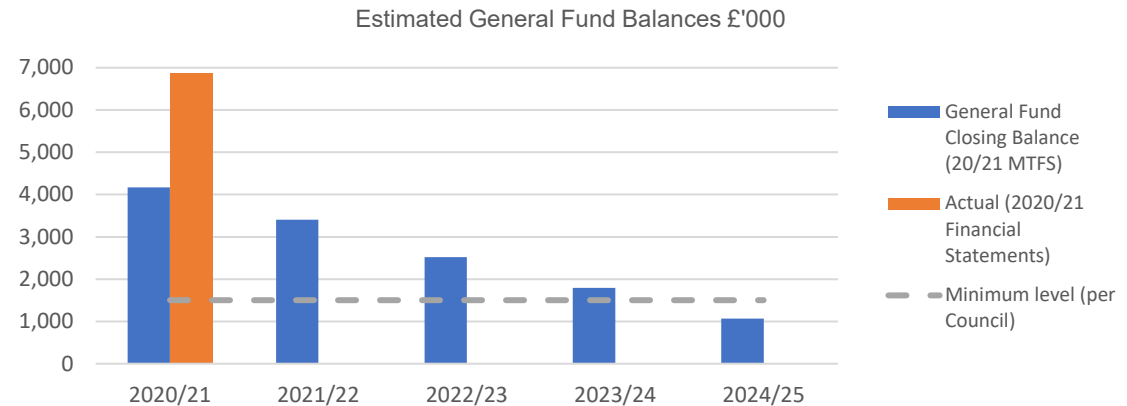
Within the report, the Deputy Chief Executive advised that “This does not pose an immediate problem but this medium term financial strategy highlights the pressure that will be on reserve levels in future years as the public sector spending squeeze continues. Careful monitoring of the situation, advance planning and responding quickly to any changes will be of particular importance moving forward.”

Schedule 1 of the Medium Term Financial Strategy includes a risk assessment and, having read this and discussed it with Officers, we are satisfied that the financial risk to the general fund balance has been adequately disclosed. On page 18, we have highlighted the Council's spending power and funding sources, which highlighted that Broxtowe Borough Council's rate of increase in the Council Tax Requirement is lower than for all England meaning the Council must either reduce expenditure or find alternative sources of revenue.

We discussed how the 2021/22 Medium Term Financial Strategy had been updated to take account of 2020/21 outturn, which shows an improved starting position of £6.9m in 2020.21. In our view, because the Council has an the opportunity to address the deficit through the 2022/23 and 2023/24 budget, this is not an indication of a significant weakness in arrangements.

| General Fund Estimated Closing Balance | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|--|---------|---------|---------|---------|---------|
| 2020/21 MTFS                           | 4,173   | 3,408   | 2,521   | 1,791   | 1,069   |
| 2021/22 MTFS                           | 6,873   | 5,715   | 4,126   | 2,631   | 1,116   |

## Medium Term Financial Strategy: Estimated General Fund Balances (£'000)



# VFM Progress Report – initial observations on arrangements for governance

## CIPFA Financial Management Code

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published its Financial Management (FM) Code to provide guidance for good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The first full year of compliance with the FM code is 2021/22.

In March 2021, the Finance & Resources Committee received a report to explain the purpose of the CIPFA Financial Management code. The Council should present Members with an assessment of expected compliance and any gap analysis in advance of the 2021/22 financial year.

## Treasury

We have reviewed the annual treasury management report for Finance and Resources Committee in July 2021, covering 2020/21, including prudential indicators, where the Council has operated within all limits for the year. There are no indicators of a significant weakness in arrangements.

## Governance

The Council has a full suite of governance arrangements in place. These are set out in the Annual Governance Statement, which is reviewed as part of our audit where we confirmed they were consistent with our understanding of the Council's arrangements in place for 2020/21.

