



**Oversight and Governance**

Chief Executive's Department  
Plymouth City Council  
Ballard House  
Plymouth PL1 3BJ

Please ask for Jamie Sheldon  
T 01752 668000  
E [jamie.sheldon@plymouth.gov.uk](mailto:jamie.sheldon@plymouth.gov.uk)  
[www.plymouth.gov.uk](http://www.plymouth.gov.uk)  
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**AUDIT AND GOVERNANCE COMMITTEE**

Monday 21 September 2020  
3.00 pm  
MS Teams meeting

**Members:**

Councillor Parker-Delaz-Ajete, Chair  
Councillor Carson, Vice Chair  
Councillors Jordan, P Smith, Stevens.

Co-opted Representative: Mr Shipperley.

Members are invited to attend the above meeting to consider the items of business overleaf.

Please find enclosed additional information relating to items 5 and 10.

For further information on attending Council meetings and how to engage in the democratic process please follow this link - [Get Involved](#)

**Tracey Lee**  
Chief Executive

**Audit and Governance Committee**

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- 10. Operational Risk Monitoring update (Pages 41 - 46)**

# Audit Progress Report and Sector Update

Plymouth City Council Year ending 31 March 2020

11 September 2020



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# Introduction

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**Paul Dossett, Partner**

T 020 7728 3180  
E [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com)

This paper provides the Audit & Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit & Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Paul or Geraldine.



**Geraldine Daly, Lead Auditor**

T 07500 783992  
E [geri.n.daly@uk.gt.com](mailto:geri.n.daly@uk.gt.com)

# Progress at 11 September 2020 – Financial Statements Audit

## Financial Statements Audit

We began our planning for the 2019/20 audit in February. Our work was a largely in March and April.

Our interim fieldwork includes:

- updated review of the Council's control environment;
- updated understanding of financial systems;
- review of Internal Audit reports on core financial systems;
- early work on emerging accounting issues; and
- early substantive testing.

We issued a detailed audit plan, following the conclusion of planning and interim work in early April and presented this to the May Audit and Governance Committee.

As a result of the Covid-19 pandemic, the deadline for the submission of the draft financial statements was put back to the 31<sup>st</sup> August 2020. We received the draft financial statements on 28<sup>th</sup> August 2020. We commenced our substantive audit work on 7<sup>th</sup> September 2020. The target deadline for the audit opinion is currently 30<sup>th</sup> November 2020.

As reported in our audit plan, the key areas of audit focus and substantive testing will be on the following significant risk areas of the financial statements:

- Accounting for the Miel transaction
- Valuation of property, plant and equipment
- Valuation of the Pension Liability
- Grant income

- Financial Instrument material disclosures.

We have commenced our detailed testing on property plant and equipment valuations, income and expenditure, debtors and creditors.

A detailed technical review of the draft financial statements has also commenced. Our technical focus will require further supporting evidence and accounting assumptions on the following areas:

- Miel accounting transactions
- Accounting for the CCLA investment
- MRP and its relationship with capital receipts
- Pension Guarantees - technical approach and accounting for these items either on the Council's balance sheet or the interested company

We will also review the post balance sheet event in respect of interest rates swaps in early 2020/21.

# Value for Money - initial review

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment were communicated in our audit plan.

Two areas of focus were identified :

- **Financial Sustainability and medium term financial planning**
- **The impact of the Covid-19 pandemic on the Council's costs and income streams.**

The two areas are very much intertwined and have become increasingly so as the pandemic and financial year continues.

Our detailed work has been ongoing in both of these areas. We have taken the opportunity to report our initial findings regarding the financial sustainability risk, including commentary on element of covid-19 in this report. Our work is still ongoing and progressing. Further work will be undertaken on some individual savings plans for both 2019/20 and 20/21 and the overall financial environment that Plymouth City Council operates in.

We will use our detailed analysis - *Financial Foresight* - which examines various financial factors attributable to the council to inform our final conclusion, as well as our own analysis of the impact of COVID-19 across all councils in England.

**Our final conclusion and summary and details of all key findings will be reported in our Audit Findings Report, which will be reported to Members.**

### Financial Sustainability – preliminary findings

#### 2019/20 budget monitoring and financial outturn.

In February 2019 the Council set a total gross expenditure budget of £501.5m, requiring savings of £16m to achieve a balanced budget at year end with a net budget requirement of £186.930m. The final approved net budget position for 2019/20 was set at £185.4m. A thorough process was undertaken and reported in the Council report for the 25th February 2019 with a detailed set of criterion which had been undertaken by the S151 Officer to consider such key items as the reasonableness of underlying assumptions, the reasonableness of provisions to meet outstanding liabilities, reality of income targets and reserve levels etc.

At that time, consideration was given to the historic use of reserves in prior years and the desire to combat a series of overspends in 2016/17, 2017/17 and 2018/19. At the time of reporting this budget proposal for 19/20, the S151 Officer noted the challenges faced by the Council for future years and the need to move away from use of reserves to fund year end deficits and the application of any one off finance adjustments. At the end of 2018/19 the general fund balance stood at £8m. Our Audit Findings Report for 2018/19 recommended that reserves should be reviewed in light of the continued pressures on outturn budgets and funding gaps. We also note and support the S151 Officers view that the use of additional provisions and reserves should not be a characteristic of balancing budgets in future and that is an increased need and requirement to review other possibilities in light of the current and future ongoing pressures.

When the budget for 2019/20 was set, there was a reported challenge of £4.778m and a planned savings target of £16m. Of that £16m, a £2m reduction was applied to costs through the possible flexible use of capital receipts. MHCLG have applied strict rules to the use of capital receipts and these can only be used to support revenue budgets if they lead to future savings which can be measured.

# Value for Money - initial review

The council faced increased cost pressures primarily as a result of decrease in Revenue Support Grant from Central Government and continued cost pressures in Adult Social care, a pattern that is not dissimilar to other Councils across the country. Given the demand led attributes of this and Children's services, the combined pressures highlighted were £12.599m – A large proportion of the £17.4m cost pressures for the year.

At the year end, the initial outturn position was an overspend of £6.8m across all directorates, but that was prior to a more detailed outturn position and adjustments. Pressures on outturn position were related to a mixture of legacy savings and in year savings not achieved and overspends taking place in directorates such as Children's services £5.1m, Place £1.8m and Customer Services £2.6m. A number of mitigations resulted in the Council being able to achieve a year end outturn position of £0.005m which has been charged to the General Fund reserve which now sits at £8.m.

These mitigations were varied in nature and consisted of more favourable returns on investments such as the Schroders Maximise Fund (£1m), a further £500k from the CCG for winter pressures, redundancy budget £0.638m, draw down on the pension deficit saving £1.5m, and review of unused reserves, use of one off grants and the release of Council tax surplus.

The outturn position for 2019/20 could not have been achieved without the use of these types of support.

The General Fund balance is low and below the recommended minimum of 5% net revenue budget. We have already seen in 2021, the increased pressures that the Council face as a result of the COVID-19 pandemic – mainly in relation to loss of income and continued efforts need to be ongoing to establish an agreed way forward to increase working balances for the future.

In the Cabinet report dated 9th June 2020, the S151 Officer highlighted, in more detail, the work that was required in order to achieve the final year end position and the commendable position of a year end outturn - subject to our external audit of the financial statements, of a £0.005m deficit position.

£11m of the £17m savings target was achieved. Legacy savings were not able to be achieved in Customer and Corporate, Place and Street Services.

