

Agenda for Audit and Governance Committee Thursday, 21st March, 2024, 3.00 pm

Members of Audit and Governance Committee

Councillors: K Bloxham, C Brown, C Burhop (Vice-Chair),
C Fitzgerald, S Gazzard, M Goodman, S Hawkins (Chair),
Y Levine, C Nicholas and T Olive

Venue: Council Chamber, Blackdown House

Contact: Amanda Coombes;

01395 517543; email acoombes@eastdevon.gov.uk

(or group number 01395 517546)

Tuesday, 12 March 2024



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1 Minutes of the previous meeting (Pages 3 - 5)

2 Apologies

3 Declarations on interest

Guidance is available online to Councillors and co-opted members on making
[declarations of interest](#)

4 Public speaking

Information on [public speaking](#) is available online

5 Matters of urgency

Information on [matters of urgency](#) is available online

There is one late report at item 9 - Interim Auditor's Annual report 2022/23

6 Confidential/exempt item(s)

To agree any items to be dealt with after the public (including the Press) have
been excluded. There are no items which officers recommend should be dealt
with in this way.

Matters for Decision

7 **Internal Audit Plan 1 April 2024 to 30 September 2024** (Pages 6 - 16)

8 **Internal Audit Progress Report** (Pages 17 - 38)

9 **Interim Auditor's Annual report 2022/23** (Pages 39 - 83)

10 **Audit progress report and sector updates** (Pages 84 - 96)

- 11 **Statement of Accounts 2023/24 - Review of Accounting Policies** (Pages 97 - 116)
- 12 **Financial Monitoring report 2023/24 - Month 9 December 2023** (Pages 117 - 118)
- 13 **Partnership Review 2022/23** (Pages 119 - 122)
- 14 **Corporate Fraud, Corruption & Compliance Strategy update** (Pages 123 - 141)
- 15 **Audit and Governance Forward Plan** (Pages 142 - 143)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Council Chamber, Blackdown House on 18 January 2024

Attendance list at end of document

The meeting started at 2.30 pm and ended at 3.25 pm

32 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 14 December 2023 were confirmed as a true record.

33 Declarations on interest

There were no declarations of interest.

34 Public speaking

There were no members of the public wishing to speak.

35 Matters of urgency

There was one late report which is recorded at Minute 41.

36 Confidential/exempt item(s)

There were none.

37 Internal Audit Progress Report - December 2023

Lisa Fryer from SWAP presented the Audit Progress report as of December 2023. She assured members that SWAP worked positively with the senior management team and was always happy to supply further information should the Committee request this.

RESOLVED:

1. That the progress made in delivery of the 2023/24 internal audit plan as at the end of December and the findings reported, be noted.
2. That for future meetings any 'Limited Assurance' reports including recommendations are published, and that relevant officers attend the committee for an update, be agreed.

38 Risk Policy update

The report presented the updated risk policy document. There were no substantive changes to the policy; officer titles and responsibilities had been updated and some minor updates to reflect best practice including to cover the Council's Risk Appetite concept to be defined in a separate statement.

RESOLVED:

1. That the Audit and Governance Committee agrees the adoption of the reviewed Risk Management policy and procedure document.

2. That the Committee nominate the Chair of Audit and Governance Committee to be the risk representative, to familiarise themselves with the risk register on behalf of the Committee and meet with the Management Information Officer as required.

39 **Information Governance**

The Director of Governance and Licensing's report sought the approval of the Committee to the creation of an Information Governance Board. This was to provide direction and guidance across the organisation for data protection and information governance activities, including the production by the Board of an annual report to the Committee. Further approval was sought for the creation of an Information Governance Working Group, to discuss and coordinate data protection and information governance activities at an operational level.

RESOLVED:

1. To approve the creation of an Information Governance Board and Information Governance Working Group, and that the Committee nominate Cllr Todd Olive, Assistant Portfolio Holder for Coast, Country and Environment to the Information Governance Board.
2. That the Committee approve the Terms of Reference for the Information Governance Board attached at Appendix A to this report.
3. That the Audit and Governance Committee Terms of Reference be amended as part of the Monitoring Officer's review of the Constitution, to include explicit reference to oversight of Information Governance. Such changes to be made in consultation with the Chair of the Committee and recommended to Annual Council.

RECOMMENDED to Council:

4. That the Director of Governance and Licensing be designated as the Council's Senior Information Risk Owner in place of the Director of Finance.

40 **'Time for change' - External Auditor updates**

At the Audit & Governance meeting on 21st September 2023, Grant Thornton presented their Audit Progress report and Sector update which included details of their report 'Time for change' - exploring the reasons for delayed publications of audited local authority accounts. This report recommended actions to bodies involved in the process, government, accounting standards bodies, auditors, local authority finance professionals and audit committees.

As requested by the Audit & Governance Committee the Director of Finance presented a report to consider that checklist and details of the original Grant Thornton report. Discussion included member training and the outcome of the skills survey sent to committee members. Lisa Fryer from SWAP confirmed the survey revealed some gaps in knowledge and experience, she stated that SWAP would be happy to cover any internal audit training as deemed necessary. The Chair and Director of Finance stated that any identified training needs would be considered for further training. The Independent Person appointment would help improve the skills and experience amongst the committee.

RESOLVED:

That members noted the report and requested that further training for the Committee be considered.

41 **Audit and Governance Forward Plan**

Audit and Governance Forward Plan Items to be considered at the 21 March 2024 committee included:

- Annual Audit Plan 2024/25 and Review of Internal Audit Charter
- Internal Audit Plan Progress
- Auditor's Annual Report
- Audit Findings Report
- External Audit Plan
- Audit Committee update
- Risk Management review – half year review
- Partnership Review 2023
- Accounting Policies Approval
- Strata Annual Internal Audit report

Attendance List

Councillors present:

K Bloxham
C Brown
C Burhop (Vice-Chair)
M Goodman
S Hawkins (Chair)
Y Levine
T Olive

Councillors also present (for some or all the meeting)

J Brown
R Collins

Officers in attendance:

Amanda Coombes, Democratic Services Officer
Simon Davey, Director of Finance
Lisa Fryer, SWAP
John Symes, Finance Manager
Melanie Wellman, Director of Governance & Licensing (Monitoring Officer)

Councillor apologies:

C Fitzgerald
S Gazzard
C Nicholas

Chair

Date:



Report to: Audit and Governance Committee

Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Plan 1 April 2024 to 30 September 2024

Report summary:

Internal Audit Plan 1 April 2024 to 30 September 2024

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

The Committee is requested to approve the Internal Audit Plan for 1 April 2024 to 30 September 2024.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee approves the annual audit plan.

Officer: Lisa Fryer, Assistant Director, SWAP Internal Audit Services. Lisa.fryer@swapaudit.co.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sports and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk; **Links to background information** N/A

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

East Devon District Council

2024-25 Internal Audit Plan

1st April 2024 to 30th September 2024

page 7

The Internal Audit Plan: Summary

The internal audit plan represents a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2024/25 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage, will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the Authority's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, put together a proposed plan of audit work. The objective of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work, will provide senior management and Members with assurance that the current risks faced by the Authority in these areas are adequately controlled and managed.

It should be noted that internal audit is only one source of assurance, and the outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with completion of the Authority's Annual Governance Statement (AGS).

It is the responsibility of the Authority's Senior Management Team and the Audit and Governance Committee, to confirm that the audit coverage contained within the proposed audit plan is sufficient and appropriate in providing independent assurance against the key risks faced by the organisation.

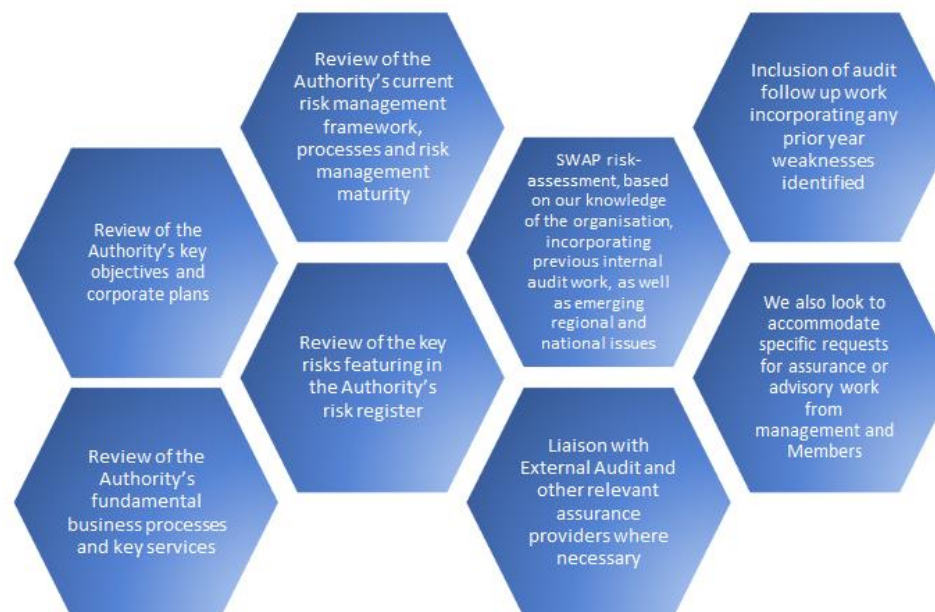


The Internal Audit Plan: Approach

To develop an appropriate risk-based audit plan, SWAP have consulted with senior management, as well as reviewing key documentation, in order to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2024/25

The factors considered in putting together the 2024/25 internal audit plan have been set out below:



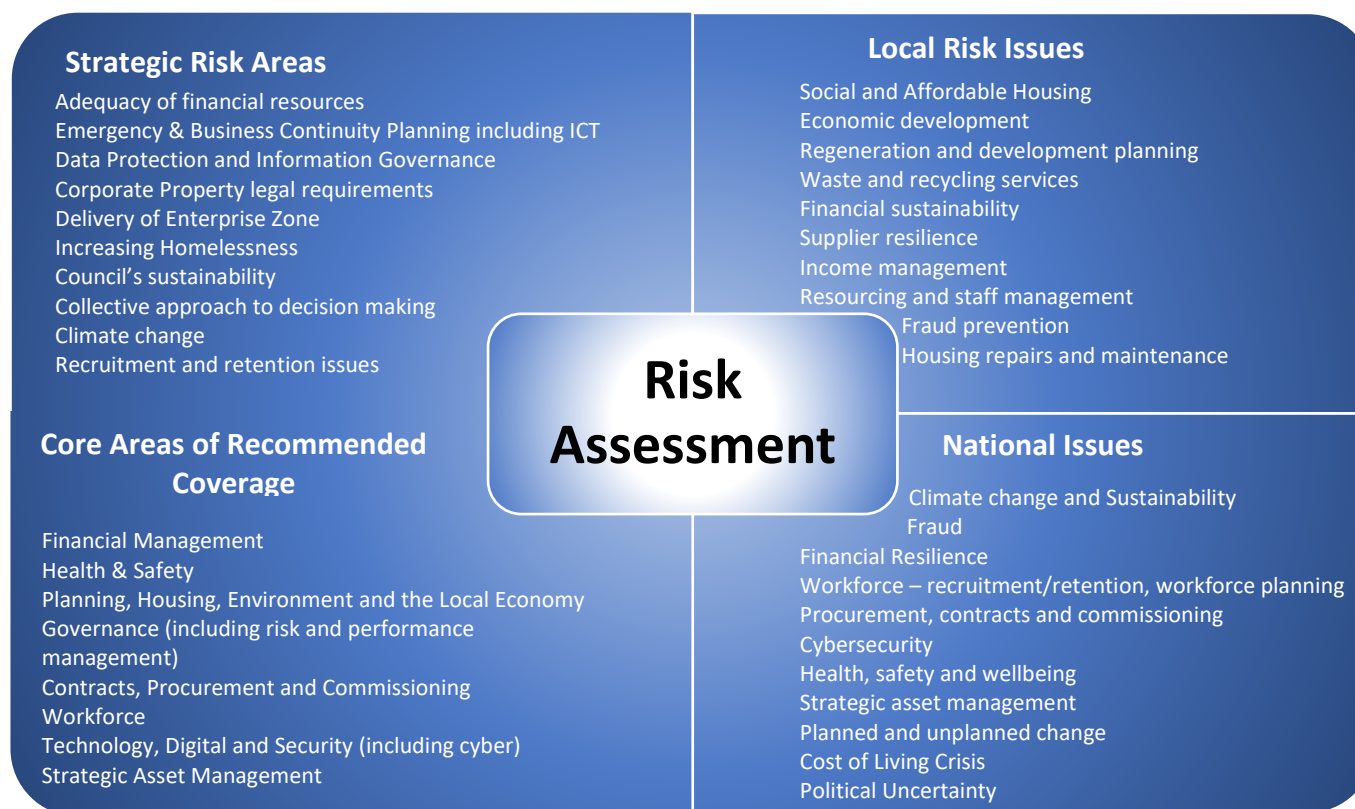
Our approach to delivering your internal audit plan is to remain flexible to respond to new and emerging risks. We will adopt an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every six months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management. Members of the Audit and Governance Committee are welcome to share thoughts of priorities areas for Assurance work.

The Internal Audit Plan: Risk Assessment

A documented risk assessment prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

Internal Audit Annual Risk Assessment

Our 2024/25 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly. The risk assessment includes coverage against EDDC Corporate/Operational Risks and Priorities and the wider SWAP top 10 risk themes and Healthy Organisation areas. Below we have set out a summary of the outcomes of the risk assessment for East Devon District Council:



SWAP
INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2024/25 quarter 1 and 2 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

Internal Audit Coverage in 2024/25 – April to end September 2024

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage. We already maintain a rolling plan that is continually updated as new areas of work are agreed. New audits are risk assessed and added to the rolling plan meaning lower risk audits roll back to be delivered at a point in the future. The rolling plan will be the basis of each six-monthly review, with audits agreed with Senior Management according to risk.

The 6 monthly planning approach means that the 2024/25 audit plan is flexible to respond to new and emerging risks as and when they are identified. We have set out the proposed quarter 1 and 2 plan in **Appendix A**. Please refer to the **EDDC Rolling Internal Audit Plan 2024-25 Summary March 2024** document for potential audits for Q3 & Q4 in the Audit Committee Document Library.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always remain fully with management. As such, internal audit cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

The Internal Audit Plan: SWAP

SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes public sector partners throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- Candid
- Relevant
- Inclusive
- Innovative
- Dedicated

Your Internal Audit Service

Conformance with Public Sector Internal Audit Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

At least every five years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest

We are not aware of any conflicts of interest within East Devon District Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements

As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud

Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter fraud resource available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Internal Audit Charter

Annually we provide you with our Internal Audit Charter, for your approval, that reflects the role and responsibilities, of us as internal auditors within your organisation. Our Charter typically accompanies our internal audit risk-based plan detailing the planning approach we are proposing for the year ahead.

The Internal Audit Plan: Approach

However, there have been some significant changes to the Internal Audit Charter, as a result of the introduction of new Global Internal Audit Standards. The Charter will now include an Internal Audit Mandate that will specifically cover our roles and responsibilities and the Charter will move to detailing the scope of the internal audit work within your authority.

SWAP is looking to base our Charter on the model Charter provided by the Institute of Internal Auditors (IIA), which is expected to be released later this quarter. It therefore makes sense to share one Charter that will cover the whole of 2024-2025 ensuring we have included all the mandatory elements of the new Standards. In the meantime, we will continue to operate in accordance with our existing charter.



The Internal Audit Plan: Approach

Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- Benchmarking and sharing of best-practice between our public-sector Partners
- Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership
- Communication of fraud alerts received both regionally and nationally
- Member training sessions

Our Reporting

A summary of internal audit activity will be reported quarterly to senior management and the Audit Committee. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
<u>Delivery of Annual Internal Audit Plan</u> Completed at year end	>90%
<u>Quality of Audit Work</u> Overall Client Satisfaction <i>(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)</i>	>95%
<u>Outcomes from Audit Work</u> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%

Internal Audit Plan Quarter 3 & 4 2024/25

Appendix A

It should be noted that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, an initial discussion will be held to agree the specific terms of reference for the piece of work, which includes the objective and scope for the review.

Audit Area to Deliver In Plan	Planned Quarter	Rationale	Link to Strategic Risk	Audit Sponsor
Procurement Cards	Q1	Higher risk of Fraud, data analytics used to focus work.	Adequacy of financial resource planning to deliver the Council's priorities	Finance Director (CFO/S151)
Firmstep - GDPR compliance	Q1	Carried forward from 23/24. Cover areas such as access to personal data, retention of data and storage.	Failure to meet the requirements of data protection legislation and good information governance	Director of Governance & Licensing
Corporate Property Health and Safety	Q1	Not audited since 21/22. include whole framework including risk assessment process.	Failure to ensure that our corporate property portfolio is fully compliant with legal requirements	Assistant Director Place Assets and Commercialisation
Ethical Governance	Q1	New administration in place. Cover gifts/hospitality and declarations of interest.	Retaining and strengthen a collective approach to decision making	Director of Governance & Licensing
Planning Application Fees	Q1	Significant source of income to the Council. Ensure that fees charged are complete and accurate.	Adequacy of financial resource planning to deliver the Council's priorities	Assistant Director Planning Strategy and Development Management
Community Safety/Anti-Social Behaviour	Q1	Some reorganisation of the team is planned for 23/24 so it will be good to review the new arrangements at an early stage.	Reputational damage to the Council	Assistant Director Environmental Health
Treasury Management	Q2	Key Financial control not audited in recent years.	Adequacy of financial resource planning to deliver the Council's priorities	Finance Director (CFO/S151)
Supplier Resilience	Q2	Carried forward from 23/24. Review the mechanisms the authority has in place to identify, monitor and manage vulnerable supply chains.	Business failure of a major contractor/significant partner	Finance Director (CFO/S151)
Temporary Accommodation	Q2	Important area that has not been audited in recent years.	Failure to meet statutory obligations for homelessness	Assistant Director Housing Strategy & Operations

Audit Area to Deliver In Plan	Planned Quarter	Rationale	Link to Strategic Risk	Audit Sponsor
Business Continuity	Q2	Important area not audited in recent years	Adequate Emergency Planning and Business Continuity Plans	Assistant Director Environmental Health
Project Management - Major Engineering Schemes	Q2	Consider whether EDDC's approach to Project Management is being complied with.	Adequacy of financial resource planning to deliver the Council's priorities	Assistant Director Streetscene
Disabled Facilities Grants	Q2	Request from ELT	Reputational damage to the organisation	Assistant Director Environmental Health

In addition to the programme of Audits, time will also be used to provide support in the following area across quarters 1 to 2 during 2024-25.