We confirmed that the Council has an approved constitution that is regularly reviewed and updated. The Constitution explains how the Council operates and makes decisions. It ensures that the Council is transparent and accountable for what it does. Full Council comprises all 44 Members and is where decisions on important policies are made, such as the setting of Council Tax. The full Council can also make appointments to Committees and receive petitions from members of the public. Broxtowe Borough Council has a Committee system, which means that all Members are involved in the decision making process, rather than having a Cabinet and Executive. Those Committees include:

- Community Safety Committee
- Environment and Climate Change Committee
- Finance and Resources Committee
- Governance, Audit and Standards Committee
- Housing Committee
- Jobs and Economy Committee
- Leisure and Health Committee
- Personnel Committee
- Policy and Performance Committee

We consider the committee structure of the Council is sufficient to provide assurance that decision making, risk and performance management is subject to appropriate levels of oversight and challenge.

Minutes are published and reviewed by each committee to evidence the matters discussed, challenge and decisions made.



# VFM Progress Report – initial observations on arrangements for governance

## Risk management

The Council's Risk Management Strategy was last revised in December 2018 and sets out a five step process for risk management:

1. Identification
2. Analysis
3. Treatment
4. Completing the risk register
5. Monitoring, reporting and reviewing risk.

The Council's arrangements to execute the Risk Management Strategy include an Officer-led Strategic Risk Management Group that meets frequently prior to updating the Strategic Risk Register and presenting the outcome to Members. We reviewed the minutes of this Group from February 2021 as well as the updated Strategic Risk Register. The risk register contains the expected core elements, including: risk name, risk owner, inherent & residual risk ratings, key controls, risk indicators, and action points.

As the Risk Management Strategy was last revised in December 2018, it will be shortly due for an update. In doing so, we suggest that the Council considers what improvements could be made to the Strategic Risk Register, which from our review would include:

- Clearer link of the risk to the corporate plan
- Explanation of treat/tolerate
- Action points raised vs Action Points implemented, including dates
- Linking controls to assurance, including date of last testing of effectiveness.

The Governance, Audit & Standards Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information. We have reviewed reports and the minutes of the Governance, Audit & Standards Committee to confirm Members have reviewed the Strategic Risk Register throughout 2020/21. We reviewed the Risk Management Progress Report presented to Governance, Audit & Standards Committee in March 2021, and found that the register:

- Adequately explains the risk
- provides an inherent and residual risk score (informed by officers and open to challenge by members)
- explains the change since the previous assessment.

In our view, the report to Members could be improved, if not at each meeting, but at least annually, by drawing out further content from the supporting risk registers, for example:

- Tracking the risk score by quarter
- Explaining the controls and sources of assurance (including gaps in controls and gaps in assurance)
- Specifying actions required (and confirming when these have been implemented)

In addition to the above mentioned arrangements, during 2020/21 Members requested a regular governance dashboard report should be provided to Governance, Audit & Standards Committee on the Council's major projects, such as the Beeston Town Centre Development, Stapleford Towns Fund and the Housing Delivery Programme, to include a governance checklist and an independent assurance opinion from Internal Audit. We reviewed reports from May, July & September 2020 and confirmed that the responses in the 'Governance – Compliance Checklist' used to establish and enable scrutiny of the effectiveness of governance arrangements for major projects have come directly from the respective Project Sponsor; Senior Responsible Owner; and/or the Project Manager.

We also reviewed the annual report on corporate governance arrangements as presented to the May 2021 Governance, Audit & Standards Committee. This report supports the Annual Governance Statement. It is consistent in format and content to prior years and adequately explains how the Council's governance arrangements are consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. The arrangements as described are consistent with our understanding of the Council and, whilst there are areas for improvement as explained in the report, none are, in our view, material and there is no indication of a risk of significant weakness in the Council's arrangements.

In our view, the Risk Management Strategy is suitably supported by a Risk Management Group, a regularly maintained Strategic Risk Register and regular reporting to Members is evidence of adequate arrangements in place.

# VFM Progress Report – initial observations on arrangements for governance

## Governance, Audit & Standards Committee

The Council has an established Governance, Audit & Standards Committee. It is responsible for establishing and maintaining an effective system of governance in a way that supports the organisation's objectives.

We have reviewed supporting documents and confirmed the Governance, Audit & Standards Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. In response to Covid-19, the Council moved Committee meetings on-line. Our attendance at Governance, Audit & Standards Committee has confirmed there is an appropriate level of effective challenge.