We are currently reviewing the achievement of the 16m savings target planned in the 19/20 budget.

The total capital expenditure for the year was £196.1m – we are currently reviewing the expenditure analysis and funding arrangements for the spend, we do however note that the Council increased its investment property portfolio by £50m. Our audit of the financial statements is currently reviewing these transactions and their valuations.

The draft financial statements include an increase in short term borrowing from £281,266m to £468,223m in the current year, long term borrowing of £135m and a negative net asset position of £63m indicating a high gearing position.

The largest part of the capital spend was the investment in the Miel company to pay £73m of the pension fund liability to Devon Pension Fund. In our Audit Findings Report last year we made a series of recommendations to management and Members regarding this transaction. As this is an unusual and complex transaction our audit plan has highlighted this as a significant risk and we continue to review this particular transaction. We will report back to Members, in further detail, within our 2019/20 Audit Findings Report.

The draft financial statements also make reference to a transaction that took place post year end as described in more detail in note 6 – Events After the Balance Sheet Date. This relates to the Council's need to reduce the interest rate risk in relation to the £468m short term borrowing. We are in the process of undertaking a more detailed review of this transaction as part of our financial statements audit.

Our work is currently in progress as we examine further the savings plans initially planned and forecast for 2019/20 and the final outcome as well as the legacy savings which were inherited at the beginning of the year and those that have to be taken forward to 20/21.

## **Borrowing requirements and needs 201920**

The maximum total debt that the Council can hold is set at £834m. In 2019/20 the expected amount of held debt was £713m. In line with this useable reserves and working capital are important factors when considering how much debt to hold, recognizing the amount that has to be paid to facilitate that debt in anyone year. The Council continues to spread the risk associated with external borrowing across a variety of portfolios. In line with the Council's Treasury Management strategy, it has also increased investment in an investment property portfolio, the aim of which is to invest in local, commercial and residential properties to generate profits that can be used to support public services.



# Value for Money - initial review

## Capital budget 2019/20

The key driver for capital investment by the Council is the Plymouth Plan. Capital expenditure and investment has been increasing over the past 5 years. The five year plan and Medium Term Financial Plan ( from 2018 -2023) sees capital expenditure total £355.780M - £130M of which was planned for 2019/20. The largest part of the funding is through corporate borrowing totalling £103.7m, however, increased borrowing should only take place with strict regards to prudential criteria and affordability. Whilst it may be appropriate to continue to increase borrowing in line with the Council's borrowing requirement and capital finance ceiling, the affordability of such action does have to be considered, particularly with regards to it's direct impact on revenue – costs of borrowing and the ability to repay in principal. Again, MHCLG have set clear guidelines for such areas as investment property purchases and related borrowing as well as set criteria to calculate the minimum amount that should be charged to revenue each year.

The Council have set a very ambitious target of £870m over the next 4 years.

## 2020/21 and beyond.

Part of our value for money work is to also look forward with regards to the financial stability of the Council.

The Council have continued to work hard to review and reconsider its original budget position in light of the COVID-19 pandemic.

The Council set a gross budget of £502.6m for 20/21, with a net position of £193.6m That budget was set only weeks prior to lockdown and the start of the pandemic.

Plymouth, like most councils across the country have had to work very hard to assess the financial implications of the impact of the pandemic, not only on its finances and future financial sustainability but also the economic impact on the City as a whole.

Over the past few months, regularly finance reviews have been ongoing, set to highlight the possible impact of the pandemic on the Council's revenue, income and capital positions. The impact is likely to be evident for future years to come.

In the Cabinet report on 15th September 2020 the Section 151 Officer highlighted the finance and capital monitoring positions as at the end of July 2020.

The forecast outturn position at that time was an overspend of £4.488m once the Covid-19 grants for expended items (£17.7m) and forecast for income recovering grants of £4.55m were taken into consideration.

Key mitigations have now been put in place which, if successful will reduce the possible overspend to £1.3m. These items include the set up of a COVID19 reserve (£2.4m), the Voluntary Redundancy Scheme (EVRS) (£0.550m) and changes to capital financing (£0.250m).

Also included in the forecast position are the legacy savings pressures and overspends from previous years of £3.9m.

The Council have also had to revise the capital programme for 20/21 and beyond and currently the agreed expenditure is set at £156.8m with a further corporate borrowing requirement of £39m.

We continue to review the details of the 20/21 forecast position as part of our value for money work and will report further in our Audit Findings Report for 2019/20.

Given the increased pressures on expenditure and income in the current year, it is paramount that detailed consideration is given to any continued use of reserves and the general fund balance and the affordability of the investment programme.

Our value for money work is ongoing and we will continue to review the financial outturn for 2019/20 as well as the ongoing detailed planning that the Council is currently undertaking in order to review the 2020/21 budget position, mitigations and impact of the COVID-19 pandemic on the sustainability of its future finances.

# Value for Money - initial review

The Council has significant future financial risks which members need to scrutinise and monitor very closely;

- Covid 19 poses significant financial risks to all local authorities especially to a reduction future tax base growth
- Plymouth has special risks due to a low level of reserves and a difficult history in terms of delivery of savings
- Plymouth has a wider range of diverse income sources all of which have a degree of risk linked to global and local macro- economic factors – e.g. investment yields
- Plymouth has a large and ambitious capital plan with a very high level of borrowing, may indebt future generations with a significant tax burden if wider macro- economic trends against the Council – e.g. interest rate rise , funding levels decrease etc.

# Covid-19 update

## Impact on working arrangements

- Following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home.
- Grant Thornton have continued to review Central Government guidelines and start to reopen some offices across the country.
- At present, your audit team are currently working remotely and will do for the foreseeable future. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- There may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of Covid-19.

## Impact on accounts and audit opinions

There are a number of key issues which your finance team will have had to consider as part of the year-end closedown and accounts production:

- Impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations. At present, the Council have disclosed a material uncertainty relating to the year end balances for Property Plant and Equipment and Investment Properties. Will include specific narrative within our Audit Report drawing attention to the material uncertainties disclosed.
- Impact on collectability of debt and assumptions made in bad debt provisions.
- Impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- Disclosure of impact in narrative report.
- Disclosure of critical judgements and material estimation uncertainties.
- Impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- Considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- Impact on reporting to those charged with governance and signing arrangements.