Advice & Support	<ul style="list-style-type: none"> • Committee Attendance & Reporting • Head of Audit Role/planning • Recommendation Tracking Framework and dashboard • Advisory role including fraud • Fraud bulletins and News round-up
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Please refer to the **EDDC Rolling Internal Audit Plan 2024-25 Summary March 2024** Document for potential audits for Q3 & Q4 in the Audit Committee Document Library.

Report to: Audit and Governance Committee

Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Internal Audit Progress Report – March 2024

Report summary:

Internal Audit Progress Report – March 2024

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

The Committee is requested to note progress made in delivery of the 2023/24 internal audit plan as at the start of March and the findings reported.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee review progress of the internal audit plan.

Officer: Lisa Fryer, Assistant Director, SWAP Internal Audit Services. Lisa.fryer@swapaudit.co.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sports and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information N/A

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

East Devon District Council






Report of Internal Audit Activity

Progress Report – end March 2024

Year Ended 31 March 2024

Internal Audit – March 2023/24 ‘At a Glance’

The Headlines

	23/24 Reviews completed in the period <ul style="list-style-type: none"> Three audits finalised Three audits in draft Four reviews in progress
	Progress to date <ul style="list-style-type: none"> We are on track to deliver our programme of work with all remaining audits at least in progress.
	Follow-ups and action plan monitoring <ul style="list-style-type: none"> One follow-up audit awaiting completion Ongoing monitoring of implementation of agreed actions
	Plan Changes in the period <ul style="list-style-type: none"> Agreed to defer three audits to 24/25
	Range of innovations and enhancements made to our internal audit process throughout the year Provided copies of different information governance policies from partners and other councils to help the council develop their policies.

Internal Audit Assurance Opinions 2023/24

	March	YTD
Substantial	1	1
Reasonable	1	2
Limited	1	6
No Assurance	0	0
Total	3	9

Internal Audit Agreed Actions 2023/24

	March	YTD
Priority 1	1	14
Priority 2	7	33
Priority 3	3	16
Total	11	63

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Lisa Fryer

Assistant Director

lisa.fryer@swapaudit.co.uk

David Hill

Chief Executive

david.hill@swapaudit.co.uk



Summary

Introduction

This progress report allows monitoring against the planned audits agreed for 2023/24. The plan remains necessarily flexible and two reviews have now been added at the request of Senior Management. The schedule provided at **Appendix D** details progress made against the plan, including the new audits agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at **Appendix A** of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘limited Assurance Opinion’ is given as part of this report in **Appendix B**.

It is important that the agreed action is taken to reduce the risks reported within our internal audit reports. To help ensure that this is the case, implementation of these actions is subject to monitoring by Internal Audit. The results of this work can be found at **Appendix C**.

A follow-up review is performed in respect of all limited assurance opinion audits which provides further evidence of the implementation of agreed actions. No follow-up reviews were completed in the period.

In circumstances where findings have been identified which are considered to represent high corporate risks to the Council, due to their importance, these issues are separately summarised. No significant corporate risks were reported in the period.

Internal Audit Progress Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

The internal audit plan agreed is based on our risk based approach to help ensure that resources are focused where internal audit can offer the most value and insight. A key source of information is the Council's strategic risk register



SWAP audit plan coverage across strategic risks

'Reasonable' coverage reflects delivery of planned assurance levels.

Table Key	Reasonable internal audit coverage 2023-24	Partial internal audit coverage 2023-24	No internal audit coverage 2023-24
Strategic Risk	Coverage		
Business failure of a major contractor or significant partner			
Adequacy of financial resource planning to deliver the Council's priorities		Financial Planning – Establishment Control	
Major disruption in continuity of computer and telecommunications services		(Covered by Strata)	
Adequate emergency planning and business continuity		Emergency Planning	
Failure to ensure corporate property portfolio is fully compliant with legal requirements		Asbestos follow-up, Damp and Mould, Electrical Safety	
Failure to follow data protection legislation requirements & good information governance		Information Governance	
Failure to deliver the Enterprise Zone and wider west end development programme			
Increasing homelessness			
Failure to ensure the Council's sustainability			
Failure to adequately protect staff health and safety at work			
Retaining and strengthen a collective approach to decision making		Partnerships	
Climate Change targets not achieved			
Recruitment and Retention Issues		IR35 Compliance, Recruitment & Onboarding, use of volunteers	
Reputational damage to the organisation			
Risk of Service failure		Performance Management	
Impact of the economic situation on our residents		Disabled Facilities Grant/Better Care	
Implementation of the Elections Act 2022		Elections	

Internal Audit Progress Update

Given a risk based approach is followed, it is important to demonstrate that agreed actions are implemented to reduce risks reported.

Monitoring Agreed Actions

It is important that the agreed action is taken to reduce the risks reported within our internal audit reports. To help ensure that this is the case, implementation of these actions is subject to monitoring by Internal Audit. The results of this work can be found at Appendix C.

Most of the actions relate to audit work that has taken place in 2023/24 or 2022/23. There are small number of actions that relate to earlier periods and these will continue to be monitored through to completion. It is recognised that it can take longer to implement actions than planned and all revised implementation dates are provided on the report at Appendix C.

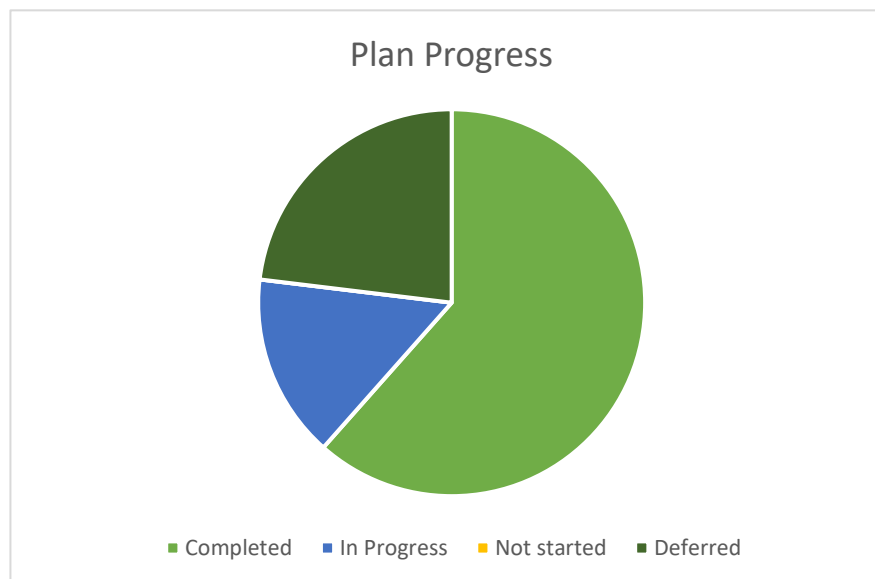
A follow-up audit takes place for all limited assurance audits and this provides evidence of the implementation of agreed actions. Where we have performed a follow-up and actions remain in progress, once we are informed of their completion we obtain supporting evidence to demonstrate this and then remove the action from our monitoring record.

Internal Audit Progress Update

Adequate audit coverage is needed to support the annual opinion.



Progress Year to Date



We are on track to deliver our programme of work with all remaining projects at least in progress.

Assurance Definitions

No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Definition of Corporate Risks

Risks	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Volunteering – Final Report – January 2024



Audit Objective To assess the effectiveness of the control framework in place for managing volunteers in the Countryside and Gallery services.

Assurance Opinion		Number of Actions		Risk Reviewed	Assessment
	<p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority	Number	<p>Volunteers are not managed in accordance with agreed procedures, exposing the Council to health and safety and other potential risks, and complaints.</p>	<p>Medium</p>
		Priority 1	1		
		Priority 2	5		
		Priority 3	1		
		Total	7		

Key Findings		Audit Scope
	Guidance on health and safety requirements for volunteers is unclear, and there are gaps in the training and information provided.	<p>We reviewed the following controls:</p> <ul style="list-style-type: none"> Recruitment and selection, including processes for obtaining references, vetting checks, and assessing health and ability Induction and training, including health and safety Supervision Accident reporting Managing complaints
	The Volunteering Policy does not make clear the process to be followed for determining the need for vetting checks for volunteers.	
	Volunteer induction training is not consistently delivered or recorded.	

Further Information
<p>This audit was originally requested by the Assistant Director - Countryside & Leisure, to examine the extent to which the suite of policies and guidance on volunteering is being complied with, particularly in respect of health & safety. It was decided that volunteering at the Thelma Hubert Gallery, and with the Countryside team would be reviewed in detail.</p> <p>During the fieldwork, we discovered that the policy for volunteers is currently undergoing an update. We have identified some areas where the policy does not make clear the required standards for recruiting and managing volunteers. These findings are consistent with some of the areas that require improvement in the Countryside & Leisure service.</p> <p>We have therefore recommended actions where the policy should be strengthened, and where the service should bring their arrangements up to date when the revised requirements are published.</p> <p>When the updated volunteering policy is published, it will be issued with a communication to all existing supervisors of volunteers to ensure that any unfulfilled requirements for health and safety and vetting checks, are completed retrospectively.</p>

Unrestricted Full details of our audit testing are available upon request. Our audit assurance framework and definitions can be found here (www.swapaudit.co.uk/audit-framework-and-definitions)

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note



Volunteering – Final Report – January 2024

Appendix 1

Findings & Action Plan

Finding 1 – Health & Safety for Volunteers

The Volunteering Policy does not provide guidance to volunteers or line managers on health & safety requirements for volunteering.

Currently, there is no formal health & safety training as part of a volunteer's induction, and training that has been delivered has not covered the full scope of all risk areas.

For Countryside volunteers, the Health & Safety Policy is usually signposted during induction, but it is not required to be read by volunteers, and there is no record. The pre-pandemic programme of training has lapsed, and a selection of regular volunteers will be invited to first aid training shortly. No fire safety training has taken place.

At the Gallery, the corporate Health & Safety Policy is signposted during induction but is not required to be read by volunteers. This item is on the induction checklist in use.

A health & safety training session has recently been delivered but attendance was less than 50% of all active volunteers.

An updated Volunteering Policy has been drafted.

Action

i) The updated Volunteering Policy will clarify the need for evidence that the Health & Safety Policy has been provided to all volunteers when they are onboarded.

ii) Volunteer leads will be advised to liaise with Health & Safety to complete a risk assessment for their volunteer roles. This will ascertain the training requirement for each role. H&S will produce a volunteer handbook to accompany the updated policy.

The updated policy will be published in April 2024, following approval by the Personnel Committee.

Priority	1	SWAP Reference	I#3342
Responsible Officer	i) Head of HR ii) Health & Safety Lead – by end of Feb		
Timescale	Policy by end of April 2024		

Finding 2 - Volunteering Policy Guidance on Recruitment

The Volunteering Policy is currently under review. The current version does not refer to the HR process for conducting a risk assessment that is used to determine the requirement for Disclosure and Barring clearance of volunteers.

There is no central record of volunteer roles across Council services that specifies whether an assessment has been completed, or what the outcome was.

Action

The updated Volunteering Policy will make clear that volunteer leads must liaise with HR to complete a Disclosure and Barring risk assessment for volunteer roles.

A communication will be issued to services alongside the publication of the updated policy, to ensure that this requirement is backdated for any volunteer roles that have not been assessed. This will be a News and Views Special in April, to provide information on the revised policy and procedures.

Priority	2	SWAP Reference	I#3340
Responsible Officer	Head of HR		
Timescale	End of April 2024		

Volunteering – Final Report – January 2024



Finding 3 – Disclosure & Barring Clearance	Action												
Neither the Gallery or the Countryside teams obtain Disclosure and Barring Service clearance for their volunteers. It is not known whether this is an approved decision and there is no record of a risk assessment conducted with HR to determine the correct approach.	The volunteer leads should liaise with HR to complete a risk assessment that will determine the requirement for any Disclosure and Barring Service clearance for their volunteers.												
	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>I#3294</td></tr><tr><td>Responsible Officer</td><td colspan="3">AD – Countryside and Leisure</td></tr><tr><td>Timescale</td><td colspan="3">End of April 2024</td></tr></table>	Priority	2	SWAP Reference	I#3294	Responsible Officer	AD – Countryside and Leisure			Timescale	End of April 2024		
Priority	2	SWAP Reference	I#3294										
Responsible Officer	AD – Countryside and Leisure												
Timescale	End of April 2024												
Finding 4 – Volunteer Induction & Training	Action												
The updated volunteering policy will include an induction requirement that, as a minimum, the volunteer must be provided with information on the Council’s policies and procedures. The supervisor is responsible for identifying other relevant policies, procedures and training which must be covered, keeping a record, and monitoring its completion. An accompanying checklist has been drafted.	Volunteer leads should ensure that induction checklists are completed in full for all volunteers.												
Currently the Gallery use a volunteers induction checklist, but it is only recorded by the manager, and there is no confirmation that the volunteer has completed and understood all items.	Volunteers should sign the checklists to confirm they have read and understood all relevant information and policies.												
Countryside volunteers receive verbal and practical instruction on their first day, or when they attend an activity, depending on the role they have. No induction checklist is used, so no evidence of training is retained.	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>I#3341</td></tr><tr><td>Responsible Officer</td><td colspan="3">AD – Countryside and Leisure</td></tr><tr><td>Timescale</td><td colspan="3">End of April 2024</td></tr></table>	Priority	2	SWAP Reference	I#3341	Responsible Officer	AD – Countryside and Leisure			Timescale	End of April 2024		
Priority	2	SWAP Reference	I#3341										
Responsible Officer	AD – Countryside and Leisure												
Timescale	End of April 2024												
Finding 5 – Supervision of Volunteers	Action												
The Volunteering Policy refers to performance management and supervision arrangements, but does not make the exact requirements clear.	i) To include supervision and performance management arrangements within the revised policy, which will specify how they should be recorded.												
At the Gallery, volunteer supervision sessions have been ad-hoc and verbal. There is a plan to strengthen arrangements for six monthly reviews that will be documented.	ii) Gallery and Countryside Volunteer leads should ensure that all volunteers receive a regular supervision that is documented.												
For Countryside volunteers, there are social catchups and feedback is invited by email, but no supervisions take place.	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>I#3349</td></tr><tr><td>Responsible Officer</td><td colspan="3">i) Head of HR ii) Countryside Engagement and Participation Officer and Gallery Manager</td></tr><tr><td>Timescale</td><td colspan="3">End of April 2024</td></tr></table>	Priority	2	SWAP Reference	I#3349	Responsible Officer	i) Head of HR ii) Countryside Engagement and Participation Officer and Gallery Manager			Timescale	End of April 2024		
Priority	2	SWAP Reference	I#3349										
Responsible Officer	i) Head of HR ii) Countryside Engagement and Participation Officer and Gallery Manager												
Timescale	End of April 2024												

Volunteering – Final Report – January 2024



Finding 6 – Risk Assessments

The Countryside team have not created a risk assessment for the health and safety risks of working in the Discovery Hut, where volunteers and staff greet members of the public and serve hot drinks and snacks.

Action

The service lead should ensure that a risk assessment is created for the Discovery Hut and that this is used to determine the required health and safety training for volunteers.

Priority

2

SWAP Reference

I#3351

Responsible Officer

Countryside Engagement and Participation Officer

Timescale

End of April 2024

Finding 7 – Volunteer performance and capability issues

Guidance for volunteer supervisors does not currently refer to how volunteer performance and capability issues should be handled.

Some recent issues have been managed by the service, but the guidance should prompt consideration of involving HR where appropriate.

Action

To include supervision and performance management arrangements within the revised policy.

Priority

3

SWAP Reference

I#3343

Responsible Officer

Head of HR

Timescale

End of April 2024

Monitoring of Agreed Actions

Appendix C

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
789	2021/22	Firmstep	No Post Implementation Review has been scheduled.	2	In Progress	31/07/22	31/03/24		On time
788			No Benefit Realisation Plan is in place.	2	In Progress	31/07/22	31/03/24		On time
806	2021/22	Workforce Planning	The People Strategy in place is not an active document	2	In progress	30/06/23	31/03/24		On time
793	2021/22	Risk Management	Not all Service Planning Risks appear on the risk register.	2	In Progress	30/06/22	31/03/24		On time
796			The Risk Management Policy has not been reviewed for some time	2	In Progress	30/06/22	31/03/24		On time
795			Risks are not aligned to Council Priorities	2	In Progress	30/06/22	31/03/24		On time
792			The process for ensuring that any risks identified as part of decision making are added to the risk registers is not embedded	2	In Progress	03/06/22	29/03/24		On time
2572	2022/23	Climate Change	The action plan is not SMART (specific, measurable, achievable, realistic and timely)	2	In Progress	29/09/23	01/04/24		On time
2573			The Climate Change Action Plan has not been fully costed	2	In Progress	29/09/23	01/04/24		On time
2574			There is no dedicated body/committee with oversight of the Climate Change Strategy	2	In Progress	31/05/23	01/04/24		On time
2575			Performance Monitoring and Reporting needs further definition and improvement	2	In Progress	29/09/23	01/04/24		On time
2591	2022/23	Out of Hours Schemes	Controls for administering claims and monitoring arrangements needs improvement	2	In Progress	31/01/24			Overdue
2605			Rates have not been reviewed or scrutinised for a significant period of time	2	In Progress	31/01/24			Overdue

Monitoring of Agreed Actions

Appendix C

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
1318	2022/23	Out of Hours Schemes	Out of Hours schemes policies & procedure documents do not reflect current practice	2	In Progress	31/01/24			Overdue
803	2022/23	Small Works & Services Contract Management	Completion of the Contract Register remains in progress.	1	In Progress	31/03/22	31/03/23	31/03/24	On time
804			Contract Standing Orders (CSO) need updating to include includes a section on contract monitoring, evaluation & review. The monitoring of smaller contracts to be added.	2	In Progress	31/03/22	31/01/23	31/03/24	On time
805			No Contract Management guidance available for contract managers.	2	In Progress	31/03/22	31/01/23	31/03/24	On time
809	2022/23	Accounts Receivable	Sundry debtor procedures are incomplete	2	In Progress	31/12/23			Overdue
811	2023/24	Worksmart+	Data Protection Training of staff is not up to date	2	In Progress	30/09/23	31/01/24		Overdue
2581	2023/24	Damp & Mould in Council Homes	Damp and mould complaints are not tracked and monitored via open housing	2	In Progress	30/09/23	31/1/24		Overdue
2443			Stock condition surveys are currently being undertaken across all council properties. There have been cases where tenants have subsequently contacted the council stating that they have an issue	2	In Progress	30/09/23	31/1/24		Overdue
2053	2023/24	Emergency Planning	The council do not hold their own Local Risk Register.	2	In Progress	31/12/23	30/04/24		On time
627	2023/24	Housing Compliance - Asbestos Management	The basis of recording dates in Open Housing is not consistently applied.	2	Complete	31/03/23	31/12/23		Evidence Check
639			Further work is needed to give assurance of the data quality of Key Performance Indicators.	2	In Progress	28/04/23	30/09/23	31/03/24	On time