We have reviewed committee reports, including two reports taken to the November meeting of the Governance, Audit & Standards Committee which reported outcomes complaints made to the Local Government Ombudsman and the Housing Ombudsman:

- The Local Government Ombudsman (LGO) made a finding of injustice in respect of a property being offered a potential tenant, that was later withdrawn as it did not suit their medical needs. In line with the LGO's recommendation, the Council issued an apology to the complainant and issued £100 of compensation.
- The Housing Ombudsman (HO) made a finding of a service failure in respect of significant delays in damp repairs being undertaken. The HO recommended a payment of £700.

to Annual Report is produced by the G&AS Committee and although there is no legislative requirement for Standards Committees to produce an Annual Report, doing so is recognised as good practice. Not only does the report publicise the work of the Committee to the general public, it is also a means for the Council itself to monitor the Committee's work.

## Internal Audit

We have documented our understanding of the internal audit function, which is provided by an in-house team. The Head of Internal Audit has direct access to all levels of management, all employees and to all elected members and particularly to those charged with governance. Internal Audit produce a plan each year which is agreed by the Section 151 officer and Chief Accountant before being agreed by the G,A&S Committee. Internal

Audit Reports are presented to the G&AS Committee for challenge and approval.

We have met with management and the Head of Internal Audit regularly during the year and reviewed Governance, Audit & Standards Committee reports and attended Committee meetings to observe the functioning of the Committee and receipt of Internal Audit Reports.

We reviewed the Internal Audit's annual opinion which is provided to the G&AS Committee and supports the Annual Governance Statement.

The Head of Internal Audit Annual Report was presented to Governance, Audit and Standards Committee 19 July 2021, the overall opinion being "The system of internal control has been reviewed. On the basis of Internal Audit work competed, it is the opinion of the Chief Audit and Control Officer that the current internal control environment is satisfactory such as to maintain the overall adequacy and effectiveness of the Council's framework of governance, risk management and control."

In our view, the Head of Internal Audit Opinion is sufficiently detailed to explain how the conclusion has been determined.

We have confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement to provide assurance that there is no significant weakness in arrangements for 2020/21.

## Whistleblowing & Counter-fraud

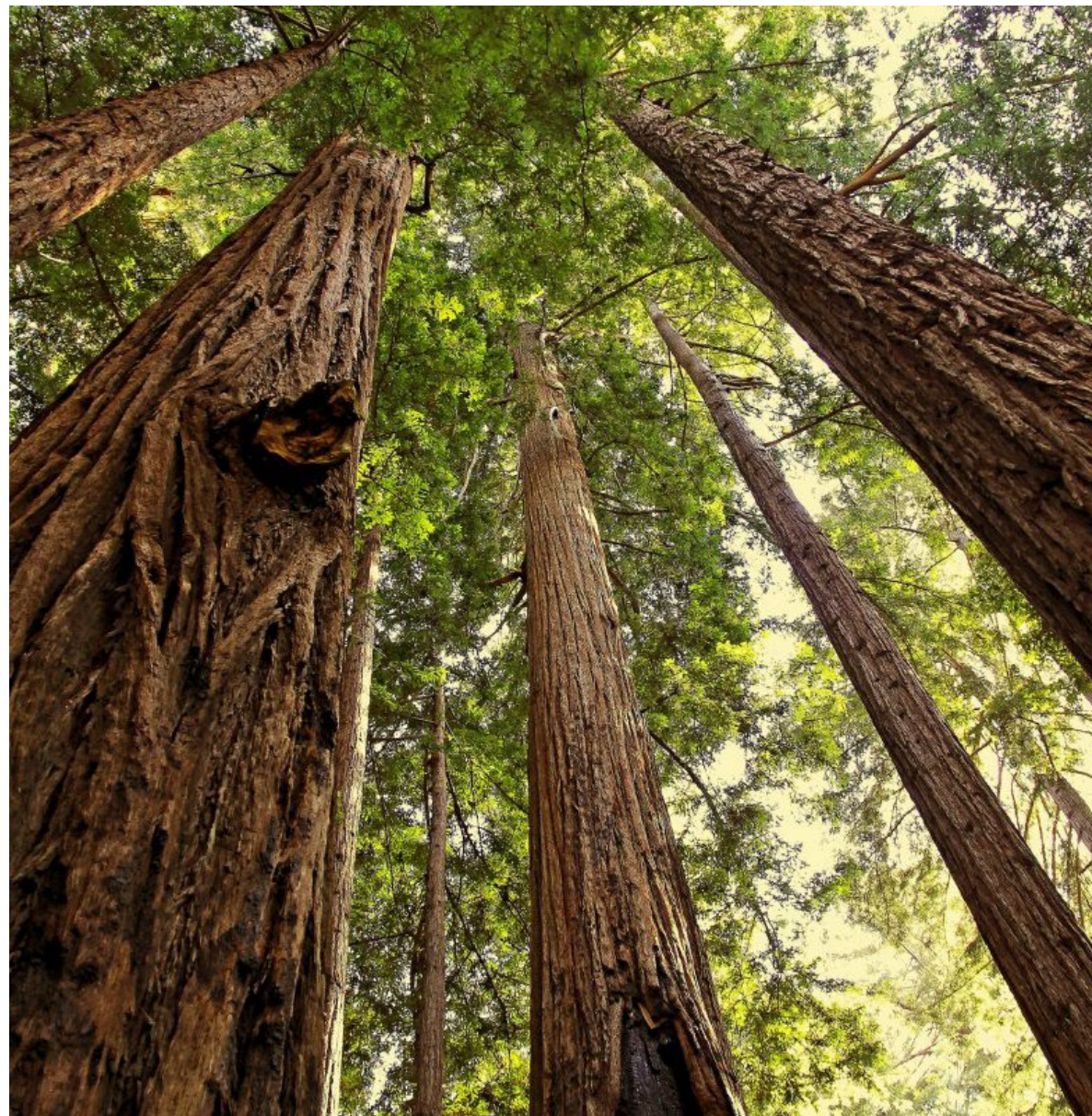
The September 2021 G&AS Committee received the annual report on counter fraud and corruption and money laundering prevention activity in 2020/21. We have complemented our review of the report with Officers and confirmed that a fraud risk assessment is periodically undertaken by the Chief Audit and Control Officer, in conjunction with senior management. The G&AS Committee have been informed that no major fraud investigations were undertaken by Internal Audit in 2020/21 and we have not identified any systemic or material matters impacting our VFM considerations.