## Changes to reporting requirements

- The Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31st August 2020.
- For principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

# Progress at 11<sup>th</sup> September 2020

Significant risk	Planned approach	Progress
<p><b>Covid- 19 (Council and PF)</b></p> <p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach;</li> <li>• liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise;</li> <li>• evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic;</li> <li>• evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely;</li> <li>• evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations</li> <li>• evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment; and</li> <li>• discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>• have worked with management to understand the implications the response to the Covid-19 pandemic had on the Council’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes have been made to materiality levels previously reported. The draft financial statements were provided on 28 August 2020;</li> <li>• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council’s property valuation expert;</li> <li>• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; and</li> <li>• engaged the use of auditor experts for asset valuations.</li> </ul> <p>We are:</p> <ul style="list-style-type: none"> <li>• ensuring to obtain sufficient audit evidence through remote technology;</li> <li>• evaluating whether sufficient audit evidence can be obtained to corroborate significant management estimates such as assets;</li> <li>• evaluating management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment.</li> </ul>

Significant risk	Planned approach	Progress
<p><b>Fraud in revenue and expenditure recognition</b> <b>(Council and PF)</b></p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA (UK) 240, and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted in all areas, except Government grants where errors were found as part of the 2018/19 audit.</p>	<p>We have not identified any changes to our assessment reported in the audit plan.</p>
<p><b>Management override of controls</b> <b>(Council and PF)</b></p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority and the Pension Fund face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the Group/Authority and Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk and unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals; and</li> <li>• analysed the journals listing and determine the criteria for selecting high risk and unusual journals.</li> </ul> <p>We are in the process of:</p> <ul style="list-style-type: none"> <li>• Analysing and selecting those journals that will require further testing. We will then:</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

Significant risk	Planned approach	Progress
<p><b>Valuation of land and buildings (Council)</b></p> <p>The Council re-values its land and buildings on a five-yearly rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved, and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2020 in the Authority's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out;</li> <li>• engage our own valuer expert, Gerald Eve, to provide commentary on: <ul style="list-style-type: none"> <li>• the instruction process in comparison to requirements from CIPFA/ IFRS / RICS; and</li> <li>• the valuation methodology and approach, resulting assumptions adopted and any other relevant points;</li> </ul> </li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register; and</li> <li>• evaluate the assumptions made by the management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>	<p>We are in the process of :</p> <ul style="list-style-type: none"> <li>• evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• evaluating the competence, capabilities and objectivity of the valuation expert;</li> <li>• We have written to the relevant valuers to confirm the basis on which the valuation was carried out; and</li> <li>• engaged our own valuer expert, Wilks Head and Eve, and our own internal valuer for the Tamar Bridge valuation, to provide commentary on: <ul style="list-style-type: none"> <li>• the instruction process in comparison to requirements from CIPFA/ IFRS / RICS; and</li> <li>• the valuation methodology and approach, resulting assumptions adopted and any other relevant points.</li> </ul> </li> <li>• challenging the information and assumptions used by the valuer to assess completeness and consistency with our understanding;</li> <li>• testing revaluations made during the year to see if they had been input correctly into the Council's asset register; and</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

Significant risk	Planned approach	Progress
<p><b>Valuation of pension fund net liability (Council)</b></p> <p>The pension fund net liability, as reflected in the Authority's balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>	<p>We are in the process of:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; and</li> <li>• assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.</li> <li>• assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and</li> <li>• undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>

Significant risk	Planned approach	Progress
<p><b>Reduction of the net pension fund liability through the use of Miel Ltd</b></p> <p>As noted on the previous page, the Authority's pension fund net liability represents a significant estimate in the financial statements.</p> <p>The Authority has used a separate vehicle (Miel Ltd) to pay a £73m off of its Pension Fund liability amount. This transaction took place in early October 2019.</p> <p>This type of transaction is both material and unusual and has therefore been assessed as a Financial Statements significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the Council's response to the series of recommendations that we have made in our Audit Findings Reports throughout 2018/19, in particular to -</li> <li>assess the due diligence undertaken by the Authority</li> <li>review the action taken by the Authority to ensure the transaction's legality, supplementing this with our own independent legal advice where appropriate</li> <li>assess the arrangements the Authority has in place to assess whether it considers the transaction to reduce the pension fund net liability to be financially sound.</li> <li>review the Authority's proposed accounting treatment to ensure it is compliant with CIPFA's Code and the relevant accounting standards.</li> </ul>	<p>We are in the process of:</p> <ul style="list-style-type: none"> <li>reviewing the responses to our series of recommendations made in our 2018/19 Audit Findings Report including due diligence undertaken, legality reviews and advice and the arrangements put in place to establish the financial viability of the Transaction.</li> </ul> <p>Given the complexity of the accounting arrangements surrounding this transaction, we have requested details of the Council's accounting treatment and transactions within the accounts so that we can technically review the entries in relation to all appropriate accounting standards and CIPFA's Code.</p>
<b>Group Accounts</b>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the controls and processes that the Council will put in place to prepare Group Accounts</li> <li>Review the Council's processes for consolidation of subsidiary accounts and the arrangements in place for the review of the validity of the financial information and data</li> <li>Review the accounting treatment</li> <li>Undertake a detailed risk assessment in accordance with auditing standards to establish an audit approach and strategy for seeking assurance of any other auditors work</li> <li>Where appropriate, liaise directly with any subsidiary auditors and review working papers</li> <li>Provide an audit opinion on the Group financial statements.</li> </ul>	<p>We have now received the Council's group assessment which has concluded that, on the basis of materiality, group accounts are not required.</p> <p>We are in the process of:</p> <ul style="list-style-type: none"> <li>reviewing the Council's assessment</li> <li>reviewing the relationship and arrangements in place between the Council and interests</li> <li>reviewing the pension liability transactions and where they sit in relation to both the Council's and interested parties' balance sheets.</li> </ul>



Significant risk	Planned approach	Progress
<p data-bbox="114 279 622 303"><b>Financial Instrument Disclosure notes</b></p> <p data-bbox="114 344 622 687">Accounting standards and the CIPFA Code require detailed disclosure notes to be published in the accounts regarding financial instruments held by the Council. These financial instruments can be in the form of loans and borrowings as well as assets and investments. Arriving at the fair value of financial instruments is usually complex and requires specialist support as part of the valuation process for these items.</p> <p data-bbox="114 707 622 1046">In 2018/19 the Council's draft financial statements did not include the required detail or disclosures relating to all financial instruments held by the Council. Further detailed work had to be performed by the Council and its advisers to ensure that the financial instrument notes were in accordance with regulation and guidance. As this is a complex area and requires specialist support and advice, it is susceptible to possible error.</p>	<p data-bbox="645 279 734 303">We will:</p> <ul data-bbox="645 323 1317 603" style="list-style-type: none"> <li data-bbox="645 323 1317 411">• review the Council's processes implemented to establish the correct valuations of all material financial instruments held.</li> <li data-bbox="645 430 1317 486">• Test disclosures for financial instruments back to the figures within the main financial statements</li> <li data-bbox="645 505 1317 561">• Test the disclosures in accordance with the CIPFA Code and accounting and auditing guidance</li> <li data-bbox="645 580 1317 603">• Review the work of the Council's experts in this area.</li> </ul>	<p data-bbox="1352 279 1648 303">We are in the process of:</p> <ul data-bbox="1352 355 2123 486" style="list-style-type: none"> <li data-bbox="1352 355 2123 411">- undertaking a detailed technical review of the Financial Instruments disclosures</li> <li data-bbox="1352 429 2123 486">- obtaining detailed evidence and accounting treatment support for the CCLA investment vehicle</li> </ul> <p data-bbox="1352 505 2123 563">We will test material disclosures in accordance with accounting standards and CIPFA Code guidance.</p>

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## Other risks identified

## Other audit areas

In addition to our work on the significant risks, work is also in progress in the following areas:

- PPE additions
- In-year depreciation
- Cash
- Expenditure (including welfare expenditure)
- Employee benefits
- Debtors and bad debt provision
- Creditors
- Leases
- Reserves
- Financial instruments, investments and borrowings
- PFI liabilities
- Provisions
- Financial statements disclosures
- Pooled budgets
- Related parties

## Other areas

### Certification of claims and returns

Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The planning of the certification work for the 2019/20 claim is underway. The Council will undertake the initial testing and we will review a sample of cases to verify accuracy.