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
577			The data within the Asbestos Register is incomplete and missing some expected data fields.	2	Complete	30/04/23			Evidence Check
2795	2023/24	Housing Whistleblowing Concerns	Satisfaction Survey have not targeted all tenants.	2	In Progress	30/06/22	31/12/23	31/05/24	On time
2918			Job Completion is being assessed differently across teams.	2	In Progress	30/06/22	31/12/23	31/05/24	On time
2796			Record keeping is not consistent across teams.	2	In Progress	30/06/22	31/12/23	31/05/24	On time
2062	2023/24	Agency Staff and Consultants - Implications of IR35	The policy for hiring temporary support does not explicitly state who is responsible for determining their employment status.	1	In Progress	31/08/23	01/05/24		On time
2414			Employment Status Assessment records are not complete (retrospective action to be taken).	1	In Progress	31/08/23	30/11/23	01/05/24	On time
2413			Employment Status Assessment records are not complete (training to be given to all hiring managers).	1	In Progress	31/10/23	01/05/24		On time
2174			Expenditure reports, extracted from the finance system, do not show the name of the relevant consultant.	1	In Progress	31/07/23	30/11/23	08/03/24	On time
2185			Managers have not received any specific training in relation to the IR35 legislation.	2	In Progress	31/10/23	01/05/24		On time
2338			The council does not have a definitive list of all its off-payroll workers.	2	Complete	31/08/23			Evidence Check
2186			There is no separate corporate induction checklist for senior managers.	2	In Progress	31/10/23	01/05/24		On time

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
2416			There is no evidence retained to show that the off-payroll workers have been notified of the outcome of the assessment.	2	Complete	30/09/23			Evidence check
2423	2023/24	Agency Staff and Consultants – Implications of IR35	The latest contract for one of the consultants – Communications Consultant – could not be located	1	Complete	30/9/23			Evidence check
2424			A CEST assessment could not be located for the Relocation Manager role.	1	In Progress	30/9/23			Overdue
2519	2023/24	Information Governance Policies & Compliance	The council's Information Asset Register is incomplete and has not been reviewed since its creation in January 2018.	1	In Progress	31/10/24			On time
2398			The council's Data Protection and Data Retention Policy, Information Security Policy and Information Security Incident Policy are overdue a review.	1	In Progress	31/01/24			Overdue
2399			The council does not have the remaining seven of the 10 expected policies by the ICO.	1	In Progress	31/07/24			On time
2517			The council does not have a standalone data retention policy.	1	In Progress	31/07/24			On time
2785			The Record of Processing Activities (ROPA) is dated 2018; this has not been updated since and there are some gaps within the document.	1	In Progress	31/03/24			On time
2518			The council has not reviewed its data retention schedule since January 2020.	2	In Progress	31/03/24			On time
2649			The council's SIRO does not hold any qualification and has not had any specific training to support the responsibilities of this role.	2	In Progress	31/03/24			On time

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
2622			No specific training is given on data retention to inform staff of their responsibilities.	2	In Progress	31/03/24			On time
2650	2023/24	Information Governance Policies & Compliance	There is no corporate oversight to ensure staff receive mandatory refresher training.	2	In Progress	31/05/24			On time
2584			The council does not currently undertake any checks to ensure records are being held in accordance with the Data Retention Schedule.	2	In Progress	31/12/24			On time
2692			There is a lack of assurance that records both held and deleted on individual officer drives and mailboxes are stored in line with the council's document retention requirements	2	In Progress	30/04/24			On time
2726	2023/24	Performance Management	There is no Performance Management Framework which details how performance is to be managed and monitored across the council	1	In Progress	31/03/24			On time
2907			The Performance Indicator report is missing some indicators for key priorities at the council	2	In Progress	31/03/24			On time
2908			There is no validation of the data that is input into SPAR.net before it is included in the performance reports	2	In Progress	31/03/24			On time
2836			Action is not adequately documented where performance has not met the required standard	2	In Progress	31/03/24			On time
2838			Supporting information provided with Performance Indicator Reports could be improved to aid understanding	2	In Progress	31/03/24			On time

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
2917			There has historically been little challenge to the quarterly performance indicator reports presented to SLT	2	In Progress	31/12/23			Overdue
2916	2023/24	Performance Management	Indicators are not always complete, despite reminders	2	In Progress	31/03/24			On time
3308	2023/24	Strategic Partnerships	Partnership Policy does not set out any due diligence requirements or how to consider the risks and financial exposures of a partnership. No evidence was found for the council's involvement in the partnership for the three partnerships reviewed.	1	In Progress	31/05/24			On time
3310			The Partnership Register does not record what type of agreement is in place. Information was lacking in the two informal agreements reviewed.	2	In Progress	31/05/24			On time
3311			Partnerships do not have a process for members to declare a personal interest and this requirement is not in the current Partnership Policy.	2	In Progress	31/05/24			On time
3312			The approach taken by the council to show how its partnerships contribute to its corporate priorities is not always meaningful.	2	In Progress	31/05/24			On time
3317			Not all partnerships identified in service plans appear on the partnership register.	2	In Progress	31/05/24			On time
3319			Limited evidence of internal performance reviews to determine value for money. No evidence that the council is monitoring the performance of its partnerships.	2	In Progress	31/05/24			On time

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
3707	2023/24	Recruitment and Onboarding	Record of recruitment documentation not always completed	2	In Progress	31/05/24			On time
3710	2023/24	Recruitment and Onboarding	No HR oversight to ensure all recruiting managers had completed recruitment and onboarding training. No monitoring that all new employees complete induction training	2	In Progress	30/04/24			On time
3565	2023/24	Volunteer Management	The Volunteer Policy does not provide guidance to volunteers or line managers on health and safety requirements for volunteering. There is no formal health and safety training as part of the volunteer's induction.	1	In Progress	30/04/24			On time
3563			The current version of the Volunteering Policy does not refer to the HR process for conducting a risk assessment to determine whether a Disclosure and Barring Service (DBS) clearance is required. There is no central record of volunteer roles across council services that specifies whether such an assessment has been completed, or what the outcome was.	2	In Progress	30/04/24			On time
3516			Neither the Gallery nor the Countryside teams obtain DBS clearance for their volunteers.	2	In Progress	30/04/24			On time
3564			There is no evidence that volunteers in the Gallery have received and understood their induction. No induction checklist is used for Countryside volunteers	2	In Progress	30/04/24			On time
3572			The performance management and supervision arrangements in the Volunteering Policy are not clear. There are, therefore, variations of	2	In Progress	30/04/24			On time

ID	Year	Audit Title	Issue	Priority Score	Status	Timescale	Revised Timescale	Revised Timescale 2	Progress
			arrangements in place for Gallery and Countryside volunteers						
3574	2023/24	Volunteer Management	The Countryside team have not created a risk assessment that covers the risks for volunteers working in the Discovery Hut	2	In Progress	30/04/24			On time

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Complete							
Operational	Emergency Planning	Final	Limited	8	0	3	5
Operational	NEW Agency and Consultants – Implications of IR35	Final	Limited	11	6	4	1
Follow-up	NEW Housing Landlord Health and Safety compliance – Asbestos	Final	N/A	1 of 3 priority 2 recommendations complete, 2 are in progress			
Follow-up	Management of the Better Care Fund and Disability Facility Grants	Final	N/A	All 5 priority 2 recommendations complete			
Operational	Housing Landlord Health and Safety compliance – Damp and Mould	Final	Reasonable	6	0	2	4
Governance	Performance Management	Final	Limited	7	1	6	0
Follow-up	Housing Contract Management (Whistleblowing)	Final	N/A	80% actions agreed implemented			
Governance	Information Governance Policies	Final	Limited	13	5	6	2
Governance	Strategic Partnerships	Final	Limited	7	1	5	1
Advisory	Member Training & support – Skills Survey	Final	N/A				
Governance	Recruitment and Onboarding	Final	Reasonable	4	0	2	2
Key Control	Non-Domestic Rates	Final	Substantial	0	0	0	0
Operational	Countryside - Use of Volunteers	Final	Limited	7	1	5	1

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
				Recommendation			
				1	2	3	
Reporting							
Governance	Financial Planning – Establishment Control	Draft					
Follow-up	Emergency Planning	Draft					
Advisory	Planning Enforcement Service – record keeping	Draft					
In progress							
Fraud	Fraud Awareness – e-learning module	In progress					
Governance	Elections	In progress					
Operational	Housing Landlord Health and Safety Compliance: Electrical Safety	In progress					
Operational	Waste Contract Extension	In progress					
Deferred							
Operational	Governance arrangements – district heating project	Deferred	Approval of project by cabinet scheduled for November. Defer to 24/25 to increase potential for audit work.				
Operational	Customer data in Firmstep – data protection compliance	Deferred	Agreed to defer to 24/25				
Advisory	Housing Site Development	Deferred	Agreed to defer to 24/25				
Operational	Housing Contractor Management - complaints	Deferred	Agreed to defer to 24/25				
Operational	Firmstep – Digital Project Outcomes	Deferred	Agreed to defer to 24/25				
Governance	Supplier Resilience	Deferred	Agreed to defer to 24/25				

Interim Auditor's Annual Report

East Devon District Council

page 39
2022/23

March 2024

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

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



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

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Executive summary



Value for money arrangements

Under the National Audit Office (NAO) Code of Audit Practice [‘the Code’], we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

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Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, but five improvement recommendations made.	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	↔
Governance	A risk of significant weakness was identified due to weaknesses reported in 2021/22 relating to cultural issues and the operation of the Overview and Scrutiny and Audit and Governance Committees.	R Significant weakness identified in 2021/22 continued in 2022/23 as already reported in our 2021/22 Auditor’s Annual Report, although good progress made subsequent to our original reporting in December 2023. Five improvement recommendations made.	R Significant weakness identified and three key recommendations made. Four improvement recommendations also made.	↑
Improving economy, efficiency and effectiveness	No risk of significant weakness identified.	A No significant weakness identified but three improvement recommendations made.	A No significant weaknesses in arrangements identified, but four improvement recommendations made.	↔

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

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

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Governance

In December 2023 we reported our interim 2021/22 Auditor's Annual Report in which we identified significant weaknesses in respect of the Council's governance arrangements, which we reported in that report continued into the 2022/23 financial year, given the timing of our work and subsequent reporting. In that interim Auditor's Annual Report we made three Key Recommendations covering cultural challenges, a lack of clear understanding of the roles of officers and Members and ineffective Overview, Scrutiny and Audit and Governance Committees.

Good progress continues to be made to address these issues in the time since we reported our findings, as observed by the Local Government Association in the report of their Corporate Peer Challenge and by the Centre for Governance and Scrutiny in the report of their review of the scrutiny function within the Council. Noting the short time period since our interim Auditor's Annual Report for 2021/22 and this report, further evidence will be sought in 2023/24 on the progress to complete the recommendations and this will be reported through our 2023/24 Auditor's Annual Report.

Aside from the issues previously reported, no other significant weaknesses were noted in respect of governance in the 2022/23 financial year, though we have identified some areas for further improvement including:

- strengthening risk management arrangements by reducing the number of strategic and operational risks, currently 13 and 83 respectively, to enable a better focus on key risks, with reporting of risks to Cabinet;
- considering the addition of independent members to the Audit and Governance Committee;
- reviewing and revising its whistleblowing policy; and
- developing a coherent, strategic approach to engagement with communities, users of services, partner organisations other stakeholders.



Financial sustainability

Overall, we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting and medium-term financial planning. We have not identified any significant weaknesses but have identified opportunities for improvement.

Specifically, recommendations cover:

- further strengthening financial planning arrangements through developing appropriate governance arrangements for the Financial Sustainability Model, rolling out service reviews, and developing options for more significant changes to service design;
- ensuring the capital programme includes robust estimates of capital expenditure into the future, supported by a revised Asset Management Plan, to support the prioritisation of capital resources and the modelling of capital programme costs in the Medium-Term Financial Plan;

Executive summary (continued)



Financial sustainability (continued)

- strengthening financial planning for the Housing Revenue Account by updating the 30-year business plan to reflect the requirements of the housing stock condition survey and decarbonisation programme, and through ensuring prudent levels of reserves are maintained;
- strengthening stakeholder engagement through the budget setting process by considering the need for wider public consultation as the Financial Sustainability Model develops and by considering widening Member consultation through cross party and Cabinet budget workshops; and
- ensuring reporting is made to Members quarterly in line with agreed reporting schedules and strengthening capital monitoring by providing forecasts to the year end and additional information relating to capital scheme delivery.



Improving economy, efficiency and effectiveness

The Council has adequate arrangements in place to manage performance, its key partnerships and procurement. We have found no significant weaknesses in these arrangements.

The Council has a well-defined process for monitoring performance. This could, however, be further enhanced by proving specific, measurable, achievable, realistic, and time-bound (SMART) targets for all performance measures, improving processes for benchmarking and data quality and linking performance monitoring to all Council Priorities. We have made an improvement recommendation to strengthen performance management in these areas.

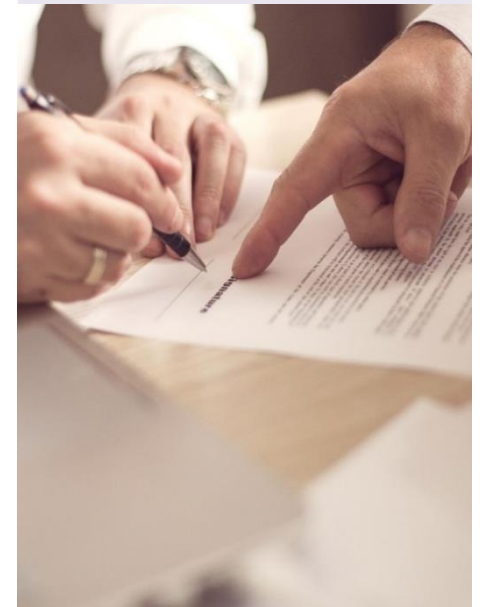
We note that the Council has seen an increase in corporate complaints during 2022/23 and that complaints were not always dealt with within expected timeframes. We understand that this is partly due to the rise in complaints in relation to the condition of some of the housing stock. We are pleased to note that these issues are being addressed during 2023/24 both with the housing and customer services team but we have made an improvement recommendation to help ensure these new arrangements properly embed and produce the expected improvements.

We have raised a further improvement recommendation that the Audit and Governance Committee should ensure that the new arrangements for monitoring the implementation of internal audit recommendations are embedded and also ensure that the process leads to timely implementation of internal audit recommendations.



Financial Statements opinion

The Council has yet to publish draft 2022/23 financial statements and our audit has therefore not commenced. Further detail can be found on page 41.



Use of auditor's powers

We bring the following matters to your attention:

2022/23

Statutory recommendations

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

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

Public Interest Report

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

We did not issue a public interest report.

Application to the Court

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

We did not make an application to the Court.

Advisory notice

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

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

We did not issue any advisory notices.

Judicial review

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

We did not make an application for judicial review.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council’s Annual Governance Statement and other publications



Our commentary on the Council’s arrangements in each of these three areas, is set out on pages 10 to 35.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special educational needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies;
- a failure to address and resolve relationship difficulties between senior officers and members;
- significant challenges associated with financial capability and capacity;
- a lack of compliance with procurement and contract management processes and procedures; and
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)



Local context

East Devon has a population of approximately 148,100, living in a largely rural area but also within market and coastal towns, including the new community of Cranbrook. The population of East Devon is expected to increase by 19,992 (13%) between 2021 and 2031.

The population of East Devon has an older age profile with an average age of 51.3 years compared to the national average of 40.4 years. This trend is set to grow with the 65+ age range forecast to increase more than any other age range, growing from 30.1% of the population in 2017 to 32.5% by 2027. An ageing population impacts on the provision of public services, health care, housing, the labour market and economic growth within the local area.

The average income for households in East Devon is below the England average, but overall, the District is in the 40% least deprived districts nationally. Life expectancy for residents in East Devon is just over 82 years old and ranks in the top 10% of districts nationally.

East Devon District Council comprises 60 elected Members and operates a Cabinet system, including delegation to Lead Members who are Members of the Cabinet with a range of thematic portfolios.

The Council Plan 2021-2023 sets out the priorities that East Devon District Council aims to achieve by 2024. Council priorities are identified as:

- better homes and communities for all;
- a greener East Devon; and
- a resilient economy.

Governance



We considered how the Council:

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

Risk management and internal controls

The Council's approach to risk management has improved in 2022/23 because the Council now pays more attention to how it mitigates risk and has better understanding of whether risks are increasing or reducing. However, further work is required to ensure risk management arrangements are fully effective.

The Council has identified thirteen strategic and eighty-three operational risks. Although there is no ideal number of risks that a Council should focus on, the more risks the Council identifies the harder it is to apply the right level of management attention on actions to mitigate those risks. It is very important to ensure that the actions planned to mitigate risks really do have sufficient impact. We make an improvement recommendation that the Council should review its current Corporate Risk Register and redefine its risks to enable it to focus its attention on those issues which really do present the greatest challenges to the Council, its finances, its governance and the services it provides.

Risks are reported quarterly to the Audit and Governance Committee, and the minutes of that Committee are noted at Full Council. Although risks are considered individually in relation to all proposed strategies, policies, decisions and actions, and the Council's report template for Cabinet and Full Council prompts consideration of risks arising from the matter under discussion, this does not provide the Cabinet with a coherent picture of risks in relation to each portfolio holder's individual areas of responsibilities or the Council as a whole. We make an improvement recommendation that the Cabinet should receive updates on strategic risks, including mitigation of risks and direction of travel and each portfolio holder should receive reports on the operational risks arising in the services and areas of operation for which they are responsible, at least four times a year.