The existence of the programme and its work is evidence of adequate arrangements for counter-fraud. We are unaware of any allegations or incidences of major fraud or corruption.



# VFM Progress Report

Observations on Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services



# VFM Progress Report – initial observations on arrangements for improving economy, efficiency and effectiveness

## Corporate Plan

The Council's arrangements are consistent with the prior year with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities and is published on its website.

The Corporate Plan for 2020-2024 was approved in March 2020 and sets out the Council's priorities to achieve its vision to make "A Greener, Safer and Healthier Broxtowe where everyone prospers." Over the period, the Council will focus on the priorities of Housing, Business Growth, Community Safety, Health and Environment. The Corporate Plan prioritises local community needs and resources are directed toward the things they think are most important. These needs are aligned with other local, regional and national plans to ensure the ambitions set out in the Corporate Plan are realistic and achievable.

## Performance monitoring

We have discussed performance monitoring arrangements with officers and reviewed a selection of business plans and committee reports. Business Plans detail the projects and activities undertaken in support of the Corporate Plan for each priority area. These cover a three-year period and are revised and updated annually. Detailed monitoring of progress against key tasks and outcome measures in the Business Plans is undertaken regularly by the relevant Committee. This will include an annual report where performance management and financial outturns are considered together following the year-end as part of the Council's commitment to closely align financial and performance management.

The Council monitors its performance using the Pentana Risk performance management system. Members have been provided with access to the system enabling them to interrogate the system on a 'view only' basis.

The Council's budget endeavours to ensure the provision of the appropriate resources required to deliver the Council's Plan, and the types of action necessary to enable them to be affordable, to allow balanced budgets to be delivered.

Overall, we believe this is sufficient evidence to demonstrate adequate arrangements for performance monitoring at the Council.

## Benchmarks

We reviewed a selection of benchmarking data available to us, including the CIPFA financial resilience index and the VFM profiles provided via the Local Government Association (called LG Inform Vfm available from the following link: <http://vfm.lginform.local.gov.uk/>).