The DWP has moved the reporting deadline back to 31 January 2021. We will report our findings to the Audit and Governance Committee in our Certification Letter in March 2021.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 claim is currently due to be completed for the 30 November deadline.

### Meetings

We meet with Finance Officers every two weeks and have been undertaking these meetings throughout the closedown process.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your Director of Finance, including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit & Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Further on in this report we share the findings of the FRC review on the audit of the Council's 2018/19 financial statements.

At present, the proposed fees for the 2018/19 audit are currently being reviewed by PSAA.

# Audit deliverables

2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <ul style="list-style-type: none"> <li>Confirming audit fee for 2019/20.</li> <li>Advise of additional fee for 2019/20</li> </ul>	<p>April 2019</p> <p>April 2020</p>	<p>Complete</p> <p>Complete</p>
<p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.</p>	<p>April 2020</p>	<p>Complete</p>
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	<p>May 2020</p>	<p>Complete</p>
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the November Audit and Governance Committee.</p>	<p>November 2020</p>	<p>Not yet due</p>
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	<p>November 2020</p>	<p>Not yet due</p>
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	<p>January 2021</p>	<p>Not yet due</p>

# Sector update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

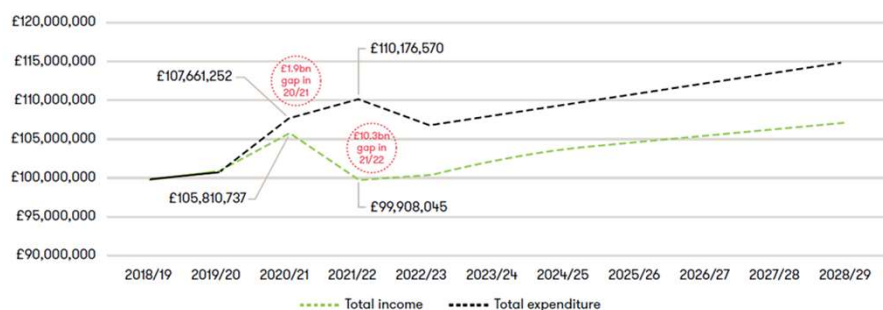
# Covid-19 update

## Where are we now?

Over five months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside Covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Local government finances remain significantly impacted and our Financial Foresight forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

The uncertainty also impacts on future spending pressures and sales, fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

## Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counteract the fall in demand elsewhere.

# Covid-19 update (cont'd)

## Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

## The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services

# Covid-19 and Local Government

Public services have been at the forefront of the emergency response to the Coronavirus (Covid-19) including local government. Very few local government services have not been impacted by the Covid-19, and councils have also had to create new service lines as part of the emergency response, such as their work in identifying and supporting shielded and other vulnerable citizens, and to redeploy people to new roles and assets to new functions (for example closed leisure centres repurposed as temporary mortuaries and food banks).

Prior to Covid-19 local government has had to adapt to significant reductions in funding during the period of austerity. For example, spending on local services fell by 21% in real terms between 2009-10 and 2017-18. However, underlying this reduction are much larger reductions to some services expenditure. In broad terms, councils managed during austerity by significantly reducing spending on more discretionary services in order to protect statutory services to the most vulnerable people, particularly social care services. In addition, councils have had to place greater reliance on fees and charges income, and to be innovative in the generation of new income source, including a more commercial approach, a trend which is changing as authorities seek to balance social outcomes with financial sustainability.

Covid-19 has had a further significant impact on local government finances, which is the result of three main factors:

- increase in expenditure in managing the emergency response, such as purchase of PPE, provision of food and medical supplies to shielded citizens, and increased costs in relation to adult social care;
- lost income due to closed services, such as leisure centres, and the reduction in other sources of income from other sources, such as car parking, business rates and council tax; and
- the non-delivery of savings plans.

Whilst central government has made significant additional funding contributions to local government in recognition of the financial consequences of Covid-19, the total funding gap for councils in England is currently estimated to be £6billion by the LGA, with the sector still in the process of determining the longer term financial impact. The tranches of government funding provided so far have generally focussed on alleviating the financial pressures created by Covid-19 related spend, and so have had limited benefit for lost income such as that relating to leisure services.

This stark financial context has significant implications for the sector as councils start to move from the emergency response stage to the recovery planning stage of Covid-19. The key risks we will need to consider:

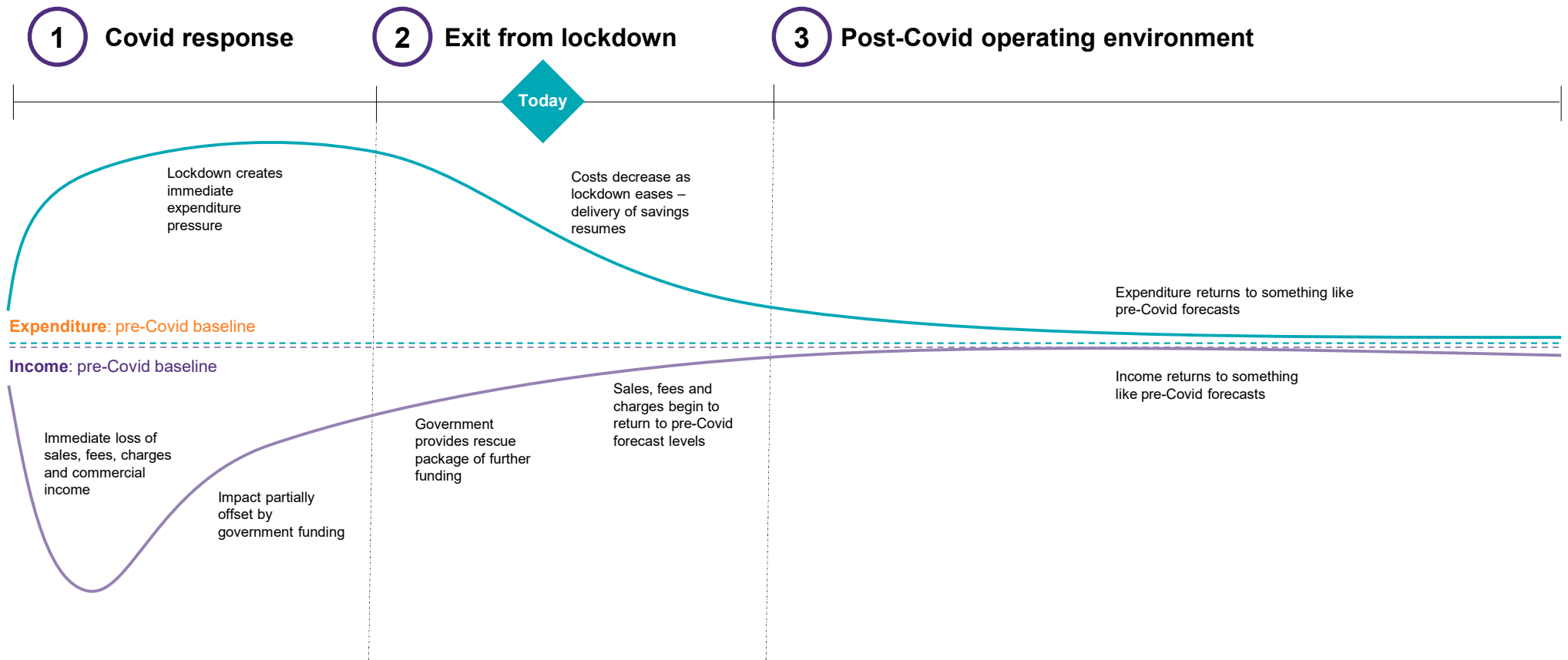
- how they stand up closed services such as leisure centres, the impact of Covid-19 on future demand, and the operational challenges of service delivery with on-going social distancing rules;
- how service delivery may need to change as a result of learning from Covid-19 and how long-lasting cultural and behavioural changes will impact on their operating models;
- the impact on local markets such as social care and transport, and the financial consequences of market and supply chain failure;
- how the economic impact of Covid-19 will impact on service need and on the demand for income generating services; and
- whether certain services will need to reduce or cease to manage the funding gap
- exploration of opportunities for more radical change that may have arisen from Covid-19, such as building on the large-scale transfer of care that has taken place and the opportunities regarding reablement, and broader integration with health.