We reported a significant weakness in respect of the functioning of the Audit and Governance Committee in our 2021/22 Auditors Annual Report that we reported extended into 2022/23. As already identified in 2021/22, the Audit and Governance Committee was not operating effectively through 2022/23 with poor attendance, the reasons for which were not fully clear. The Audit and Governance Committee provides a vital function for the Council as whole and is the body which overviews the Council's system of internal controls, including receiving reports from internal audit. It is important the Audit and Governance Committee has sufficient capacity to respond to the information it receives and to ask the right questions. We do note from our attendance that from the 2023/24 financial year and post the May 2023 elections, the Committee membership has been stable and attendance and engagement during the meetings has increased, and we will reflect on these arrangements further in the 2023/24 Auditor's Annual Report.

The Council should also consider the appointment of two independent Members, to provide the Committee with additional expertise and capacity, which is in accordance with recommendations made in the Redmond Review. The Key Recommendation which we made also covered Overview and Scrutiny Committees and we consider these further in the "Scrutiny" section of this report.

The Council has a whistleblowing policy to enable evidence of wrongdoing to be shared and appropriate action taken. The current policy lacks detail, particularly about the process to be followed when someone raises a whistleblowing issue and the safeguards, including confidentiality and protection from bullying which will be provided for whistleblowers.

Governance (continued)

Risk management and internal controls (continued)

It is important that the Council ensures that anyone who wishes to raise an issue about wrongdoing should be adequately supported to feel safe when doing so. We make an improvement recommendation that the Council should review and revise its whistleblowing policy to provide greater detail on the process and the safeguards for whistleblowers and publish the policy to all officers and Members as well as providing a downloadable pdf of the policy on its website.

Member development and training

The Council delivered induction training following the May 2023 elections, however training needs to be on-going, and this is crucial for the maintenance of the highest standards of behaviour and strongest possible system of governance.

The need for an effective training programme for Members was identified in our interim 2021/22 Auditor's Annual Report and formed a significant element of our key recommendations for 2021/22, which also covered 2022/23. Noting that the recommendations were only made three months prior to this report, little progress has been made in designing and delivering an effective on-going Member development programme.

We note that a Member working group has been formed and while it is always useful to have Member input into the design and development of their training programme, it is not the responsibility of Members but of senior officers to ensure that Members receive the training they need, when they need it. That includes any ongoing specific training for Members of key committees, including the three Scrutiny Committees and the Audit and Governance Committee. In 2023/24 the Centre for Governance and Scrutiny identified unmet training needs as one of the issues which is preventing the three Scrutiny Committees from operating effectively. Therefore, the critical importance of an effective training and development programme in supporting the Council's improvement journey cannot be overstated.

We consider that the Key Recommendation raised in 2021/22 and covering 2022/23 therefore remains open.

Member and officer working relationships

In our interim Auditor's Annual Report 2021/22 we identified a significant weakness in governance arrangements relating to poor working relationships that were present in 2021/22 and 2022/23. There is strong evidence that behaviour and relationships have since improved, and we will continue to monitor and report on this in our 2023/24 Auditor's Annual Report. The Council is also in the process of reviewing the Constitution and Member/Officer Protocol, which underpin good working relationships.

A lack of understanding by some of the respective roles of officers and Members was another of the underlying causes of the governance issues referred to in our interim Annual Auditor's Report in 2021/22 that also covered 2022/23 arrangements. Including this in the training programme we refer to in the previous section was the subject of one of our Key Recommendations, which we will follow up again in our 2023/24 Auditor's Annual Report.

Scrutiny

Scrutiny plays a vital role in the effective leadership and management of councils. Scrutiny Committees act as 'critical friends' to the administration. They are ideally non-partisan and can explore complex issues and provide recommendations to the Council as a whole. They can also review key decisions before or after they are made and this helps strengthen the Council's decision-making processes, ensuring that all relevant information is considered. However, as we reported in our interim Auditor's Annual Report for 2021/22, Scrutiny was not functioning well in 2022/23.

The Council has three scrutiny committees, the Overview Committee, the Scrutiny Committee and the Housing Review Board. In the Annual Auditor's Report for 2021/22 we identified significant problems with the operation and effectiveness of the Overview and Scrutiny Committees, with significant weakness in arrangements existing in 2021/22 and 2022/23. Issues included the lack of a forward plan for Scrutiny, to enable the Committees to focus on key strategic issues and provide notice for officers to be able to gather all the relevant information they would need to provide effective scrutiny and challenge of the Council's strategies, policies and decisions. Chairing was ineffective, officer support was inadequate, and Members lacked a full understanding of their roles. There was also a lack of co-ordination of the work of the three Committees.

Governance (continued)

Following our interim Auditor's Annual Report 2021/22, and in response to a Key Recommendation, the Council commissioned the Centre for Governance and Scrutiny to undertake a review and make recommendations about how the effectiveness of scrutiny could be improved. They made eight recommendations:

- improve co-ordination of the work of the three Committees;
- strengthen officer support to the three Committees;
- identify senior officers to support each Committee;
- provide training for Committee Members;
- focus the work of the Committees on long-term strategic issues;
- arrange cross-party pre-meetings to improve understanding of issues and build trust;
- provide training for officers to better understand their role in supporting Scrutiny and improve report writing; and
- track the implementation of recommendations and measure impact.

The Council should seek to implement these recommendations as soon as is practical. We will follow up on the progress against these recommendations in our 2023/24 Auditor's Annual Report.

Engagement


The Council's approach to engagement with residents and users of services is weak because of the lack of a comprehensive and strategic approach to communication and engagement with communities, users of services, partner organisations and other stakeholders. The Council has developed a Communications Strategy but that is only one part the required change.

A comprehensive engagement strategy would enable the Council to build trust and mutual understanding, gather data about residents' changing needs and views, respond to concerns and involve residents in decision-making and co-production of better outcomes.

We make an improvement recommendation that the Council should develop an Engagement Strategy, monitor the impact of engagement activity and undertake an annual review of the Strategy to ensure it remains fit for purpose over time.




Improvement recommendations

Improvement Recommendation 1	The Council should review its current Corporate Risk Register and redefine its risks to enable it to focus its attention on those issues which really do present the greatest risk to the Council, its finances, its governance and the services it provides.
Improvement opportunity identified	The Council could strengthen its approach to risk management by focusing on fewer, more critical risks, ensuring that actions to mitigate risks are having the desired impact and the direction of travel of each risk is clearly understood.
Summary findings	The Council does have a Risk Management Policy and a Corporate Risk Register, but it needs to strengthen its risk management arrangements.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. We have updated our risk policy and enacted previous recommendations made on risk. We have a workshop planned to formulate the Council's Risk Appetite and to review all risks with the support of external expertise (free service provided by insurers) to ensure we have identified the right risks and are monitoring at the correct level as it appears we currently have too many risks recorded. To be implemented in 2024/25.


Improvement recommendations

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Improvement Recommendation 2	The Cabinet should receive updates on strategic risks, including mitigation and direction of travel and each portfolio holder should receive reports on the operational risks arising in the services and areas of operation for which they are responsible, at least four times a year.
Improvement opportunity identified	Better reporting to the Cabinet about risks would focus leadership attention on risks and improve Cabinet Members' understanding of risk.
Summary findings	The current arrangements for reporting risk do not provide the Cabinet with a coherent picture of risks in relation to each of their individual areas of responsibilities or the Council as a whole.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. We are reviewing our monitoring arrangements to ensure we have the right reports going to the relevant committees and we have already identified Cabinet needs to receive risk reports. To be implemented in 2024/25.

Improvement recommendations

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Improvement Recommendation 3	The Council should consider the appointment of two independent members to the Audit and Governance Committee to provide expertise and additional capacity.
Improvement opportunity identified	Adding independent members to the Audit and Governance Committee allows the Council to introduce additional skills and expertise to this important Committee. The recommendation is in line with best practice and was one of the findings arising from the Redmond Review.
Summary findings	The Council should consider adding independent Members to its Audit and Governance Committee in line with good practice.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. Council have agreed to this action, however other priorities have delayed the implementation. An advert will be arranged shortly to attract individuals to be in place for the new civic year.

Improvement recommendations

Improvement Recommendation 4	The Council should review and revise its whistleblowing policy to provide greater detail on the process and the safeguards for whistleblowers and publish the policy to all officers and Members as well as providing a downloadable pdf of the policy on its website.
Improvement opportunity identified	It is important that the Council creates an environment in which officers and Members can raise issues in a safe way, within an appropriate framework of confidentiality.
Summary findings	The Council's current whistleblowing policy lacks detail on process and safeguards and requires revision.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. This will be reviewed with approval by Audit & Governance Committee in 2024/25.

Improvement recommendations

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Improvement Recommendation 5	The Council should develop an Engagement Strategy, monitor the impact of engagement activity and undertake an annual review of the Strategy to ensure it remains fit for purpose over time.
Improvement opportunity identified	A comprehensive engagement strategy would enable the Council to build trust and mutual understanding, gather data about residents' changing needs and views, respond to concerns and involve residents in decision-making and co-production of better outcomes.
Summary findings	The importance of a coherent, strategic approach to engagement was identified in our report for 2021/22 and an improvement recommendation was made. The Council does not yet have a comprehensive and strategic approach to communication and engagement with communities, users of services, partner organisations and other stakeholders, although it has developed a Communications Strategy.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. The post of Engagement and Funding Officer has recently been filled and this will be a key priority for delivery. To be implemented in 2024/25.

Financial sustainability



We considered how the Council:

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

Budget outturn 2022/23

The Council delivered a £1.367m surplus against the approved budget for 2022/23, which was transferred to the transformation fund. We have not identified any evidence of serious weaknesses with regard to financial sustainability from the Council's outturn position.

Within this position services overspent by a net £0.961m which included lower than budgeted car park income and reduced staff savings due to the 2022/23 pay award. Much of the service overspend was funded from the approved use of reserves. The overall surplus was largely driven by increased investment income receipts and business rate income.

The General Fund balance was maintained at £4.3m at 31 March 2023, which is at the upper end of the approved prudent range.

Budget 2023/24

The Council approved a balanced budget for 2023/24 which reflected the implications of the local government finance settlement. The budget report clearly sets out assumptions relating to inflation, funding of budget pressures and Council priorities. We have not identified any evidence of significant weakness with regard to the budget set for 2023/24, and no significant concerns are identified through the latest budget monitoring position.

The Council approved a balanced budget for 2023/24 in February 2023. The budget presented to Council was updated to reflect the final local government finance settlement and forecasts for government grants, new homes bonus funding, and business rates.

A council tax increase of £5 per Band D dwelling was approved in accordance with referendum principles. We are satisfied that the annual budget reflects the implications of the annual funding settlement.

The budget report clearly sets out inflation assumptions across different income and expenditure headings and identifies required increases to fund pressures relating to staff costs, energy costs, contractual commitments and also funding priorities such as new town planning, development management, homelessness and recycling.

The 2023/24 budget included an £0.086m contribution from the Medium-Term Financial Plan risk reserve in order to smooth the timing of the delivery of savings. This contribution from reserves is not excessive in relation to the Council's £21.597m net expenditure budget. We have commented in more detail on the Council's medium-term strategy to balance the budget in the medium-term financial planning section of this report.

The Month 6 budget monitoring report (September 2023) forecasts a £0.177m surplus against the approved budget for 2023/24. Investment income and salary savings are above target, offset partially by increased housing benefit subsidy costs and refuse and recycling costs.

Medium-term financial planning

We are satisfied that the Council is not taking a short-term approach to managing financial risks and has an appropriate approach to medium-term financial planning. The Council is developing its plans to balance the budget gaps identified in the Medium-Term Financial Plan through the Financial Sustainability Model. We have raised an improvement recommendation that the Council's financial planning arrangements should be further

Financial sustainability (continued)

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Medium-term financial planning (continued)

strengthened through the creation of appropriate governance arrangements for the developing efficiency programme, rolling out service reviews, and developing options for more significant changes to service design.

The Council has a Financial Plan that comprises of the Medium-Term Financial Plan (MTFP) and a Financial Sustainability Model (FSM).

The MTFP models income and expenditure over a 10-year period to identify potential budget gaps in a timely manner. The timing and impact of potential changes to government funding for local authorities is the key driver for the Council’s budget gap in the medium-term. However, the timing and impact of these changes is uncertain, and the business rate reset has been regularly pushed back by the government. This makes medium-term financial planning more difficult for councils.

The financial risk relating to the business rate reset is increased for East Devon District Council as it recognises significant business rate income in addition to the baseline within the budget. Additional business rate income of £3.3m above the baseline was recognised in the 2023/24 budget.

As demonstrated in Figure 1, the October 2022 MTFP forecast a budget gap of £3.805m in 2025/26 due to the business rate reset. This had been pushed back to 2026/27 in the October 2023 MTFP with a deficit of £4.467m forecast. Forecast budget gaps without the impact of the business rate reset are more manageable through the normal budget process, with budget surpluses forecast in later years.

The FSM identifies how the budget gaps forecast in the MTFP will be addressed, with a two-stage process defined. The first stage is to undertake service reviews to drive efficiencies and savings. Service reviews utilise six key enablers which include digital transformation, income maximisation, asset management and customer access.

The Council has undertaken a service review trial with the Revenues and Benefits service and efficiencies identified through non-replacement of posts, postage savings and additional income have contributed to the 2024/25 budget setting process. The Council now intends to roll service reviews out more widely across the organisation. The Council

should ensure that sufficient momentum is achieved in rolling out the service reviews in order to balance the budget gaps identified in the earlier years of the MTFP.

The second stage of the FSM is to address the more significant budget gap should the changes in local government funding be implemented. This is too large to bridge through normal budget setting processes and will require more fundamental decisions regarding service design and delivery.

While the impact and timing of the changes to local government finding are uncertain, due to the scale of the potential impact on the Council’s budget, Members and officers should start to develop options and plans that can be implemented should the need arise. Planning for potential changes to service delivery should be supported by scenario analysis that identifies the different impacts of changes to local government funding on the Council.

Governance arrangements for the FSM should also be developed to ensure that savings plans are robust, projects are approved, delivery is monitored, and benefits realised.

The Council has started to identify potential areas of focus in developing a pipeline of savings plans, for example through the Home Safeguard Service and through working with Strata on digital transformation. The Council is also using external benchmarking information to compare service costs to peers and identify opportunities for efficiencies.

Figure 1: Medium term financial plan projections (five years only)

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
October 2022 deficit / (surplus)	£0.589	£0.892	£3.805	£(1.128)	£(0.122)
October 2023 deficit / (surplus)	N/A	£0.578	£0.563	£4.467	£(0.154)

Financial sustainability (continued)

Medium-term financial planning (continued)

We are satisfied that the Council is not taking a short-term approach to managing financial risks and has an appropriate approach to medium-term financial planning. The Council is developing its plans to balance the budget gaps identified in the MTFP through the FSM.

We have raised an improvement recommendation that the Council's financial planning arrangements should be further strengthened through:

- developing appropriate governance arrangements for the FSM to ensure that a robust pipeline of savings is developed, approved and progress on delivery is monitored and reported to Members;
- ensuring that sufficient momentum is achieved in rolling out service reviews in order to balance the budget gaps identified in the earlier years of the MTFP;
- developing options and plans for more significant changes to service design and delivery, supported by scenario analysis, should they be required to mitigate the impact of future changes to local government funding.

Capital programme

The capital programme reflects corporate priorities, and the capital bidding process is overseen by the Budget Setting and Capital Allocation Panel. While the MTFP models the costs of the five-year capital programme and known capital commitments, only rolling capital schemes or early requests for capital funding are included in later years. We have made an improvement recommendation that the capital programme should include robust estimates of capital expenditure into the future so that affordability is ensured by modelling capital programme costs in the MTFP. The capital programme should be supported by a revised Asset Management Plan.

The capital programme 2023/24-2026/27 was approved in February 2023 with total General Fund and Housing Revenue Account expenditure of £30.634m. The General Fund capital programme totals £11.01m and requires £4.734m of internal borrowing after

accounting for external funding and capital receipts. Capital schemes align with corporate priorities including waste and recycling, beach management and regeneration.

The Housing Revenue Account capital programme totals £19.624m and relates mainly to major repairs works.

The preparation of the capital programme is overseen by the Budget Setting and Capital Allocation Panel who consider bids for capital schemes against Council priorities and available funding. The Panel make recommendations to Cabinet on which capital proposals should be approved.

The Capital Strategy 2023/24 to 2026/27 identifies the revenue implications of the capital programme. The General Fund Capital Financing Requirement is forecast to increase from £10.1m in 2021/22 to peak at £27.5m by 2024/25 as the capital programme is delivered, with minimum revenue provision costs forecast to increase from £0.317m in 2021/22 to £0.547m in 2025/26.

The MTFP approved in February 2023 confirms that the affordability of the capital programme is considered by matching funding against planned capital spend over the five-year period to 2026/27 and factoring in the cost of borrowing. However, only rolling capital schemes or early requests for capital budgets are included in the MTFP for later years. The Council recognises that the programme needs to be populated with realistic expenditure estimates into the future.

The Council also recognises the need to develop an Asset Management Plan to reflect the priorities of the new Council Plan, fulfil the requirements of net-zero carbon ambitions, and ensure that capital investment and maintenance is affordable.

We have raised an improvement recommendation that the Council should ensure that the capital programme includes robust estimates of capital expenditure into the future so that capital resources are prioritised to delivering strategic priorities and so that affordability is ensured through modelling capital programme costs in the MTFP. The capital programme should be supported by a revised Asset Management Plan.

Financial sustainability (continued)

Housing revenue account

The Housing Revenue Account (HRA) is under pressure due to the costs associated with the housing stock condition survey, decarbonisation agenda, and other pressures such as staff costs. While the HRA balance is being maintained at the £3.1m approved level and the Council has an HRA volatility reserve to manage income risk, the deficit incurred for 2022/23 and forecast for 2023/24 impacts on the level of HRA earmarked reserves. The HRA budget is being set on an annual basis and the Council recognises that the HRA business plan requires updating to reflect the impact of the housing stock condition survey. We have made an improvement recommendation to strengthen the financial planning for the HRA, including updating the 30-year business plan and ensuring prudent levels of HRA reserves are maintained.

The HRA budgeted for a £0.158m surplus in 2022/23 but delivered a £1.264m deficit at the year-end which was funded through the previous year's underspend and the use of reserves. The deficit was caused by increases in staff costs, reduced income due to voids and increased maintenance expenditure.

Total earmarked HRA revenue reserves reduced from £14.321m at 1 April 2022 to £12.472m at 31 March 2023, a reduction of £1.849m. The reduction was due to calls on the capital development fund and planned maintenance reserve utilising resources from previous year maintenance underspends. Within the reserves held at the year end, the adopted prudent HRA balance of £3.1m was maintained in addition to an HRA volatility reserve of £1.6m.