The VFM Profiles show Broxtowe as below average cost in most areas including:

- Total net current expenditure per head
- Planned net current expenditure per head of population
- Total expenditure on culture and sport per head
- Total expenditure on environmental services per head
- Total expenditure on sustainable economy per head

CIPFA's financial resilience index puts the Council towards the higher end of risk scale.

Together, the VFM profiles and financial resilience index demonstrate a level of financial constraint for the Council, but not to a degree that indicates a risk of significant weakness in arrangements for 2020/21.

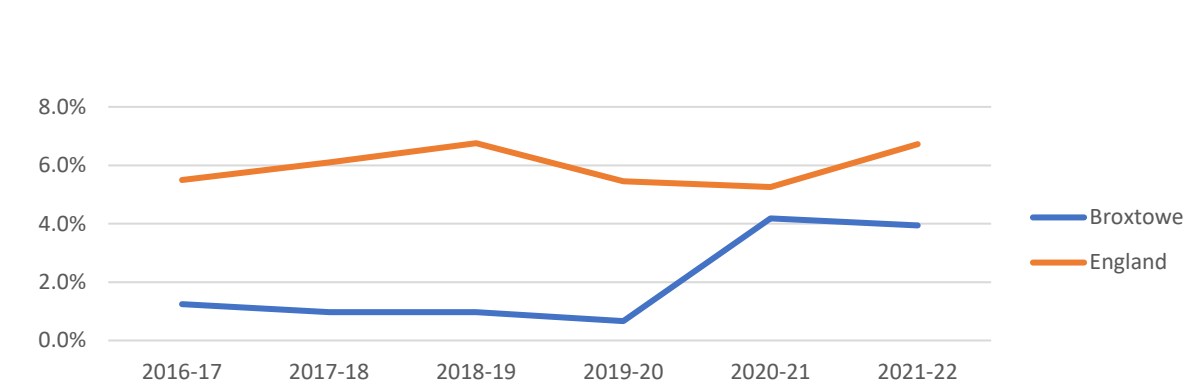
# VFM Progress Report – initial observations on arrangements for improving economy, efficiency and effectiveness

## Core Spending Power

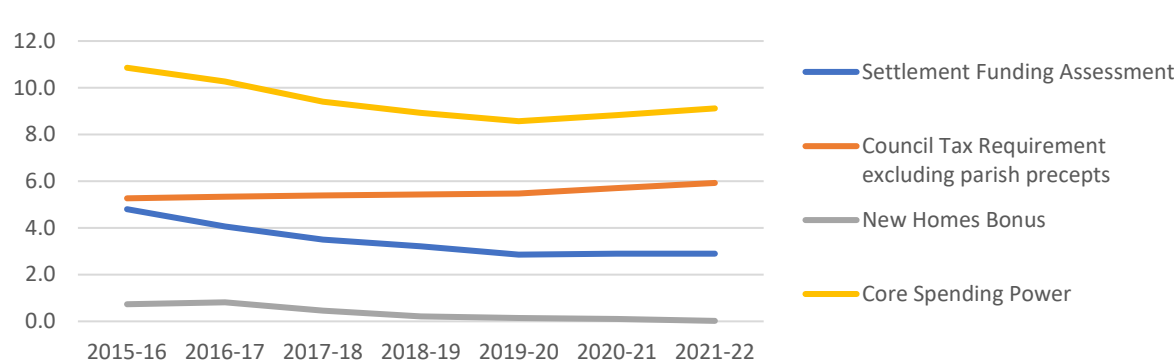
We have also considered the Council's financial position in relation to spending power using publicly available information published by the Ministry of Housing, Communities & Local Government in February 2021. There is no indication of a significant weakness in arrangements.

Overall spending power is higher than that in 2019/20, but the rate of decrease in the settling funding assessment has not been matched by the rate of increase in council tax, and Broxtowe's rate of increase in the Council Tax Requirement is lower than for all England meaning the Council must either reduce expenditure or find alternative sources of revenue.