Understanding the various scenarios, their financial implications, and the resources available to deliver them will be critical over the short to medium term.



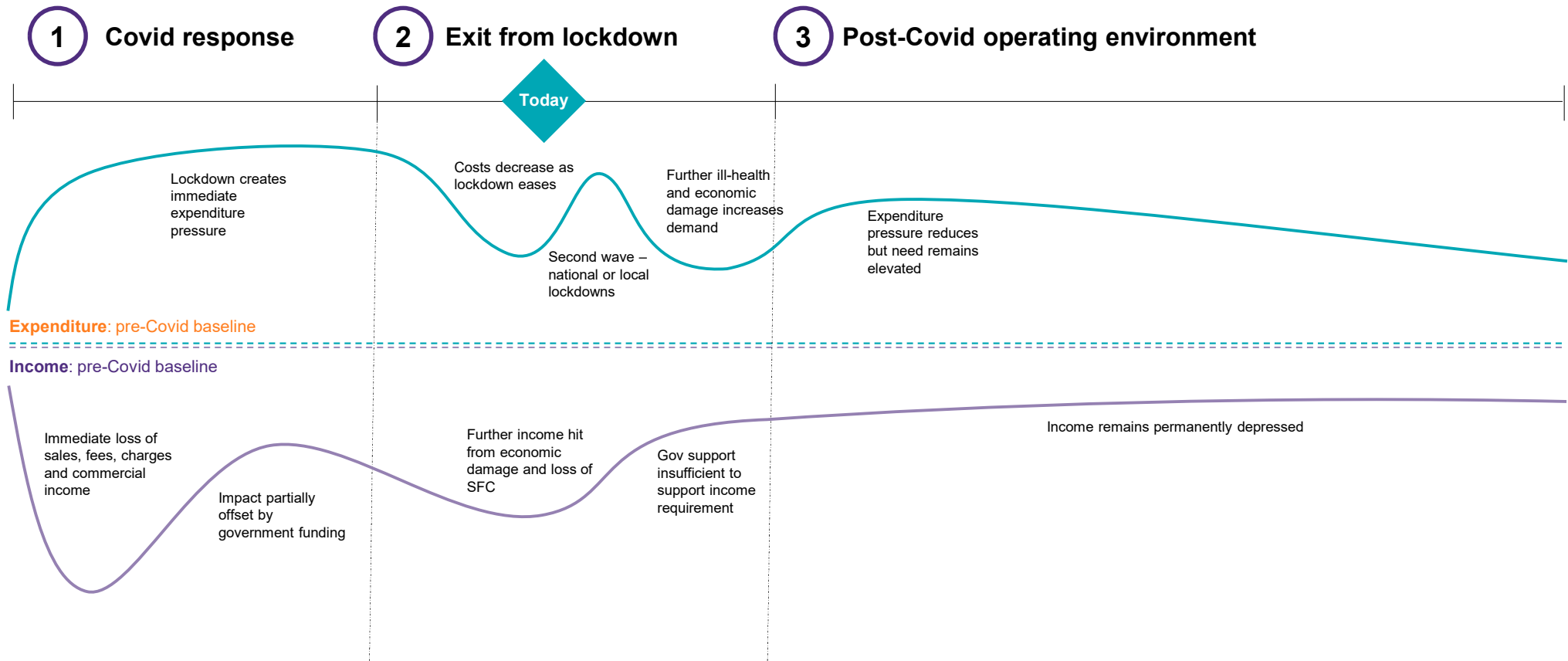
# Example scenarios

## Scenario 1 – swift return to normality

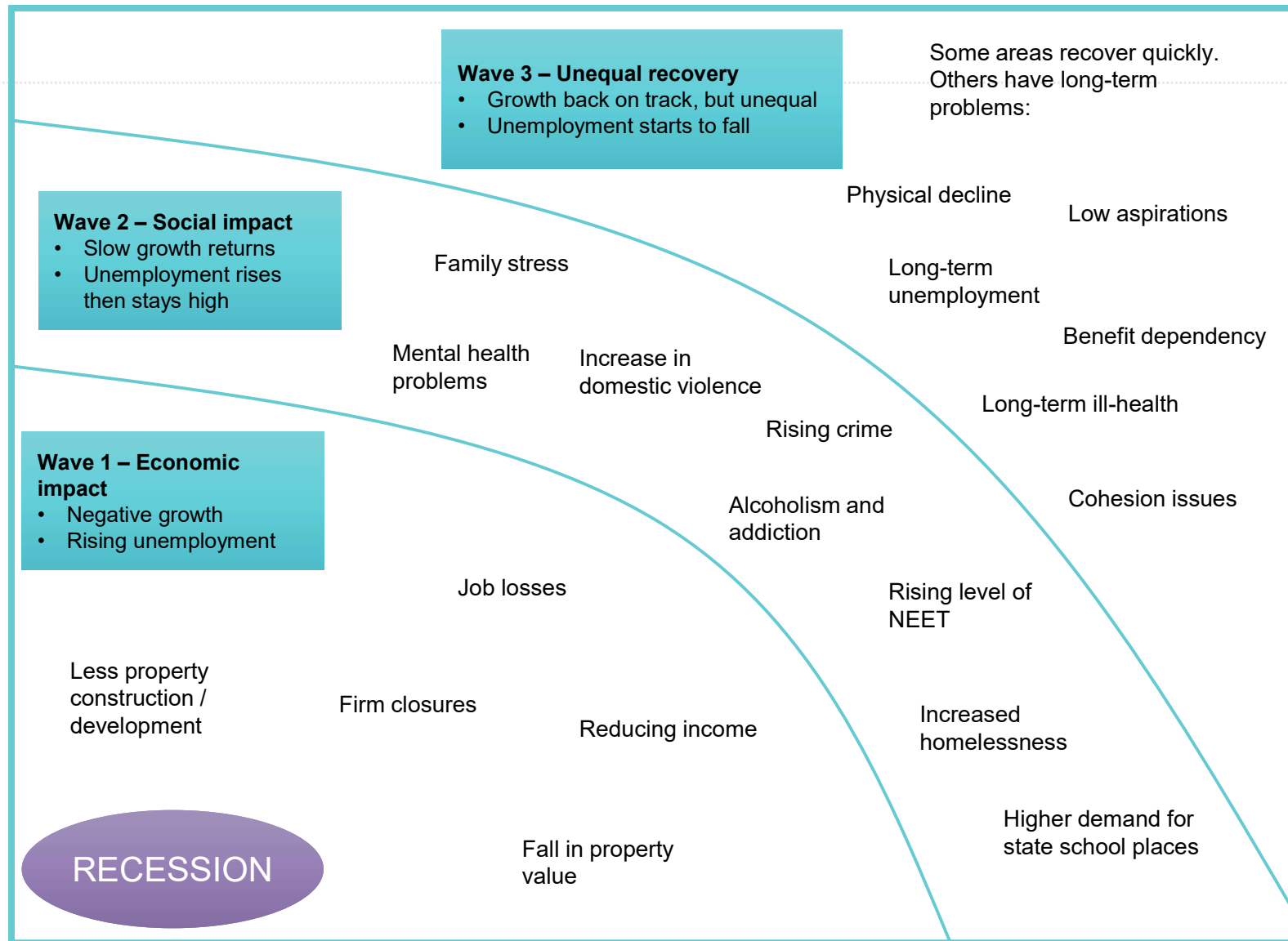


# Example scenarios (Cont'd)

## Scenario 2 – second wave and ongoing disruption



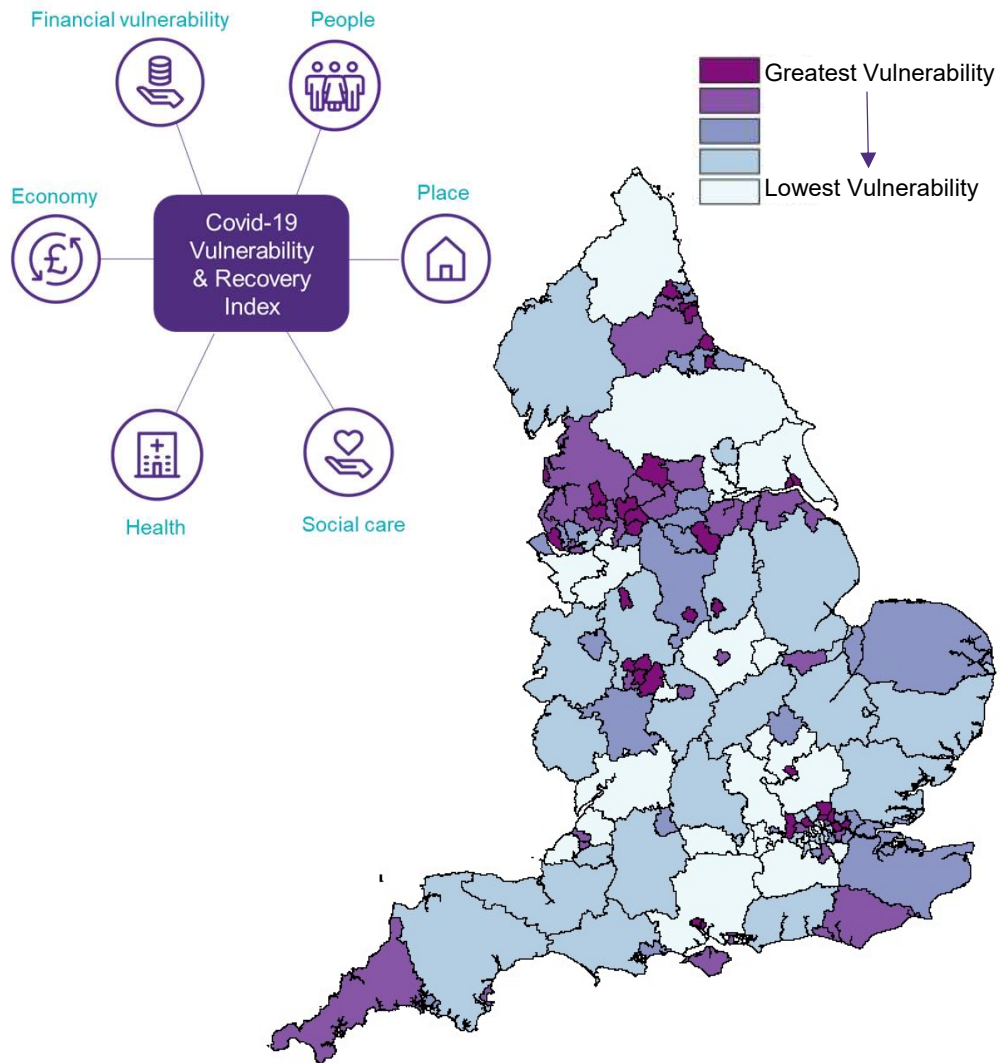
# Can we learn from previous recessions?



Source: Audit Commission







# Covid-19 Vulnerability Index

## Overall Index (including Financial Recovery basket)



# Scenarios and hypotheses

## Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
<b>People &amp; community</b> 	<ul style="list-style-type: none"> <li>• Multiple lockdowns and ongoing disruption</li> <li>• Community dependency and expectation of sustained response</li> <li>• Turbulence and activism within the VCS</li> <li>• Socio-economic inequality is compounded</li> <li>• Failure of leisure and cultural services</li> </ul>	<ul style="list-style-type: none"> <li>• Smooth exit from lockdown to a “new normal”</li> <li>• Community mobilisation is channelled into ongoing resilience</li> <li>• Strengthened VCS relationships and focus</li> <li>• Systemic response to inequality is accelerated</li> <li>• Leisure and cultural services adapted to social distancing</li> </ul>
<b>Business &amp; economy</b> 	<ul style="list-style-type: none"> <li>• 16% reduction in GVA for 2020 based on OBR reference scenario</li> <li>• Slow / uneven economic recovery and “long tail” on unemployment</li> <li>• Central gov / BEIS focus investment on areas furthest behind</li> <li>• Loss of tourist &amp; student spend causes unmitigated damage</li> <li>• ‘V’ shaped recovery results in 2-3 year recovery period</li> </ul>	<ul style="list-style-type: none"> <li>• 5-10% reduction in GVA</li> <li>• Rapid economic recovery with employment levels close behind</li> <li>• Central government “back winners” with investment</li> <li>• Adaptation allows resumption of tourist and student economy</li> <li>• Business base is weighted towards growth sectors</li> </ul>