The approved HRA budget 2023/24 presented a £0.268m surplus position. However, the Month 6 budget monitoring report (September 2023) forecasts a year-end deficit of £2.474m. This deficit is driven by additional staff costs, decarbonisation costs, reduced income due to voids and expenditure associated with major works. The stock condition survey has resulted in significant major works costs and the requirement to move tenants into alternative properties.

If the forecast HRA deficit for 2023/24 is not mitigated this will further reduce the level of earmarked HRA reserves at the year end.

The draft HRA budget 2024/25 presented to Cabinet in January 2024 proposes a balanced

position but recognises that the HRA business plan needs to be updated with revised financial modelling once the house condition survey work is complete, with an Asset Management Strategy developed to determine future investment priorities.

The HRA budget has been considered on an annual basis as part of the budget setting process in 2023/24 and 2024/25. We have raised an improvement recommendation that the Council should strengthen financial planning for the HRA. This includes:

- updating the 30-year business plan to reflect the maintenance requirements of the housing stock condition survey, decarbonisation programme and other financial pressures; and
- ensuring that prudent levels of HRA reserves are maintained over the medium term by mitigating the impact of annual deficits on reserves.

Stakeholder engagement in the budget setting process

The Council has not consulted with residents during the budget setting process as balancing the financial position has not required significant savings or service reductions. Members are consulted during the budget process through the Budget Setting Capital Allocation Panel and the Overview and Scrutiny Committee. We have made an improvement recommendation to strengthen stakeholder engagement through wider Member consultation and through considering the need for public engagement as the Financial Sustainability Model develops.

The Council has not directly consulted residents as part of the annual budget setting process in recent years. This is not judged a significant weakness in the context that the annual budget setting process has not required significant savings or service reductions in order to balance the financial position.

The Council does consult with stakeholders in relation to strategic priorities and is doing so in preparation for the new Council Plan, and it is recognised that the budget is prepared to deliver the Council's agreed priorities.

Financial sustainability (continued)

Stakeholder engagement in the budget setting process (continued)

As the Council develops the Financial Sustainability Model, creating a pipeline of savings proposals and considering the potential for more significant changes to service design and delivery, the need for wider public consultation should be further considered.

Members are engaged through the budget setting process through the Budget Setting Capital Allocation Panel which includes both administration and opposition Member representatives and is consulted on budget options and priorities. A joint meeting of the Overview and Scrutiny Committee also considers the budget before Cabinet approval and their comments and recommendations are documented.

We have raised an improvement recommendation that the Council should strengthen stakeholder engagement through the budget process. Specifically:

- as the Council develops the Financial Sustainability Model, creating a pipeline of savings proposals and considers the potential for more significant service redesign, the need for wider public consultation should be further considered; and
- wider Member consultation on the development of savings plans and budget proposals should be considered through cross party and Cabinet budget workshops.

Reserves

The Council has a General Fund balance that is currently being maintained at the upper end of the agreed prudent range, with proposals to further increase the balance to reflect additional risks within the 2024/25 budget. The Council also maintains other reserves available to manage budget risk, namely the MTFP risk reserve. We consider that the Council has a prudent approach to maintaining sufficient reserves to manage financial risk.

The General Fund balance remained at the upper end of the approved prudent range of £4.3m as at 31 March 2023. This equates to 20% of the 2023/24 net expenditure budget of £21.597m and is considered sufficient to manage financial risk.

As part of the draft budget for 2024/25 the Council intends to increase the prudent range for the General Fund balance to £4.3m - £4.8m and there is provision to transfer an additional £0.5m to the reserve so that it remains at the upper end of this range. The proposed increase in the General Fund balance reflects additional risks within the 2024/25 budget relating to waste and leisure contracts.

The Council increased the level of earmarked reserves as at 31 March 2023 from £20.573m at 1 April 2022 to £31.923m, although much of this increase related to government grant funding for the Cranbrook heating network. The Council transferred the £1.367m revenue surplus for 2022/23 to the transformation fund in order to fund efficiency and service redesign programmes in the future.

As at 31 March 2023 the Council held the MTFP risk reserve (£2.936m) and the business rate volatility reserve (£0.65m), in addition to the General Fund balance, which can be used to manage financial risk.

The 2023/24 budget included an £0.086m contribution from the Medium-Term Financial Plan risk reserve in order to smooth the timing of the delivery of savings. The budget report recognises that it is essential to address the annual budget deficit identified in medium-term financial planning to reduce reliance on this reserve to balance the annual position. This aligns with our view that is reflected in the improvement recommendation we have raised regarding strengthening financial planning.

Financial governance

Budget monitoring

The Cabinet receives budget monitoring reports during the financial year which include the General Fund, Housing Revenue Account, capital programme and treasury management. We have made an improvement recommendation to strengthen budget monitoring to Members through ensuring quarterly budget monitoring reports are provided and by providing more detailed information relating to the capital programme.

Cabinet received the following budget monitoring reports relating to the 2022/23 financial year:

- September 2022 – Month 4 (July 2022);
- February 2023 – Month 9 (December 2022);
- July 2023 – Outturn (March 2023).

Cabinet therefore did not receive budget monitoring reports on a quarterly basis during 2022/23.

The budget monitoring reports include expenditure against the approved capital programme. Monitoring includes a summary of capital spend by portfolio area with a revised budget, actual spend and unpaid orders, to give a current under or overspend position by portfolio. There is no analysis or narrative for expenditure against significant capital schemes within portfolio areas and the monitoring does not provide a forecast of expenditure at year end.

Capital monitoring reports to Members would be strengthened by providing a narrative detailing changes to capital budgets and progress made delivering major capital projects, along with reasons for slippage against the approved plan. Forecasts for capital expenditure at year end should also be provided rather than the remaining budget.

We have made an improvement recommendation that the Council should strengthen budget monitoring to Members to ensure sufficient information is provided in order to make timely and informed decisions. This includes:

- ensuring Members receive budget monitoring reports on a quarterly basis; and
- strengthening capital programme monitoring by providing forecasts of spend to the year end, analysis of spend on major capital projects, and a supporting narrative for changes to the budget and capital scheme delivery.



Improvement recommendations

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Improvement Recommendation 6

The Council’s financial planning arrangements should be further strengthened through:

- developing appropriate governance arrangements for the Financial Sustainability Model (FSM) to ensure that a robust pipeline of savings is developed, approved and progress on delivery is monitored and reported to Members;
- ensuring that sufficient momentum is achieved in rolling out service reviews in order to balance the budget gaps identified in the earlier years of the Medium-Term Financial Plan (MTFP); and
- developing options and plans for more significant changes to service design and delivery, supported by scenario analysis, should they be required to mitigate the impact of future changes to local government funding.

Improvement opportunity identified

The Council needs to ensure momentum in identifying savings through service reviews to balance the budget gaps identified in earlier years of the MTFP and reduce reliance on reserves. Proposals should also be developed to address the more significant budget gap created by potential changes to local government funding. As the efficiency programme develops it should be supported by appropriate governance arrangements.

Summary findings

The Council is developing its plans to balance the budget gaps identified in the MTFP through the FSM. The timing and impact of potential changes to government funding for local authorities is the key driver for the Council’s budget gap in the medium term. The FSM identifies how the budget gaps identified in the MTFP will be addressed, with a two-stage process defined. The first stage is to undertake service reviews drive efficiencies and savings. The second stage of the FSM is to address the more significant budget gap should the changes in local government funding be implemented. This is too large to bridge through normal budget setting processes and will require more fundamental decisions regarding service design and delivery.

Criteria impacted



Financial sustainability

Auditor judgement


Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed.
This is currently being worked upon and ties in with a recommendation in the Corporate Peer Review. To be implemented in 2024/25.


Improvement recommendations

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Improvement Recommendation 7	The Council should ensure that the capital programme includes robust estimates of capital expenditure into the future so that capital resources are prioritised to delivering strategic priorities and so that affordability is ensured through modelling capital programme costs in the MTFP. The capital programme should be supported by a revised Asset Management Plan.
Improvement opportunity identified	The allocation of capital resources to corporate priorities and the modelling of the financial impact of the capital programme in the MTFP would be strengthened by increasing the robustness of capital expenditure estimates into the future and through the development of an Asset Management Plan.
Summary findings	The capital programme reflects corporate priorities, and the capital bidding process is overseen by the Budget Setting and Capital Allocation Panel. While the MTFP models the costs of the five-year capital programme and known capital commitments, only rolling capital schemes or early requests for capital funding are included in later years. The Council recognises that the programme needs to be populated with realistic expenditure estimates into the future. The Council also recognises the need to develop an Asset Management Plan to reflect the priorities of the new Council Plan, fulfil the requirements of net-zero carbon ambitions, and ensure that capital investment and maintenance is affordable.
Criteria impacted	 Financial sustainability
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed. Further analysis will be included in the next version of the MTFP and the Asset Management Plan draft document is planned in September 2024.

Improvement recommendations

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Improvement Recommendation 8	<p>The Council should strengthen financial planning for the Housing Revenue Account (HRA). This includes:</p> <ul style="list-style-type: none">• updating the 30-year business plan to reflect the maintenance requirements of the housing stock condition survey, decarbonisation programme and other financial pressures; and• ensuring that prudent levels of HRA reserves are maintained over the medium term by mitigating the impact of annual deficits on reserves.
Improvement opportunity identified	<p>Financial planning for the HRA would be strengthened by updating the 30-year business plan to enable the Council to take a longer-term approach to planning and funding maintenance and capital investment costs that are informed by the stock condition survey.</p>
Summary findings	<p>The HRA is under pressure due to the costs associated with the housing stock condition survey, decarbonisation agenda, and other pressures such as staff costs. While the HRA balance is being maintained at the £3.1m approved level and the Council has an HRA volatility reserve to manage income risk, the deficit incurred for 2022/23 and forecast for 2023/24 impact on the level of HRA earmarked reserves. The HRA budget is being set on an annual basis and the Council recognises that the HRA business plan requires updating to reflect the impact of the housing stock condition survey.</p>
Criteria impacted	<div> Financial sustainability</div>
Auditor judgement	<p>Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.</p>
Management comments	<p>Agreed This is currently underway with the completion of the Stock Condition Survey an option appraisal needs to be developed and presented to members for consideration. To be presented in 2024/25.</p>

Improvement recommendations

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Improvement Recommendation 9

The Council should strengthen stakeholder engagement through the budget process. Specifically:

- as the Council develops the Financial Sustainability Model (FSM), creating a pipeline of savings proposals and considers the potential for more significant service redesign, the need for wider public consultation should be further considered; and
- wider Member consultation on the development of savings plans and budget proposals should be considered through cross party and Cabinet budget workshops.


Improvement opportunity identified

As the Council develops its FSM and creates a pipeline of savings and considers options for more significant changes to service design, it should ensure appropriate stakeholder engagement is undertaken to help shape priorities and models of service delivery.

Summary findings

The Council has not directly consulted residents as part of the annual budget setting process in recent years. This is not judged a significant weakness in the context that the annual budget setting process has not required significant savings or service reductions in order to balance the financial position. Members are consulted during the budget process through the Budget Setting Capital Allocation Panel and the Overview and Scrutiny Committee.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed
This is likely to be relevant to the 2026/27 budget.

Improvement recommendations

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Improvement
Recommendation 10

The Council should strengthen budget monitoring to Members to ensure sufficient information is provided in order to make timely and informed decisions. This includes:

- ensuring Members receive budget monitoring reports on a quarterly basis, in line with agreed reporting schedules; and
- strengthening capital programme monitoring by providing forecasts of spend to the year end, analysis of spend on major capital projects, and a supporting narrative for changes to the budget and capital scheme delivery.

Improvement opportunity identified


We have identified opportunities to strengthen budget monitoring to Members by ensuring that reporting is completed in line with the agreed reporting schedules and providing more detail on the delivery of the capital programme.

Summary findings

The Cabinet receives budget monitoring reports during the financial year which include the General Fund, Housing Revenue Account, capital programme and treasury management. However, Cabinet did not receive budget monitoring reports on a quarterly basis for 2022/23 and were provided with reports relating to Month 4, Month 9 and the outturn position. This is not in line with the agreed reporting schedules, with one report missed due to sickness.

Capital monitoring includes a summary of capital spend by portfolio area with a revised budget, actual spend and unpaid orders, to give a current under or overspend position by portfolio. There is no analysis or narrative for expenditure against significant capital schemes within portfolio areas and the monitoring does not provide a forecast of expenditure at year end.

Criteria impacted

 Financial sustainability

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed
This is in place.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Managing Performance and Benchmarking

The Council has an established process for monitoring performance. This could however be further enhanced by providing SMART (specific, measurable, achievable, realistic, and time-bound) targets for all performance measures, improving processes for benchmarking and data quality and linking performance monitoring to all Council Priorities.

The Council uses the SPAR.Net system to record performance indicator data. This is a system developed by Teignbridge Borough Council some time ago and is now maintained by Nexus. The Council are currently looking for a replacement system. Quarterly key performance indicator (KPI) reports are generated and taken to Scrutiny Committee. Performance Reports were presented to the Scrutiny Committee in July 2022 (Q4 2021/22), October 2022 (Q1 2022/23), December 2022 (Q2 2022/23), March 2023 (Q3 2022/23) and July 2023 (Q4 2022/23). Reports include Red, Amber, Green (RAG) rated performance indicators linked to the Council's Statement of Intent and Plan. The Q4 2022/23 report details 60 KPIs.

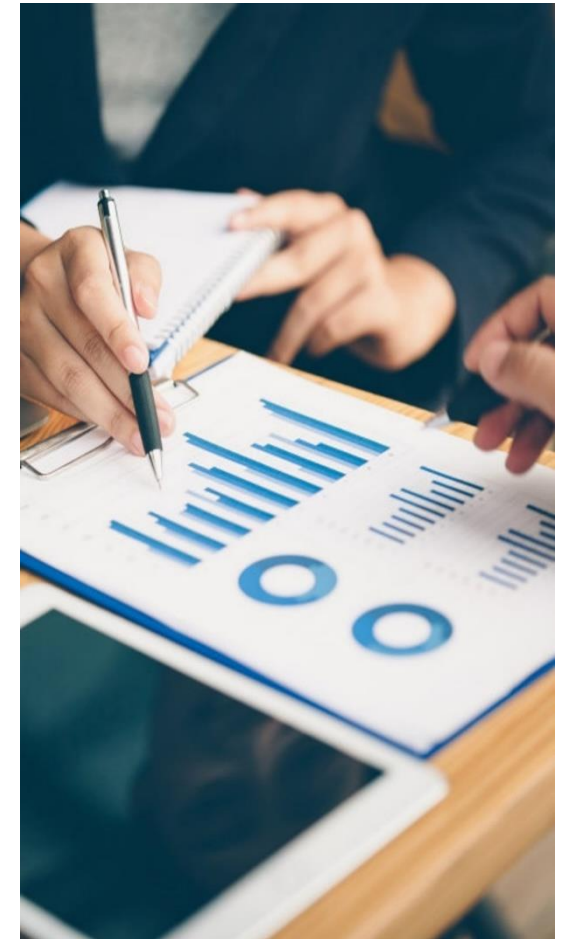
The KPIs are connected to two of the three Council Plan 2021 - 2023 priorities:

- better homes and communities for all; and
- a greener East Devon.

The third section of the KPI report is under the heading "services that matter" and includes KPIs on council tax collection, planning appeal decisions, Freedom Of Information response times and missed bin collections.

The Council Plan 2021-2023 has three priorities, one of which is "a resilient economy" which includes ensuring the financial sustainability of the Council, reflecting the strategic significance the Council places on providing cost effective and well-performing services. This priority does not feature in the KPIs and so it is unclear how achievement of this priority is being monitored.

The Council is currently developing a new Council Plan and efforts will be made going forward to link performance indicators to all Council objectives. Performance indicators are currently being reviewed in line with the development of the new Plan.



Improving economy, efficiency and effectiveness (continued)

Managing Performance and Benchmarking (continued)

The Management Information Officer completed an analysis in 2022/23 of progress against performance indicators, including Council Plan actions, and there are a number where there is a gap in the narrative and a gap in the responsible service area. We have seen no evidence of action taken to close these gaps and this should be addressed.

Alongside the update of the Council Plan the MTFP, the budget and Service Plans are reviewed and updated and are aligned to the priorities set out in the Council plan. The January 2022 Joint Overview and Scrutiny Committee considered the 2022/23 Service Plans for each area, recommending to Cabinet that they be adopted following points of clarification and some amendments. The Housing Review Board considered the Housing Service Plan, and this also included a recommendation to Cabinet. Service Plans looked ahead to 2022/23 and set out activities by Strategic Priorities and include the resource required, the lead officer and start and end date. A small number of performance measures and indicators are set out in the Service Plans published online, but the indicators we reviewed (for example Countryside and Leisure and Housing) are mainly activity rather than outcome based. Without SMART targets it is difficult to assess whether performance is good or requires improvement in these areas.

The performance reports received by Scrutiny Committee provide updates on delivery and rank achievement using RAG ratings, with minutes shared with Cabinet. An annual report on performance against key objectives was presented to the Scrutiny Committee as part of the Q4 2022/23 KPI report in July 2023.

The Q4 2022/23 performance report detailed 60 indicators, 7 of which were achieved, 1 was a "variation", 4 were "of concern" and 5 had no data. However, 43 indicators had no target to be rated against. As already mentioned, without SMART targets it is hard to assess performance. The "of concern" indicators related to the number of households living in temporary accommodation, working days lost due to sickness absence, stage 2 complaints responded to in a timely manner, and time taken to process new housing benefit claims. All these indicators were red rated throughout 2022/23.

The Housing Review Board normally receives quarterly performance reports. However, in 2022/23 performance was reported in January 2023 and June 2023 only. The June 2023 Board also received outcomes from the tenant satisfaction report and the benchmarking report from Housemark.

The Council does not have a data quality policy, but the Council is working on developing this with Strata partners. Policies relating to data quality are good practice to help ensure complete, accurate and timely data is reported to senior management and Members and facilitates informed decision making.

Financial and performance data is reviewed in service areas and KPI data by the Senior Management Team before information is shared with Members, so a process of sense checking exists. Financial processes are also included as part of internal audit's planned work and Strata is subject to internal audit by the Devon Audit Partnership.