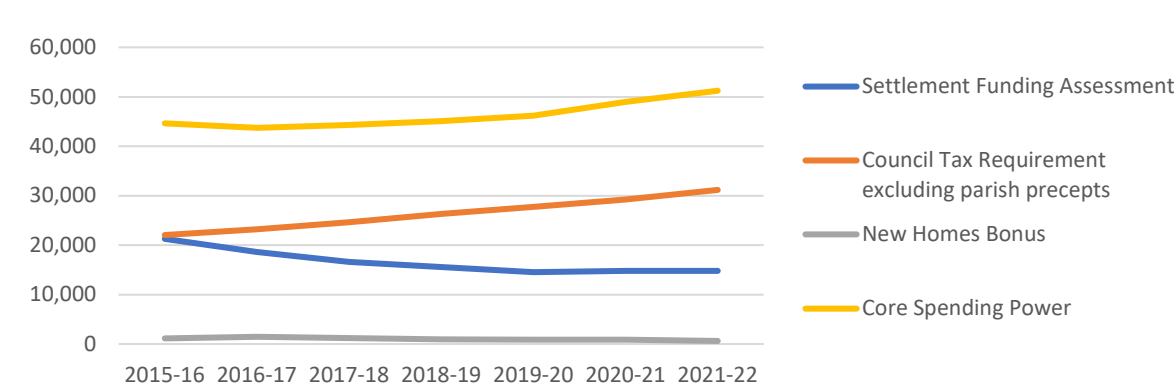
## Rate of increase in the Council Tax Requirement excluding parish precepts



## Broxtowe Borough Council: Core Spending Power (£'m)



## England: Core Spending Power (£'m)





# VFM Progress Report – initial observations on arrangements for improving economy, efficiency and effectiveness

## Procurement and Commissioning

The Council has a Procurement and Commissioning Strategy that sets out the central role of the procurement function in (1) contributing to achieving the Council's corporate priorities in a manner which reflects its vision and values; and (2) supporting the Council in ensuring compliance with regulations, whilst minimising expenditure. Having read the document, we are satisfied this is indicative of adequate arrangements for procurement.

Our review of the work of Internal Audit included the progress report presented to the September 2021 meeting of the Governance, Audit & Standards Committee which highlighted two overdue recommendations arising from their "limited assurance" report into Procurement and Contract Management from February 2020:

- 1. Lack of suitable Structured Contract Management
  - The Committee have been informed that this will be put in place by November 2021 now that the Contract Management Strategy has been approved by the Management Team in October 2020.
- 2. Need for Procurement Training
  - The Committee have been informed that an e-learning course will be added to the Broxtowe Learning Zone by November 2021.

The Council has arrangements for standing financial instructions, purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies. We are therefore satisfied that the overdue recommendations do not indicate a significant weakness in arrangements, although the actions do need to be completed.

## Stapleford Town Deal

On 6 September 2019 the Government invited 100 places to develop proposals for a Town Deal, as part of the £3.6 billion Towns Fund. Stapleford has been chosen as one of the towns to receive funding of £21m. We have reviewed supporting guidance to understand the process and various committee reports to understand the

arrangements in place for accessing the funding and then submitting a bid.

The list 100 towns was drawn from deprivation information from the Office of National Statistics then a review by officials from the Ministry of Housing, Communities and Local Government (MHCLG, but now called the Department of Levelling Up, Housing and Communities) to consider factors such as strategic alignment with government priorities, the presence of investment opportunities and different indicators of need. Judgements were made by Cities and Local Growth Unit experts to build these factors, apply weightings and produce a ranking. The Towns Fund Prospectus was published on 1 November 2019.

The Council created a Town Deal Stakeholder Group and Stapleford Town Fund Executive Board to develop, support and oversee the Town Investment Plan. We have reviewed minutes of the Stapleford Town Fund Executive Board and discussed the project with management. We also noted that the Governance, Audit & Standards Committee requested a regular governance dashboard report on the Council's major projects, including Stapleford Towns Fund, to include a governance checklist and an independent assurance opinion from Internal Audit.

In January 2021, the Town Investment Plan for Stapleford's Town Deal was submitted to the Ministry of Housing, Communities and Local Government (MHCLG), setting out the short, medium and long term plan for regeneration investment in Stapleford. Movement to full business case was approved in Finance and Resources Committee 8 July 2021.

Our review of the above mentioned documents and discussions with officers has not identified a risk of significant weakness in arrangements. We have seen sufficient evidence that appropriate arrangements were in place to develop the bid, including engaging specialist support where required. The full business case will need to follow relevant standards and may be subject to additional scrutiny by the Towns Fund.

# Mark Surridge

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