<b>Health &amp; wellbeing</b> 	<ul style="list-style-type: none"> <li>• Increased demand and escalating need due to fallout from lockdown</li> <li>• Newly-vulnerable cohorts place strain on the system</li> <li>• Unit costs increase further as markets deteriorate and providers fail</li> <li>• SEND transport unable to adapt to social distancing</li> <li>• Imposed disruption of care system</li> </ul>	<ul style="list-style-type: none"> <li>• Positive lifestyle changes and attitudes to care reduce demand</li> <li>• Needs of newly vulnerable cohorts met through new service models</li> <li>• New investment in prevention and market-shaping manage costs</li> <li>• New ways of working leading to stronger staff retention</li> <li>• Locally-led reform of health and care system</li> </ul>
<b>Political &amp; regulatory</b> 	<ul style="list-style-type: none"> <li>• Local government side-lined by a centralised national recovery effort</li> <li>• Unfunded burdens (e.g. enforcement and contact-tracing)</li> <li>• Councils in the firing line for mismanaging recovery</li> </ul>	<ul style="list-style-type: none"> <li>• Local government empowered as leaders of place-based recovery</li> <li>• Devolution and empowerment of localities</li> <li>• Councils at the forefront of civic and democratic renewal</li> </ul>
<b>Environment</b> 	<ul style="list-style-type: none"> <li>• Opportunity missed to capture and sustain environmental benefits</li> <li>• The end of the high street / town centres</li> <li>• Emissions and air quality worsened by avoidance of public transport</li> <li>• Capital programmes stuck</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to invest in transport modal shift and green infrastructure</li> <li>• Changed working patterns rejuvenate town centres</li> <li>• Sustained impact on emissions due to new behaviours</li> <li>• New, shovel-ready infrastructure programmes</li> </ul>
<b>Organisational</b> 	<ul style="list-style-type: none"> <li>• Inadequate funding forces fiscal constraint</li> <li>• Working practices return to status quo – increased operating costs</li> <li>• Imposed structural change within the place</li> <li>• Austerity 2</li> <li>• Commercial portfolio becomes a liability</li> </ul>	<ul style="list-style-type: none"> <li>• Adequate funding enables a programme of targeted investment</li> <li>• Learning and adaptation to new operating environment</li> <li>• Energised system-wide collaboration and reform</li> <li>• Fiscal reform and civic renewal</li> <li>• Commercial portfolio reshaped for economic and social gain</li> </ul>

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# What strategy is needed in response?