The S151 Officer uses unit cost benchmarking data from LGFutures in order to review service cost. The Council also uses Housemark benchmarking data for housing. Other benchmarking activity is completed on an ad-hoc basis in service areas, through the Service Plans. We were informed that the Council has recently invested in LG Inform Plus, a tool to support the Council in benchmarking as part of the Financial Sustainability Model work. The Council would benefit from a co-ordinated corporate approach to benchmarking with regular reporting to Scrutiny Committee.

We have not identified any significant weakness in the processes for performance management, but we have raised an improvement recommendation to strengthen the Council's performance management arrangements. Consideration should be given to:

- developing a data quality policy/strategy;
- ensuring all performance indicators are SMART and linked across all Council priorities;
- reporting housing performance to the Housing Review Board quarterly; and
- developing a corporate approach to benchmarking with outcomes reported to the Scrutiny Committee.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

The Council does use benchmarking data to improve performance although we recommend that there is a co-ordinated corporate approach to benchmarking. The Council is aware that its performance on complaint handling requires improvement and has taken steps recently to address this issue. There was also inadequate monitoring of the implementation of agreed internal audit recommendations during 2022/23 which is also being addressed.

As part of our work, we have assessed financial performance indicators from the Grant Thornton and CIPFA financial benchmarking tool CFO Insights. This compares unit costs for a range of services, using revenue outturn data for 2022/23, and benchmarks the Council's unit costs with its statistical nearest neighbours.

Of the six main revenue outturn service groupings, housing services were rated as high and cultural and related services identified as very high in comparison to statistical neighbours. Specifically, homelessness, housing benefit administration, arts development and open spaces were flagged as very high-cost services. The Council has undertaken its own benchmarking review using data supplied by LG Futures and is aware of these areas of high cost and is taking action to address these.

No reports from regulators were received during 2022/23 that we have been made aware of, but we have reviewed the outcomes from cases referred to the Local Government and Social Care Ombudsman (LGSCO) and the Housing Ombudsman (HO). The LGSCO letter indicated no cause for concern with only two complaints being referred to the LGSCO and these were both satisfactorily addressed.

The letter from the HO reported that during 2022/23 there were 14 referrals of complaints to the Housing Ombudsman. Of these, five were found to involve maladministration and five were service failure, resulting in the Council appearing in the Housing Ombudsman's list of landlords with high maladministration findings (at 77%, one of the highest in the country although this has declined from 89% when we reported last year).

The Council is aware of pressures within the housing team. Discussions with the Director of Housing, Health and Environment indicated that housing services have been reorganised to address both the issues of poor performance on repairs and complaint handling. This includes the appointment of a Housing Performance Lead who reports directly to the Director and a complaints officer has also been appointed by the housing repairs contractor Ian Williams.

We have made an improvement recommendation that the Council should ensure that improvements implemented to enhance complaints handling embed and are operating as expected to reduce the number of complaints and deal with those received in a timely manner.

It is unclear from the Internal Audit Annual Opinion 2022/23 to what extent internal audit recommendations are implemented, although the report states a new recommendation tracking database has been implemented during the year. We note that the internal audit progress report provided to the Audit and Governance Committee in January 2024 does provide statistics on outstanding recommendations. The report, however, does not provide explanations as to why recommendations may be overdue, so it is hard to conclude whether this is reasonable or not.

We have made an improvement recommendation that the Audit and Governance Committee should ensure that the new arrangements for monitoring the implementation of internal audit recommendations are embedded and also ensure that the process leads to timely implementation of internal audit recommendations. Consideration should be given to providing some narrative in internal audit progress reports to explain why some recommendations are overdue for implementation.



Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council has adequate arrangements in place to work with and monitor the performance of key partnerships who help deliver corporate priorities.

The Council clearly articulates who its key partners are and how they support the delivery of Council priorities. Partnership review reports were presented to the September 2021 and November 2022 Audit and Governance Committees. The next report is due to be presented in March 2024. The Council has a Partnership Policy, last updated in August 2021, and which is published on the website. The Policy sets out a clear definition of a partnership and provides clear governance and reporting arrangements.

Twelve partners are identified within the Partnership Policy. The Audit and Governance report links partnerships with the Council Plan so that Members are able to ensure appropriate alignment between achievements and forward plans with the Council's strategic priorities and Service Plans.

page 70 The Council continues its partnership with Exeter City and Teignbridge Councils through Strata Service Solutions Ltd to deliver IT services and this partnership work is reported to Cabinet. There is a Strata Joint Executive Committee and also a Strata Joint Scrutiny Committee. The Committee papers are publicly available and hosted on the Teignbridge Council website. The minutes from these meetings are received by Cabinet. The March 2022 Cabinet considered the Digital Strategy presented as a joint strategy with the other two partner authorities who own Strata. The outturn for 2022/23 reported in July 2023 demonstrates that Strata achieved savings of £1.07m, ahead of the projected £0.702m.

During 2022/23 the Strata Joint Executive Committee meetings in July, September and October were all cancelled or postponed. Only one meeting (January 2023) took place which received the Strata Performance report and the Financial Update report. Similarly, the Strata Joint Scrutiny Committee met twice in 2022/23 (September 2022 and January 2023), with the July 2022 meeting cancelled. The Committee considered the Performance report and budget monitoring reports for 2021/22 and 2022/23. We understand from discussion with officers that while the Strata Executive and Scrutiny Committees were set up under the Constitution to meet regularly, in the event there has been insufficient business to warrant regular meetings relating to the delivery of IT services, with key decisions relating to the approval of the budget and business plan. Work has been undertaken to widen the scope of reporting and performance reports will now be produced and reported and these meetings have now recommenced. This appears reasonable.

In relation to other partnership work, there is also regular reporting to Members. Public health partnership working is reported via an annual review and linked to the Council's Service Plans and the Council's Public Health Strategic Plan 2019-23, and this was considered at Cabinet in September 2022. Various matters around the Cranbrook development were discussed by Cabinet during 2022/23. Updates were provided to Cabinet from the Leisure East Devon (LED) Monitoring Forum, which monitors the leisure contract. Items discussed by the LED Monitoring Forum included both performance and financial updates from LED, with the forum meeting four times during 2022/23.

The Council considers South-West Audit Partnership (SWAP) as a significant partner and its activities are monitored through the Audit and Governance Committee.

Other partners include Exeter Science Park Company Ltd which is monitored through Board meetings, an annual progress report, a decision-making structure informed by officers and external expertise in relation to investments, and the Exeter & East Devon Enterprise Zone for which a monitoring report was taken to Cabinet in March 2022, providing a financial update and seeking approval for staffing and the budget.

Overall, we consider the Council has adequate oversight of its strategic partnerships.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement

Overall, we are satisfied that the Council has adequate arrangements in place to manage procurement and monitor key contractors such as Suez, Ian Williams and LED.

The procedure rules in the Council's Constitution (including the Financial Regulations and Contract Standing Orders) were last reviewed in May 2023.

The Council publishes its Standard Conditions of Contract on its website. These set out the standard contract terms and conditions and how equal opportunities and environmental concerns are dealt with. The Council uses Devon County Council's procurement service, and this provides a wider depth of expertise than could be achieved through an in-house procurement service.

We have seen no evidence that there have been any significant acquisitions during 2022/23.

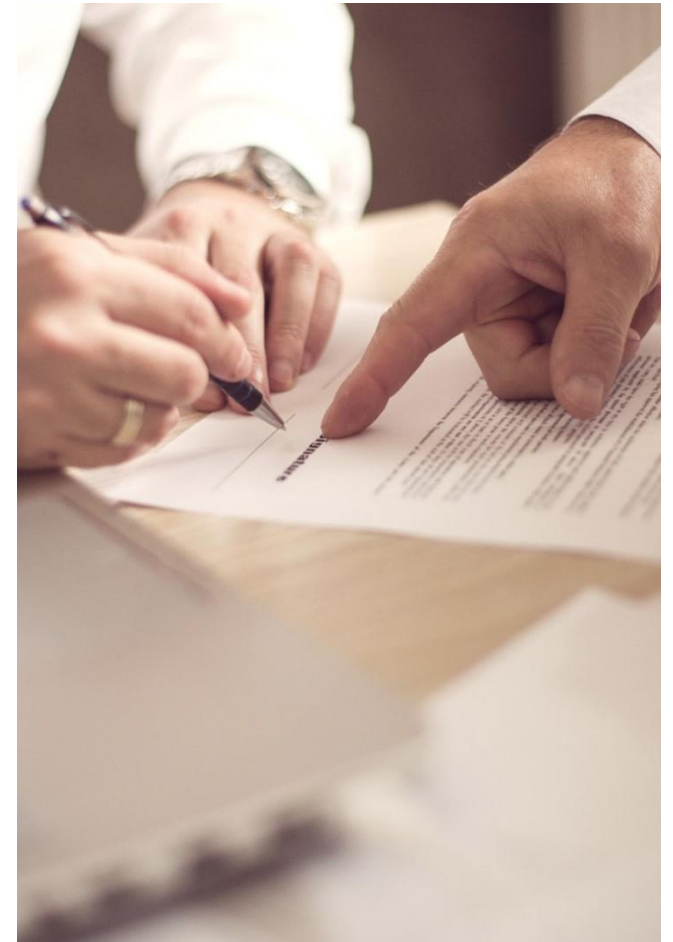
Contract managers are in place for the waste and housing repairs contracts and regular monitoring occurs. The Council have monthly contract monitoring meetings with Suez, as well as reporting on performance to the Joint Partnership Board quarterly. The Council engage with the contractor on a daily basis to oversee delivery and quality within the service. There is also a daily RAG report to monitor round completion.

The Leisure contract is overseen by an Assistant Director, but the Council also have a forum to monitor performance (the Leisure Strategy Delivery Forum, previously the LED Monitoring forum). The forum met six times in 2022/23 to receive performance and finance information relating to the leisure contract.

The S151 Officer has confirmed that the Council has not undertaken significant commercial ventures, outsourcing or shared services in 2022/23.

The Budget Setting and Capital Allocation Panel monitors the delivery of large projects and reports to Cabinet any critical issues such as changes to business case, project plan, risk or budget variations. They also receive post project evaluation reports for large projects. Project monitoring for large projects include monthly monitoring reports covering budget, time, milestones and risk register. These are considered monthly by Senior Management Team and quarterly by the Budget Setting and Capital Allocation Panel.

We are awaiting information relating to repairs contract monitoring and procurement exemptions.



Improvement recommendations

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Improvement Recommendation 11

In order to strengthen the Council’s performance management arrangements, consideration should be given to:

- developing a data quality policy/strategy;
- ensuring all performance indicators are SMART (specific, measurable, achievable, realistic, and time-bound) and linked across all Council priorities;
- reporting housing performance to the Housing Review Board quarterly; and
- developing a corporate approach to benchmarking with outcomes reported to the Scrutiny Committee.


Improvement opportunity identified Failure to provide Members with regular, up to date, reliable performance data can impair Members’ ability to take appropriate decisions.

Summary findings

We have identified weaknesses in arrangements to manage performance. These include:

- the absence of a data quality policy;
- 43 of 60 performance measures reported in quarter 4 of 2022/23 did not show target performance and none related to the Council’s priority “A resilient economy”;
- while some benchmarking is used there is no corporate approach to benchmarking to identify areas for efficiency or service improvement; and
- while there is a performance indicator around the timeliness of dealing with formal complaints, no report has been made on the outcomes of complaints and lessons learned. Also, the annual letters from the Local Government and Social Care and Housing Ombudsman had not been reported to members for 2022/23 at the time of audit.

Criteria impacted

 Improving economy, efficiency and effectiveness

Auditor judgement


Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.

Management comments


Agreed
A number of these actions are currently underway and will be implemented within 2024/25.

Improvement recommendations

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Improvement Recommendation 12	The Council should ensure that improvements implemented to enhance complaints handling embed and are operating as expected to reduce the number of complaints and deal with those received in a timely manner.
Improvement opportunity identified	Improvement in service quality and more effective use of resources.
Summary findings	The Council has seen an increase in corporate complaints during 2022/23, most markedly in housing (mainly in relation to repairs). During 2022/23 there were 14 referrals of complaints to the Housing Ombudsman and of these 5 were found to involve maladministration and 5 were service failure, (one complaint was outside the jurisdiction of the Ombudsman) resulting in the Council appearing in the Housing Ombudsman's list of landlords with high maladministration findings (at 77%, one of the highest in the country although this has declined from 89% when we reported in 2021/22). We understand that actions have been taken to address this during 2023/24, including reorganisation of the housing department, a dedicated resource has been recruited to address housing complaints, and further complaints handling staff have been recruited by customer services.
Criteria impacted	 Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed Steps have already been taken in this area to make improvements with additional resources and processes reviewed.

Improvement recommendations

page 74	Improvement Recommendation 13	<p>The Audit and Governance Committee should ensure that the new arrangements for monitoring the implementation of internal audit recommendations are embedded and also ensure that the process leads to timely implementation of internal audit recommendations.</p> <p>Consideration should be given to providing some narrative in internal audit progress reports to explain why some recommendations are overdue for implementation.</p>
	Improvement opportunity identified	Improved control processes through timely implementation of internal audit recommendations
	Summary findings	It is unclear from the Internal Audit Annual Opinion 2022-23 to what extent internal audit recommendations are implemented, although the report states a new recommendation tracking database has been implemented during the year. We note that the internal audit progress report provided to the Audit and Governance Committee in January 2024 does provide statistics on outstanding recommendations. The report however does not provide explanations as to why recommendations may be overdue, so it is hard to conclude whether this is reasonable or not.
	Criteria impacted	 Improving economy, efficiency and effectiveness
	Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but we have raised a recommendation to support management in making appropriate improvements.
	Management comments	Agreed. Recommendation tracker system is now place.

Follow-up of previous recommendations

page 75

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should recognise that it has been given clear, consistent evidence of the existence of cultural issues and take urgent steps to address the behaviours which have given rise to this culture.	Key	December 2023	There is strong evidence that behaviour and relationships have since improved. The Council has undertaken an LGA Corporate Peer Challenge and working relationships are reported to be largely positive and productive.	Not fully	Progress made since originally reported, given short time frame since interim 2021/22 Auditor's Annual Report this will be followed up again in 2023/24 Auditor's Annual Report.
2 The Council should provide a mandatory induction programme for new and returning members.	Key	December 2023	Programme delivered post-election May 2023	Yes	No
3 The Council should strengthen governance arrangements by providing specific training for members of the Overview, Scrutiny and Audit and Governance Committees and developing an annual forward plan for the Overview and Scrutiny Committees.	Key	December 2023	Induction training was delivered following the May 2023 elections. The Centre for Governance and Scrutiny has subsequently completed a review making eight recommendations, and further training will be undertaken as a result of these.	Not fully	The Council should seek to fully implement our recommendation and those of the Centre for Governance and Scrutiny.
4 The Council should review its policy on exemptions to contract standing orders to ensure clarity about the appropriate criteria for exemptions and provide refresher training for Cabinet on this area. It should also strengthen forward planning processes to ensure that decisions to award contracts are made in a timely way.	Improvement	December 2023	Formal response that this is to be addressed in 2024/25.	No	To be reviewed as part of the 2024/25 Auditor's Annual Report.

Follow-up of previous recommendations

page 76

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5 The Council should develop and implement a strategic corporate engagement plan.	Improvement	December 2023	Limited progress made. A Communications Strategy has been developed but this falls short of the actions required.	No	Yes. An Improvement Recommendation has been made.
6 The Council should ensure the consistent application of the corporate framework for understanding and managing risk.	Improvement	December 2023	Significant progress has been made. Further work is required to ensure the Council focuses on key risks and Cabinet is informed about risks.	Partly	Yes. An Improvement Recommendation has been made.
7 The Council should review its partnerships to identify what outcomes they deliver and how they contribute to the achievement of the Council's objectives.	Improvement	December 2023	A Partnership review report was presented to the November 2022 Audit and Governance Committee, The next report is due in March 2024. This report links partnerships with the Council Plan so that Members can ensure appropriate alignment between achievements and forward plans with the Council's Strategic priorities and service plans.	Yes	No
8 For completeness, when the Capital Strategy is updated it should include reference to the need to consider long term revenue implications of capital spend.	Improvement	December 2023	The Capital Strategy 2024/25 report has been updated, with the Strategy presented to Cabinet on 31 January 2024 stating "As part of the capital bids process any revenue implications of new capital programme items are captured. These details are readily available and highlighted if material otherwise all direct revenue implications are contained to the already available revenue funding".	Yes	No

Follow-up of previous recommendations

page 77

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9 The Council needs to ensure that effective and timely oversight and reporting is in place for the work being delivered through the Financial Sustainability Model, including the implementation of Firmstep and the outstanding internal audit recommendations.	Improvement	December 2023	<p>The Council is developing its plans to balance the budget gaps identified in the Medium-Term Financial Plan through the Financial Sustainability Model. The Council has undertaken a service review trial in the Revenues and Benefits service and now intends to roll service reviews out more widely across the organisation.</p> <p>Governance arrangements for the FSM should be developed to ensure that savings plans are robust, projects are approved, delivery is monitored, and benefits delivered.</p>	In progress.	We have made an improvement recommendation to further strengthen financial planning arrangements through developing appropriate governance arrangements for the developing efficiency programme, rolling out service reviews, and developing options for more significant changes to service design.
10 The Council needs to ensure that quarterly financial monitoring reports are provided as planned. Savings delivery should be monitored robustly and independently of the usual corporate budget monitoring process.	Improvement	December 2023	The Cabinet receives budget monitoring reports during the financial year which include the General Fund, Housing Revenue Account, capital programme and treasury management. However, Cabinet did not receive budget monitoring reports on a quarterly basis for 2022/23 and were provided with reports relating to Month 4, Month 9 and the outturn position.	No.	We have made an improvement recommendation to strengthen budget monitoring reporting to Members to ensure that sufficient information is provided to make timely and informed decisions.
11 As part of its focus on performance reporting through the Financial Sustainability Model, the Council should review the timescales for reporting KPIs to identify whether any improvement can be made.	Improvement	December 2023	A new suite of performance indicators is being developed in tandem with the development of the new Council Plan. Reporting timescales will be reviewed as part of this exercise.	In progress	To be completed in 2024/25

Follow-up of previous recommendations

page 78

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
12	As part of its focus on performance reporting through the Financial Sustainability Model, the Council should review its KPIs to ensure that they align with all Council Plan outcomes and that they focus on outcomes rather than activity, identifying the relevant service area.	Improvement	December 2023	A new suite of performance indicators is being developed in tandem with the development of the new Council Plan.	No	Improvement Recommendation made.
13	The Council should take appropriate action to ensure that complaints are responded to in an appropriate timescale to ensure compliance with their stated timeframe.	Improvement	December 2023	Whilst some action has been taken this has been during 2023/24 and the changes are yet to embed.	Partially	Improvement Recommendation made.
14	The Council must ensure that it responds effectively and at pace to the Housing Ombudsman's recommendations.	Improvement	December 2023	Whilst some action has been taken this has been during 2023/24 and the changes are yet to embed.	Partially	Improvement Recommendation made.

Opinion on the financial statements

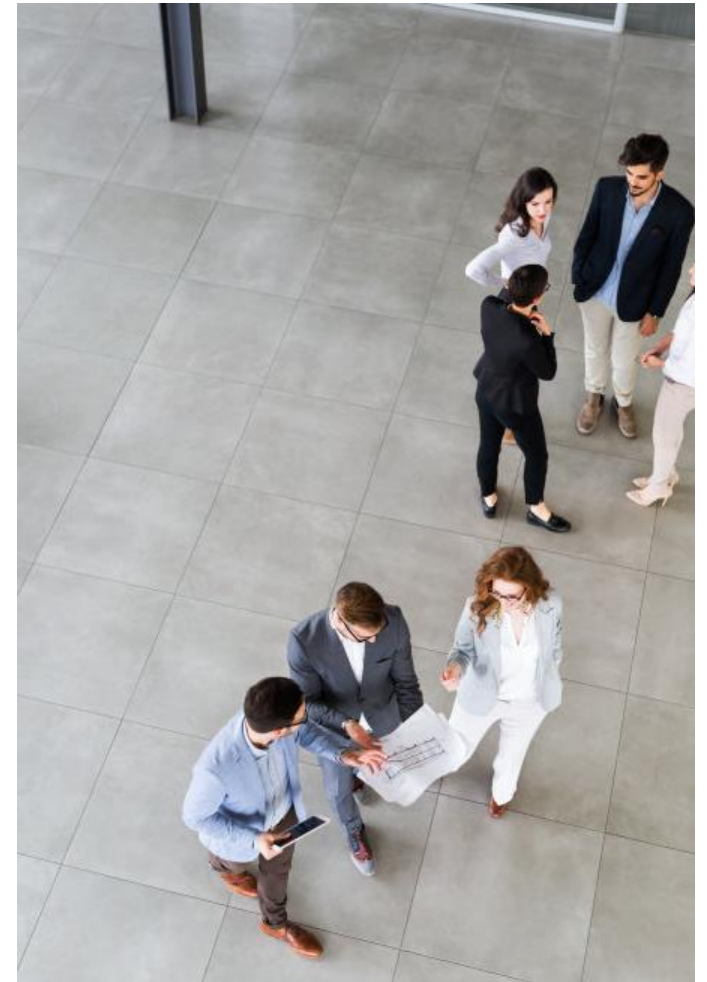


Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

The draft 2022/23 financial statements have yet to be published by the Council and made available for public inspection. As such, no audit work has been undertaken on the 2022/23 financial statements audit.

Nationally, Government recognises the significant backlog in Local Government audits, and a Department for Levelling Up, Housing and Communities consultation ran from 8 February 2024 to 7 March 2024. The proposals set out a “backstop” date of 30 September 2024 by which point any Local Government audits not fully completed would be subject to a form of qualified auditors report. Given the lack of progress to date and the timescale being consulted on, we anticipate that the 2022/23 financial statements audit for East Devon District Council will result in such a qualification.



Appendices

Appendix A: Responsibilities of the Council

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

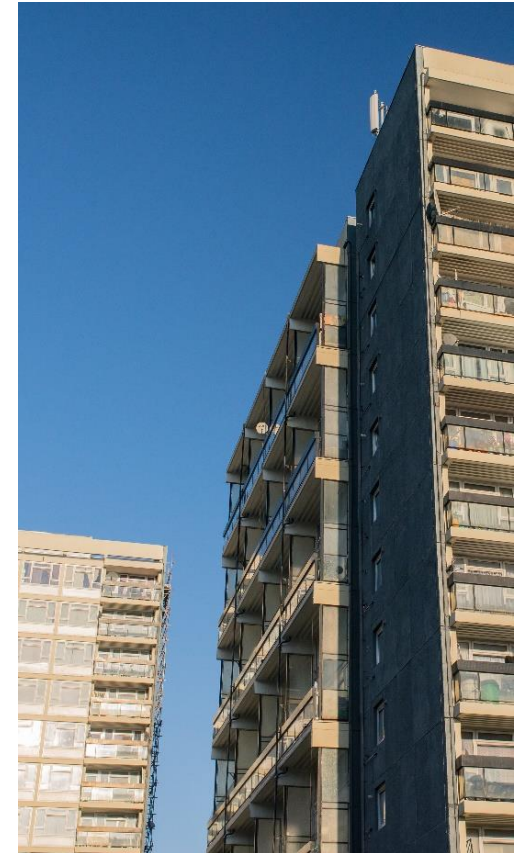
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council’s arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No – but Key Recommendations raised in 2021/22 interim Auditor’s Annual Report that also cover 2022/23	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	Pages 13-17 Pages 24-28 Pages 34-36

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East Devon District Council

Audit progress report and sector updates

March 2024



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Sector Update	05

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit and 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 and Standards 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:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

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 your Engagement Lead.

Progress at March 2024

Financial Statements Audit

We have been discussing the impact of the Council's outstanding financial statements audits for the 2021/22 and 2022/23 financial years with management against the backdrop of national "backstop" measures proposed by the Department for Levelling Up, Housing and Communities (DLUHC). More information on the backstop proposals can be found on page 7.

Over 700 Local Government audit opinions remain outstanding nationally and the DLUHC proposals seek to address this backlog of audits.

In February 2024, we wrote to the Section 151 Officer to confirm that, in our view, it would not be possible to complete both the 2021/22 and 2022/23 financial statements audits by the proposed backstop date at the end of September 2024. As such, we anticipate that backstop disclaimer opinions will be issued for these financial years based on the information available to date and we discussed and agreed that it would be more beneficial to focus on the audit of the Council's 2023/24 financial statements.

The Council has yet to publish draft 2022/23 financial statements and will need to do so in sufficient time to allow the public inspection period to be undertaken.

We anticipate bringing our 2023/24 audit plan to the next Audit & Governance Committee.

Value for Money

Our 2022/23 Auditor's Annual Report is included as a separate agenda item. Our work on 2023/24 value for money audit reviews will start later in the calendar year.

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing 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 show the current estimated financial trajectory of the sector and 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

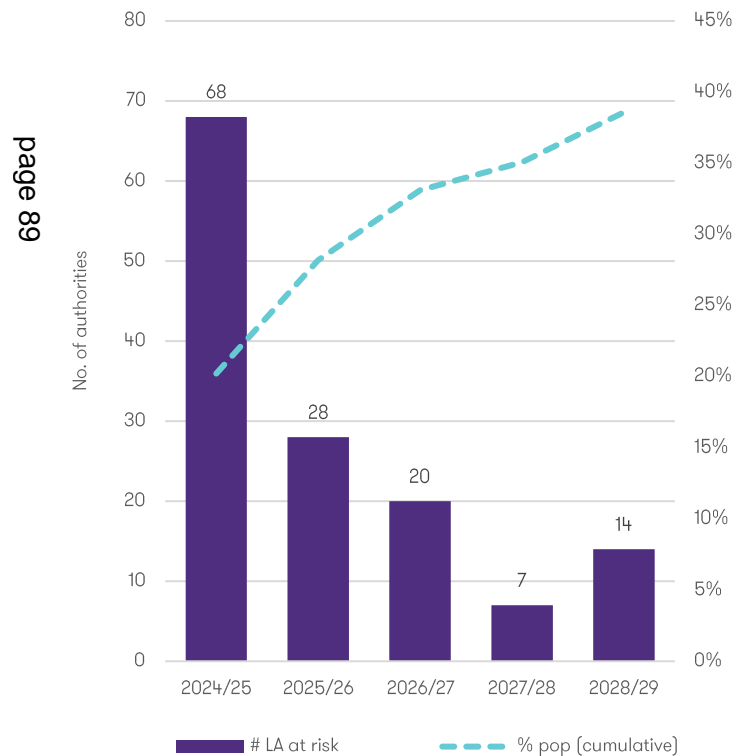
Local
government

The financial trajectory of the sector

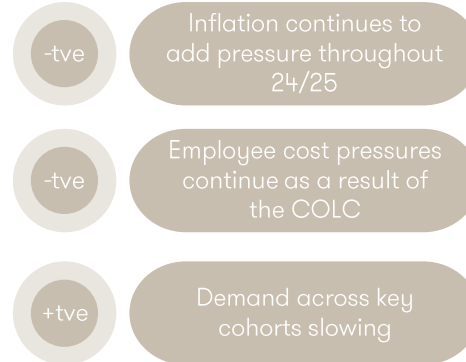
This is taken from the Grant Thornton/CIPFA Financial Foresight model, which provides long-term forecasts (revenue income and expenditure) for all councils in England. These forecasts are based on multiple assumptions relating to financial, demographic and economic factors. Councils at risk are defined by the level of usable reserves being less than 5% of net revenue expenditure.

The year at risk graph on the left represents the most recent update of the assumptions including the impact of the Autumn Statement and draft 2024/25 finance settlement. The graph on the right provides the position before this most recent update. This highlights that the year at risk for many councils has moved forward to 2024/25. The graph at the bottom of the page highlights the forecast depletion of reserves nationally, as councils manage ongoing financial pressures.

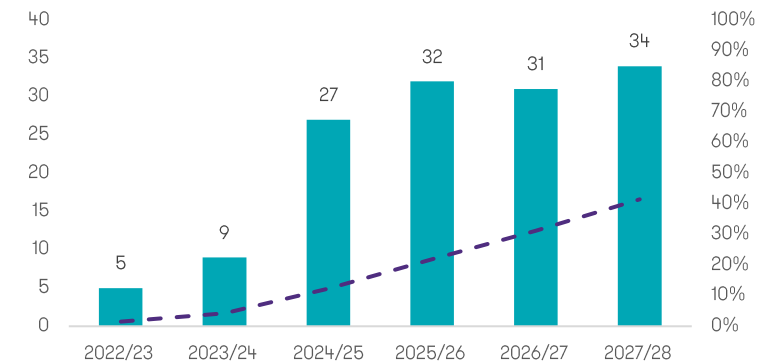
Year at risk (based on Jan 2024 forecast)



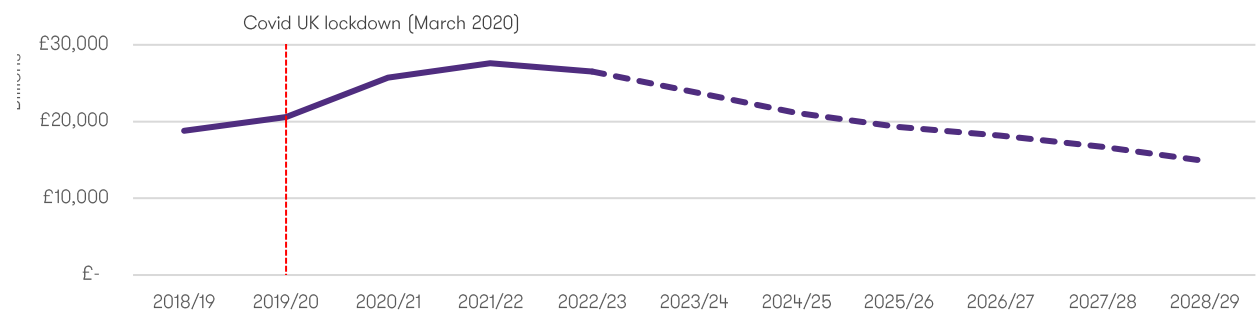
Assumptions



Year at risk (Historic Position)



Level of reserves



Source: Financial Foresight (Grant Thornton and CIPFA)

Addressing the delay in local audit

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November 2022. There has not been a significant improvement since, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated: [About time?: key challenges in local audit accounting](#).

Since 2019 Grant Thornton have increased our public sector audit team from 340 people to circa 470 which reflects both the additional work required by new accounting and auditing standards as well as the NAO Code of Practice requirements on value for money.

On 8th February 2024, DLUHC and the NAO both issued consultations on measures to address the delay in local audit. Consultations are open until 7th March 2024 and relate to:

- DLUHC - changes to the Accounts and Audit Regulations 2015 to introduce a backstop date of 30 September 2024 for the publication of audited accounts up to and including 2022/23, and a series of future backstop dates covering the remainder of the PSAA appointment period; and

- NAO - changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements.

The FRC, as shadow system leader, is facilitating the consultations. CIPFA/LASAAC are expected to go live on their proposals for time limited changes to the Financial Reporting Code for English bodies shortly.



Grant Thornton report: preventing failure in local government

Grant Thornton's December 2023 report Preventing Failure in Local Government offers prescriptions for remedies to support better health across the local government sector. The report looks at the opportunities that councils and their key internal and external players have to prevent failure, noting that the chain (of good governance) is only as strong as its weakest link.

The Audit Committee is listed as one of the key internal bodies with a role to play in preventing failure, along with the Executive, the Overview and Scrutiny Committee and the golden triangle of Chief Executive Officer; Finance Director; and Monitoring Officer. Opportunities for the Audit and Governance Committee to make a difference surround:

- focusing on risk management alone (not having multiple roles);
- independence (having an independent chair and at least one independent member);
- specialist training and support for members of the committee;
- direction over internal audit (setting the standard for strategic risk focus and timeliness); and
- curiosity and asking the right questions.

Sharing the Auditor's Annual Report with full council is also listed as important. The challenge for Audit Committees will be not only to maximise their own opportunities to prevent failure, but knowing the right questions to ask about whether the Executive and other committees and the three key statutory officers are making the most of their opportunities as well.

For insight into effective questions to ask, read the full report from Grant Thornton here: [How can further local authority failures be prevented? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/how-can-further-local-authority-failures-be-prevented/)



Mitigating financial distress in Local Authorities

On 29th January 2024, a report by the Levelling Up, Housing and Communities Committee highlighted that in the last six years, eight local authorities have issued a section 114 notice, whereas none had done so in the eighteen years before that.

Income related issues were highlighted in the report around the below-inflation cap on increasing council tax rates (referendum thresholds) and formulaic weaknesses with the business rates retention scheme. Council tax especially was singled-out as regressive, long overdue for reform, and contributing to a disproportionately negative impact on funding levels in the most deprived areas of the country.

Expenditure related issues were listed in the report as surrounding social care; special educational needs and disabilities; and homelessness. The report highlighted that for children's social care, even the Competition and Markets Authority has recognised that the level of competition in the market is "not working as well as it should be" at maintaining prices at reasonable levels for local authority purchasers.

The report shows that nearly one in five Leaders and Chief Executives of other local authorities who have not already issued a s114 notice do assess themselves as being at "tipping point" due to lack of funding.

Whilst most of the recommendations in the report are aimed at Government, there are some key takeaways for local authorities while they wait for any change that may come:

- have we set Council Tax at the highest level possible without a referendum? Future changes could see referendum thresholds increased or removed. Are Councils doing all they can now to maximise this source of income?
- are we collaborating as effectively as we can with other local authorities to influence market prices for the services we buy in?

For insight into effective questions that Audit Committees can ask, read the full report here [*Financial distress in local authorities \(parliament.uk\)](https://www.parliament.uk/publications/2024/1/financial-distress-in-local-authorities/)



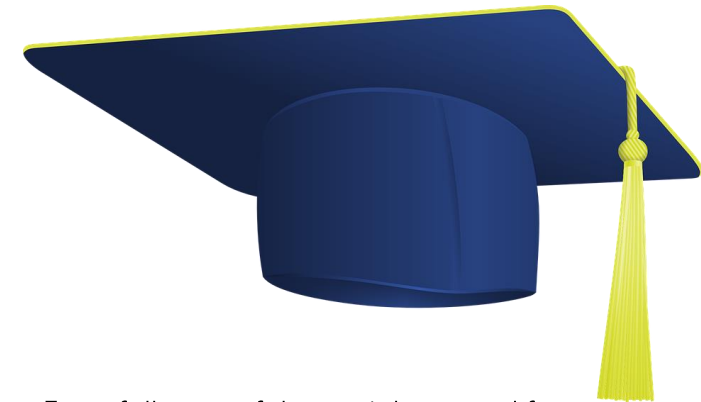
Learning from the Office for Local Government

On 15th February 2024, the Secretary of State for Levelling up, Housing and Communities set out, in an open letter to the Chief Executive of Oflog, the strategic remit for Oflog for the financial years 2024 to 2027, and the Office's priorities for the financial year 2024/25. The priorities are to:

- inform;
- warn;
- support; and
- engage.

Using the new Local Authority data explorer tool (launched in July 2023), the Office can currently use metrics on waste management, planning, adult social care, roads, adult skills and corporate/ finance to compare any one authority with the English median, CIPFA nearest neighbours and trends over time. The Office is expected to develop a new early warning system to identify local authorities that are at risk of serious failure (but have not raised the alarm themselves) and to conduct 'early warning conversations' with local authorities at risk. It will be also be offering a programme of webinars to share best practice between local authorities, and to help improve performance, productivity and value for money.

Local Authorities and their members can familiarise themselves now with the data explorer metrics already publicly available.



For a full copy of the remit letter and for access to data explorer metrics for your Local Authority see here:

[Remit letter from DLUHC Secretary of State to the Oflog Chief Executive - GOV.UK](#)
[\[www.gov.uk\]](#)
[About - Local Authority Data Explorer](#)

New workbook to support councillors in their work on community leadership

On 8th February 2024, the Local Government Association published a new workbook for Councillors, covering community leadership.

Effective community leadership matters because communities that are engaged tend to have happier, healthier people and lower levels of crime and anti-social behaviour. Declining voting and increased social detachments from local areas are also a concern. Councillors are in the unique position of being able to interface between citizens and the council and demonstrate directly what they have achieved for the people they represent.

The workbook shows that for effective community leadership, councillors need to:

- listen to and involve their local communities;
- build vision and direction;
- work effectively with partners;
- make things happen;
- stand up for communities;
- empower communities;
- be accountable; and
- use resources effectively.

With challenge questions; case studies; guidance, hints and tips; and a dedicated section for the opposition, the workbook makes for interesting reading for any councillor – new or already established.