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## *From response to recovery*

### **Learn, adapt and prioritise**

- Develop and test hypotheses around impact on place, services, operations, finances.
- Design rapid interventions - implement, test and evaluate.
- Learning from the response to lock in the good stuff – reflection on operations, services and the system.
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

## *Mitigating the worst case*

### **Consolidate and build resilience**

- Ensure that emergency management and response structures are resilient for the long haul.
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability.
- Contingency plans for structural disruption.
- Re-evaluate infrastructure pipeline.

## *Steering towards the best case*

### **Invest in renewal**

- Programme of priority-based investment framed by recovery and renewal.
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces.
- Continued system leadership, pushing for positive reform and resilience.

# Recovery planning and implementation

Set out below are examples of recovery planning activity that are being considered by councils. This activity needs to align to the Government's recovery strategy, and to existing government priorities such as levelling up, whilst future proofing against Covid-related government policy shifts.

Recovery planning	Recovery implementation
Recovery planning strategy and framework development.	Recovery plan implementation.
Risk assessments, research into which parts of the local economy have been most severely hit and which groups of people will need additional support.	Reviews of long term corporate plans/strategies, place vision, service plans, in context of phased lockdown release.
Planning for standing up closed services.	Place-based leadership – working with other public services, private and third sector to redefine place.
Integrating social distancing into the public realm, eg offering supplies of hand sanitiser and masks. Increased need for digital advertising and awareness raising.	Redefining front-line services, council as match-maker, convener and incentiviser as well as service deliverer or commissioner. Removal of internal silos (eg supporting vulnerable families).
Review of supply chain vulnerability.	More long-term and strategic partnerships and funding models for third sector.
Supporting local businesses evolve to a new normal post-COVID-19 world, including more trading on-line.	Re-evaluation of vulnerability, including eligibility criteria. Likely to put in place structures that outlast the crisis, such as provisions to help the homeless and those in gig economy jobs.
Providing leadership for longer-term investment and delivery, to support economic recovery rather than just focusing on short-term actions.	Review and update Local Plan.
Reframe capital programme to support economic, social and environmental recovery / sustainability	Reconfiguration of municipal estate and property portfolio and commercial investments.
Renewed strategic financial planning and focus on financial management.	Emergency planning reviews and learning.
Data recognised as core pillar of resilience, barriers to data collaboration and information governance removed/standardised	Long-term financial sustainability planning.
Government monitoring regime on additional funding for councils and Covid funding administered by councils.	Increase in outcomes based procurement and focus on social value.
Business cases for new investments or for Government.	Significant investment in digital capabilities – channel shift, remote working, etc.
HR capacity and welfare, building health and safety checks.	

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

## Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

## Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?



## Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

## Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

## Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

## Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid-19-on-financial-reporting-local-government-sector.pdf>



# Guide for Audit and Risk Committees on Financial Reporting and Management during Covid-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

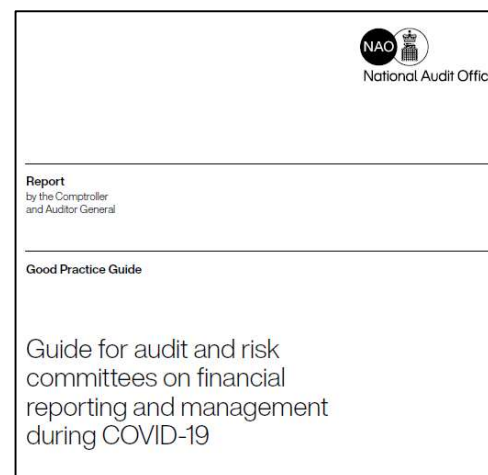
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Redmond Review – Outcome of the Review

The independent review led by Sir Tony Redmond was published on 8<sup>th</sup> September 2020. The review sought views on the quality of local authority financial reporting and external audit. The consultation ran from 17 September 2019 to 20 December 2019. The detailed outcome of the review has now been published. The review has made a series of recommendations which will impact upon Auditors and Local Authority's alike.

## The Key Findings are summarised below:

- The establishment of a new regulator - the Office of Local Audit and Regulation. This will replace the FRC and PSAA
- Scope to increase fees - The current fee structure for local audit is to be revised (i.e. increased) to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- A move back to a September deadline - The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- The Accounts to be simplified - CIPFA/LASAAC will be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts
- There is a recognition of the role of authorities in improving governance and reporting.
- 

- The development of audited and reconciled accounts summaries to accompany the financial statements.

As the reviews by Redmond, John Kingman, Sir Donald Brydon, and the CMA have made clear, the market, politicians and the media believe that, in the corporate world, both the transparency of financial reporting and audit quality needs to be improved. Audit fees have fallen too low, and auditors are not perceived to be addressing the key things which matter to stakeholders, including a greater focus on future financial stability. The local audit sector shares many of the challenges facing company audit. All of us in this sector need to be seen to be stepping up to the challenge. This Review presents a unique opportunity to change course, and to help secure the future of local audit, along with meaningful financial reporting.

You can read the detailed report and recommendations using the link below:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Grant Thornton UK LLP welcome the report and our views can be found in the attached link below:

[https://twitter.com/public\\_finance\\_/status/1304412166016163844?s=12](https://twitter.com/public_finance_/status/1304412166016163844?s=12)

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The NAO consultation on a new Code of Audit Practice (the “Code”) has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

# Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- **Putting key workers at the heart of the Housing strategy.** The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>

# Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.

- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.

- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>





# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>





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# Audit and Governance Committee



Date of meeting:	21 September 2020
Title of Report:	<b>Operational Risk &amp; Opportunity Management Update Report</b>
Lead Member:	Councillor Mark Lowry (Cabinet Member for Finance)
Lead Strategic Director:	Giles Perritt (Assistant Chief Executive)
Author:	Robert Sowden
Contact Email:	<a href="mailto:robsowden@plymouth.gov.uk">robsowden@plymouth.gov.uk</a>
Your Reference:	AL/RS
Key Decision:	No
Confidentiality:	Part I - Official

## Purpose of Report

To support the delivery of the City's vision and to enable the provision of high quality services to the citizens and communities of Plymouth it is imperative that effective risk management arrangements are in place. A fundamental element of Corporate Governance, a risk managed approach to decision making will enable the council to achieve its objectives and deliver services more efficiently and cost effectively.

The management of risk principles and processes equally apply at operational level, supporting improved performance, integration with corporate planning, projects, change programmes and partnerships.

This report now outlines the continuing progress being made across Services in delivering Operational Risk and Opportunity Registers in line with the Council's shared vision and priorities.

The total number of operational risks now reported has increased from 112 to 114, comprising of three high (red) risks, 65 medium (amber) risks and 46 low (green) risks.

## Recommendations and Reasons

The Audit and Governance Committee is recommended to: Note and endorse the current position with regard to operational risk and opportunity management

## Alternative options considered and rejected

Effective risk management processes are an essential element of internal control and as such are an important element of good corporate governance. For this reason alternative options are not applicable.

### Relevance to the Corporate Plan and/or the Plymouth Plan

Operational Risk and Opportunity Registers are aligned to Corporate Plan Performance Framework Outcomes. This ensures that appropriate links are identified with individual risks where control action contributes to delivery of a key corporate objective.

### Implications for the Medium Term Financial Plan and Resource Implications:

None arising specifically from this report but control measures identified in risk and opportunity registers could have financial or resource implications.

### Carbon Footprint (Environmental) Implications:

None arising specifically from this report.

### Other Implications: e.g. Health and Safety, Risk Management, Child Poverty:

*\* When considering these proposals members have a responsibility to ensure they give due regard to the Council's duty to promote equality of opportunity, eliminate unlawful discrimination and promote good relations between people who share protected characteristics under the Equalities Act and those who do not.*

None arising specifically from this report but community safety and health and safety issues and risks are taken into account in the preparation of risk and opportunity registers.

### Appendices

*\*Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
A	Operational Risk Monitoring Briefing							

### Background papers:

*\*Add rows as required to box below*

*Please list all unpublished, background papers relevant to the decision in the table below. Background papers are unpublished works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.*

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
Operational risk registers							

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**Sign off:**

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Originating Senior Leadership Team member: Giles Perritt											
Please confirm the Strategic Director(s) has agreed the report? Yes Date agreed: 25/08/2020											
Cabinet Member approval: <i>[electronic signature (or typed name and statement of 'approved by email/verbally')]</i> approved by Councillor Lowry Date approved: 20/07/2020											

**Appendix A – Operational Risk Monitoring Briefing****1.0 Introduction**

- 1.1 The position with regard to Operational Risk Register monitoring was last reported to this Committee on [9 December 2019](#) and this report now provides a summary of the latest monitoring exercise covering the position as at 31 August 2020.

**2.0 Background**

- 2.1 Plymouth City Council's Risk and Opportunity Management [Strategy](#) is reviewed each year and updated to ensure it remains fit for purpose. The latest version was endorsed by this Committee on 23 September 2019.
- 2.2 To comply with the Risk and Opportunity Management Strategy each Directorate must implement a robust process of managing risks to corporate, service, project and partnership objectives for which they have responsibility. To support the promotion and co-ordination of risk management each Directorate/Service has a dedicated Risk Champion.

**3.0 Operational Risk and Opportunity Registers and Analysis of Risks Identified**

- 3.1 The impacts of the Covid-19 pandemic have been felt across all sectors and communities. The initial emergency response phase in Plymouth and the UK has focussed since early March 2020 on taking action to deal with the immediate impacts of the pandemic on our communities, infrastructure and economy.
- 3.2 The Covid-19 situation is dynamic and subject to change in government advice and policy on a weekly, if not daily basis. It has been necessary for staff to be redeployed to deal with the emergency response and this has had an obvious impact on business as usual activity.

- 3.3** In order for the Council to fulfil its legal obligations regarding the safety of its citizens and service recipients, revision of some business plans will be necessary to mitigate further risks. Services were asked to review their operational risks identifying areas that have been impacted by Covid-19.

#### 4.0 Red Risks

- 4.1** Detail on the red risks reported is shown below:-

<p><b>Finance:</b></p> <p><b>The Council's expenditure exceeds the resources available to meet that expenditure within the medium term financial plan period (2020-2022)</b></p>	<p>The main pressures are within Children's Services due to unprecedented demands within the Service. Other pressures include non-delivery of legacy savings within Customer Services and pressures within Street Services. The impact of Covid-19 is being assessed. Due to the lockdown the council has had to incur significant new costs e.g. the procurement of a temporary mortuary, and has lost significant sums of income e.g. car parking. The full impact is being continually assessed and reported.</p>
<p><b>Comments/Mitigation:</b> Quarter one monitoring report will focus on Covid-19 related costs. Emergency budget planned for September Council approval. The full impact is being continually assessed and reported.</p>	
<p><b>Children, Young People and Families:</b></p> <p><b>Failure to meet statutory duties due to growing volume and complexity of demand for children's social care services</b></p>	<p>Plymouth's position for Children's Services is similar to other parts of the country. There has been a significant increase in the cost of specialist residential placements and high cost care packages.</p> <p>'Hidden harm' consequences of Covid-19 infection control measures and safe systems of work limitations add to existing pressures on service. Financial savings targets will be harder to balance with increased service pressure.</p>
<p><b>Comments/Mitigation:</b> The Service through business as usual have continued to hold expenditure wherever possible through the quarterly budget review exercise, holding vacant positions and grant maximization. The Service continue to keep the pressure on going into the new financial year by continuing with the following actions to address the pressure in the system.</p> <ul style="list-style-type: none"> <li>▪ Looked after Children – only one point of contact for all new entrants.</li> <li>▪ Fortnightly placement review to ensure step down of high cost placements.</li> <li>▪ Maximize contribution from partners including Health and Education.</li> <li>▪ Maximize local residential placements to avoid higher out of area costs.</li> </ul> <p>Ongoing work continues, all placements are reviewed regularly in order to reduce the pressure on cost and volume where appropriate.</p>	
<p><b>Transformation (Information Governance):</b></p>	<p>Information Governance Team requests have now increased by 53%.</p>

<p><b>Volume of Subject Access Requests (SAR) / Data Protection Act (DPA) / Freedom of Information (FOI) requests exceeds the capacity of the Customer Relations Team leads to a breach of DPA / FOI legislation</b></p>	<p>Overall Social care SARs have fallen by 75% for the year, however they dropped off considerably during lockdown, and are now increasing exponentially, with a 20% increase last month.</p> <p>Court orders are now at 214% increase.</p>
<p>Comments/Mitigation: Workload monitored by Information Governance Manager. Manager drawing up a business plan to meet excessive volume.</p>	

## 5.0 Risk and Opportunity Register Information

- 5.1** Operational Risk and Opportunity Registers record mitigation actions and controls for all risks identified together with a named risk owner in each case.
- 5.2** In line with the Council's risk appetite statement, operational risks scored 16 and above that are classed in the low risk appetite categories of 'Finance', 'Reputation' and 'Compliance, Regulation and Safeguarding' were presented to the Corporate Management Team on 25 August 2020. This approach ensures a high level of management oversight is focussed in the areas which could potentially be more damaging should the risk materialise.

## 6.0 Conclusion

- 6.1** Given the financial challenges facing the Council in the next financial year due to Covid-19, risk identification and monitoring will be more important than ever as the Council moves from recovery to the renewal phase, to help inform future decision making to support our communities.
- 6.2** The vision, values and priorities set out in the Corporate Plan 2018-22 are at the core of the recovery and renewal framework and will continue to form the basis of renewal and recovery planning.
- 6.3** The corporate risk management process to enable service level Operational Risk and Opportunity Registers to be linked to the Corporate Plan is embedded across the Council.
- 6.4** The next operational risk report will be presented to Audit and Governance Committee in March 2021.

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