[A councillor's workbook on community leadership | Local Government Association](#)



Making the most of levelling-up funds to local government

page 95

In November 2023, the National Audit Office published its report on whether the Department for Levelling Up, Housing and Communities’ levelling up funds are likely to deliver value for money. The three significant funds are the Towns Fund (Town Deals and Future High Streets Fund programmes); the Levelling Up Fund (local priorities with a visible impact); and the UK Shared Prosperity Fund (to increase life chances and build pride in place). Between them, these funds are worth up to £10.6 billion and aim to allocate £9.5 billion to local places to be spent by 31 March 2026. However, less than half of the monies given to local places across the three schemes by 31 March 2023 had been spent. Because under current arrangements the funds are time limited, there is a risk that some projects may never be started and others, in the haste to complete, may include sub-optimal decisions.

Many of the delay factors are beyond Local Authorities’ control: Rising costs, skills shortages and supply issues in the construction industry. However, the report does highlight that there are things Local Authorities can do to help with unblocking.

For the full report and an insight into wider recommendations for the Department, see [*Levelling up funding to local government \(nao.org.uk\)](https://nao.org.uk)

£10.6bn	total amount announced through the Towns Fund, Levelling up Fund and UK Shared Prosperity Fund, to support the government’s levelling-up agenda across the United Kingdom between 2020–21 and 2025–26
£9.5bn	the amount the Department for Levelling Up, Housing & Communities (DLUHC) has allocated to local places to be spent by 31 March 2026
£2.0bn	the amount DLUHC has given to local places so far across the three funds at 31 March 2023
£0.9bn	the amount spent by local places at 31 March 2023



Report to: Audit and Governance Committee

Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Statement of Accounts 2023/24 – Review of Accounting Policies

Report summary:

It is good practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted in advance of the preparation of the Accounts.

At this stage there are no changes for 2023/24 identified.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

To approve the Accounting Policies for the 2023/24 Statement of Accounts.

Reason for recommendation:

Members of the Audit and Governance Committee have responsibility for the approval of the Annual Statement of Accounts.

Officer: John Symes, Finance Manager, jsymes@eastdevon.gov.uk, 01395 517413

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sports and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
 - ☒ A greener East Devon
 - ☒ A resilient economy
-

Report in full

1. Background and Proposals

- 1.1 This report presents the proposed accounting policies to be adopted for the 2023/24 financial year and to be used in the preparation of the statement of Account for the financial year ending 31st March 2024. Adopting the proposed policies will support the timely production of a high quality set of annual accounts.
- 1.2 The CIPFA (Chartered Institute of Public Finance and Accountancy) LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Local Authority Accounting Board is a standing committee of CIPFA and LASAAC and is responsible for developing the Code of Practice on Local Authority Accounting in the United Kingdom.
- 1.3 The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of the Council. It is reviewed continuously and normally updated annually by the CIPFA / LASAAC Local Authority Board, effective for the financial years commencing 1 April.
- 1.4 As specified by regulation 21(2) of the Local Government Act 2003, all Local Authorities in the United Kingdom are required to keep their accounts in accordance with 'proper (accounting) practices'. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 1.5 It is therefore essential that the Council's own internal accounting policies are aligned and updated to reflect changes to the Code of Practice and for other transactions that occur during the reporting year.
- 1.6 The Code specifies the principles and practices of accounting required to give a "true and fair view" of the financial position, financial performance and cash flows of the Council.
- 1.7 For 2023/24 there are currently no changes identified. Any further changes to accounting regulations may require the policies to be changed further, but none are anticipated. Any significant changes will be reported to the committee.
- 1.8 The draft accounting policies will also be reviewed by the external auditors, Grant Thornton as part of the audit of the accounts and so are still subject to change up to the point the final Statement of Accounts document is approved and signed. Any major changes will again be highlighted to the committee at a future meeting.
- 1.9 The accounting treatment for Infrastructure Assets has been clarified by CIPFA in a temporary solution (CIPFA Bulletin 12 Accounting - Infrastructure Assets - Temporary Solution). We are implementing this temporary solution where we are not required to report the values for gross book cost and accumulated depreciation, as these values may not be measured accurately due to historical reporting practices.
- 1.10 The proposed accounting policies are presented via the link within the report and do not depart from the provisions of the Code.

2. Future Key Accounting Changes

- 2.1 The Leasing Standard IFRS16 which was due to be adopted on 1st April 2020 by Local Government has been delayed again to the 2024/25 financial year, this will bring leased assets onto the balance sheet where the lease period exceeds one year.

Financial implications:

The policies set out for approval underpin the Council's reporting on its financial performance and position. There is little discretion to depart from the policies set down by the Code.

Legal implications:

The legal position is detailed in the report and no further comment is required.

EDDC Accounting Policies for adoption by the Audit & Governance Committee

Note 1 Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the authority's transactions for the 2023/24 financial year and its position at the year end of 31 March 2024. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The Council therefore treats all fixed term deposits, which have no contractual provision for early redemption, and if they were redeemed early would suffer a penalty of at least a loss of interest, as investments.

In the Cash Flow Statement, cash and cash equivalents include bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

1.4 Changes in Accounting Policies, Prior Period Adjustments and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.5 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding property, plant and equipment during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible property, plant and equipment attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Payment (MRP) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The provisions for charges to revenue for non-current assets in the HRA were amended on 1 April 2012 following the introduction of HRA self-financing. The Major Repairs Reserve is increased and the HRA balance is decreased by a sum equal to depreciation on all HRA non-current assets so that the depreciation on non-dwelling assets is now a charge to the HRA.

1.6 Council Tax and Non-domestic Rates

Billing authorities act as agents collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate

fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR included in the Comprehensive Income & Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund, is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments) the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are the amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits from the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the authority are members of the Local Government Pensions Scheme, administered by Devon County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme

The Local Government Pension Scheme is accounted for as a defined benefits scheme.

- The liabilities of the Devon County pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.
- The assets of Devon County pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - Property - market value.

The change in the net pensions liability is analysed into the following components:

- **Service cost comprising:**
 - Current service cost - the increase in liabilities as a result of years of service earned this year; allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
 - Net interest on the net defined benefit liability i.e. net interest expense for the authority is the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- **Re-measurement comprising:**
 - Return on plan assets – excluding amounts included in the pensions interest cost and expected return on pension assets – charged to the Pensions Reserve as Other comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- **Contributions paid to the Devon Pension Fund:**

- Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period
 - the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period
 - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that the participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and

best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

1.10 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement. Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.11 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); (a separate accounting policy is required for financial instruments held at fair value through other comprehensive income).

The business model of the council is to hold investments to collect contractual cash flows. Financial assets are therefore classified at amortised cost, except for those whose contractual

payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are then measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has from time to time made a number of loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the de-recognition of an asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased substantially since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased substantially or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council recognises fair value gains and losses on its pooled Short-term Investment Funds, as they arrive, in the Surplus or Deficit on the Provision of Services. This is a requirement under IFRS 9. There is a “statutory reversal” which means that the impact of this

change in valuation does not hit the “bottom line” or taxpayers. The impact is reversed out and placed in an unusable reserve.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains or losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure, along with any net gain or loss related to the asset that has accumulated in the unusable reserve.

Financial Assets Measured at Fair Value through Other Comprehensive Income

The Council has acquired shares in certain entities to fulfil the service objectives of the Council. These equity instruments are not held for trading and under IFRS 9, the Council has elected to designate them as Fair Value through Other Comprehensive Income (FVOCI) so that gains and losses will be recognised through Other Comprehensive Income on the face of the Income Statement. There is a “statutory reversal” which means that the impact of this change in valuation does not hit the “bottom line” or taxpayers. Any impact is reversed out and placed in an unusable reserve.

1.12 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.14 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the authority in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the authority as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

Exeter City Council, East Devon District Council and Teignbridge District Council each share control of Strata Service Solutions Ltd, which was incorporated on 15 May 2014 under the

Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity financial statements for each authority reflect their respective shares of Strata Service Solutions Limited. However, the accompanying notes to the authority's financial statements only include information relating to Strata Service Solutions Limited where this would make a material difference to the usefulness of those notes.

1.15 Long term contracts

Long term contracts are accounted for on the basis of charging the Surplus and Deficit on the Provision of Services with the value of the works and services received under the contract in the financial year.

1.16 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at a cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated, but assets included in the Balance Sheet are revalued sufficiently regularly in a rolling 5 year cycle to ensure that their carrying amount is not materially different from their fair value at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund are therefore reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.17.1 The authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.17.2 The authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.18 Overheads and Support services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.19 Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

PPE Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

PPE Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- a de minimus level of £20,000 has been agreed for Capital Expenditure. Any costs below are charged to revenue.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.
- Where an item of Property, Plant and Equipment has major components whose costs is significant in relation to the total cost, the components are depreciated separately.

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

PPE Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

PPE Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives.

An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases and charged in the year of disposal, but not acquisition:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the vehicle, plant, furniture and equipment as advised by a suitably qualified officer
- infrastructure – straight-line allocation as estimated by the valuer.

Where an item of Property, Plant and Equipment valued at greater than £1,000,000 has major components whose cost is more than 20% in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of property, plant and equipment is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

1.20 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.21 Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

1.22 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.23 Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.24 Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) which was introduced by the planning Act 2008 and the Community Infrastructure Levy Regulations 2010 (SI 2010/948) as amended, is a discretionary charge which the Council charges on new development in the area from 1 September 2016.

CIL charges are based on a formula which relates the charge to the size of the development. The proceeds of the levy are spent on infrastructure to support the development of the district. East Devon District Council is the chargeable body and collects the levy on behalf of Town and Parish councils.

CIL is recognised on an accruals basis at the commencement date of the development as part of Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

CIL income applied to meet the administrative expenses of the scheme is recognised immediately in the Comprehensive Income and Expenditure Statement.

1.25 Rounding

The main statements have been adjusted so that rounding issues do not create casting differences. Within the notes, however, figures have been taken directly from working papers. It is not the Councils policy to adjust for immaterial casting differences within the notes or cross-casting differences between the main statements and disclosure notes.

Report to: Audit and Governance Committee

Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Financial Monitoring report 2023/24 – Month 9 December 2023

Report summary:

The following report was presented to Cabinet on 28 February 2024.

The report is presented to Audit & Governance Committee to inform the Committee of the financial position for month 9 December 2023 and to note any recommendations to Council.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

1. To note the Financial Monitoring month 9 (December) 2023 position and the recommendations to Cabinet on 28 February 2024.

Reason for recommendation:

To report the Financial Monitoring position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital expenditure.

Officer: John Symes – Finance Manager, jsymes@eastdevn.gov.uk, 01395 517413

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information [Agenda for Cabinet on Wednesday, 28th February, 2024, 6.00 pm - East Devon](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
 - ☒ A greener East Devon
 - ☒ A resilient economy
-

Financial implications:

The financial details are included in the report.

Legal implications:

Any legal implications are identified in the report and no further comment is required.

Report to: Audit and Governance Committee

Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Partnership Review 2022/23

Report summary:

Partnership information for the 2022/23 financial year until March 2023 is supplied to allow the Audit and Governance Committee to monitor the status of our partnerships. This follows the year-end review of partnerships by responsible officers for 2022/23.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That A&G committee receive the report for review in line with the current policy.

Reason for recommendation:

That the Audit and Governance Committee considers the current status of our partnerships.

Officer: Simon Davey, Strategic Lead - Finance sdavey@eastdevon.gov.uk

Joanne Avery, Management Information Officer javery@eastdevon.gov.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☒ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Medium Risk; Failure to identify, assess, monitor, review and manage partnerships could impact negatively (i.e. financial, reputational, operationally) on the council.

Links to background information [Appendix A – Partnership Review 2022/23](#)

[Link to Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☐ A resilient economy

Report in full

1. The EDDC's Partnership Policy requires all partnerships identified by the council to be reviewed annually. There are currently 12 active partnerships as defined by our policy which states that EDDC uses the following as the definition of a partnership: "An agreement between two or more independent bodies to work collectively to achieve an objective." Also a partnership must reflect the following criteria:
 - critical to the delivery of the Council's corporate priorities.
 - strategic in nature.
 - require significant resource input from the Council.
 - have constitution and governance arrangements in place.
 - have multi-agency membership.
2. For this review all lead officers involved with a partnership were asked to assess the overall partnership, reviewing budget issues, achievements, forward plans and the ongoing benefit of continuing engagement with the partnership.
3. The partnerships are active and met at least three times annually, some more often. There are no major current budget issues with any of the partnerships although most receive some funding from EDDC. It is recommended that our involvement with each of the partnerships continues with benefits of continued engagement with each being outlined below.

Partnership	Active or inactive partnership	Benefit of continued engagement and links to council priorities
Shared ICT service with Exeter City and Teignbridge Councils (Strata)	Active	Council Plan Outstanding Council: efficiencies - both financial, time saving and service resilience
South West Audit Partnership (SWAP)	Active	Council Plan Outstanding Council: efficiencies - both financial, time saving and service resilience
Exeter Science Park (Exeter Science Park Company Ltd – ESPL)	Active	Key objective of the Council is delivery of a thriving, competitive local economy
Cranbrook Strategic Delivery Board	Active	The delivery of the Cranbrook new community cuts across all of the key priorities in the Council Plan.
Enterprise Zone	Active	Continued delivery of new employment space and job opportunities. Overcoming barriers to delivery including in relation to Cranbrook town centre.
Placemaking in Exmouth Town and Seafront Group (formerly	Active	Better homes and communities for all. A resilient economy.

Partnership	Active or inactive partnership	Benefit of continued engagement and links to council priorities
Exmouth Queen's Drive Delivery Group)		<p>To monitor progress on achieving the delivery of Place Making in Exmouth Town and Seafront.</p> <p>To support further engagement of public and stakeholders.</p> <p>To liaise and share information with Exmouth Town Council and other stakeholders.</p>
Exe Estuary Partnership	Active	To support the conservation and management of an internationally site for both wildlife and to educate and inform its users.
Devon Rural Housing Partnership	Active	To help ensure that good quality rural affordable housing for local people continues to be delivered in an attempt to meet the need.
DCHOP (Devon & Cornwall Housing Options Partnership)	Active	<p>Sharing of good practice.</p> <p>Opportunity to discuss issues and solve problems with other LA's.</p> <p>Shared training (and cost benefits).</p> <p>Joint working opportunities, including joint funding bids.</p> <p>Consistent and supportive approach to challenges such as new government legislation, funding cuts etc</p>
Blackdown Hills National Landscape (formally AONB)	Active	<p>Proven partnership delivering Statutory AONB Management Plan and Duty of Regard for EDDC under Sec 85 CROW Act 2000</p> <p>Significant multiplier of EDDC's contribution Continuation of partnership working with key public and private sector partners.</p> <p>Ability to access additional funding for local projects</p> <p>Working with farming & local communities – e.g. via farm facilitation group (with 110 farmer members)</p>
East Devon National Landscape (formally AONB)	Active	<p>Proven partnership delivering Statutory AONB Management Plan and Duty of Regard for EDDC under Sec 85 CROW Act 2000</p> <p>Significant multiplier of EDDC's contribution Continuation of partnership working with key public and private sector partners.</p>

Partnership	Active or inactive partnership	Benefit of continued engagement and links to council priorities
		<p>Ability to access additional funding for local projects e.g. Arts engagement, undergrounding power lines, nature recovery</p> <p>Working with farming & local communities – East Devon Farmers Group</p>
East and Mid Devon Community Safety Partnership	Active	It is a statutory requirement, but it does demonstrate the added value of partnership working. Links to funding streams for OPCC and Safer Devon Partnership.

4. A report showing the partnerships detail appears in [Appendix A](#).
5. A SWAP review was recently undertaken into our partnership monitoring arrangements with findings on; a need to review current policy with a best practice example given to consider, formal periodic review on performance of partnerships and consider a process for the declarations of personal interests. These are under review and the outcome of this will be presented to the committee in due course, but we did not want to hold up the reporting process under our current policy.

Financial implications:

There are no current financial implications

Legal implications:

There are no substantive legal issues to be added to this report.

Report to: Audit and Governance Committee

Date of Meeting 21 March 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Updated Corporate Fraud, Corruption & Compliance Strategy

Report summary:

This report covers 3 areas:

- The updated Fraud, Corruption and Compliance Strategy for 2024 to 2028. This new strategy incorporates many of the principles from the 'Fighting Fraud & Corruption Locally - a strategy for the 2020's' for local government.
- An overview of some of the key areas of work the team have been focussed on since 2020 and outcomes for 2023/24.
- Next steps – To produce a delivery plan which will include the areas of work to be prioritised for 2024/25.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

1. For Audit and Governance to approve the updated Corporate Fraud and Compliance Strategy for 2024-2028.
2. For delegated authority to be given to the Assistant Director responsible for Fraud and Compliance to finalise the strategy in consultation with the S151 officer and Chair of Audit and Governance Committee.
3. To note the outcomes of the work that has been achieved for 2023/24 and the next steps in producing a Delivery plan.

Reason for recommendation:

Without having a strategy there is no clear robust framework that provides for the Council's approach to managing fraud and the associated risks to the Council. This could potentially mean that the Council's objectives of having a zero-tolerance approach to fraud and corruption is not met, nor would one of the key themes, having a well-managed, financially secure and continuously improving Council that delivers quality services, be supported. Any fraud or error takes money away from services and undermines our ability to deliver against the council priorities.

Adopting the strategy will ensure that we are putting in place a robust framework for managing the risk of fraud and error within East Devon.

Officer: Libby Jarrett, Assistant Director – Revenues, Benefits, Corporate Customer Services, Fraud & Compliance 01395 517450

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Communications and Democracy
- ☐ Economy
- ☒ Finance and Assets
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

The strategy has been assessed as low as it provides a framework for fraud, corruption and compliance measures within the Council to ensure we are managing risks effectively. No impact has been identified on people from any of the protect characteristic groups at this stage. It should be noted that any investigation or action on an individual would fall under our Anti-Fraud, Theft and Corruption Policy or our Regulatory Enforcement and Prosecution Policy.

Climate change Low Impact

Risk: Medium Risk; Not having a clear strategy may increase the risk of fraud and error within EDDC.

Links to background information:

- [Annual Fraud Indicator | Crowe UK](#)
- [Fighting Fraud Corruption Locally Strategy 2020s | Cifas](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

Background

- 1.1 Each local authority is self-regulating in respect of how it deals with fraud and error.
- 1.2 The Council's Code of Corporate Governance Policy (Principle F) states that we will ensure effective counter fraud and anti-corruption arrangements are in place.
- 1.3 Fraud and Error on a national level has continued to increase at an alarming rate. The latest estimate is that public sector fraud is around £50.2 billion for 2021 compared to £40.4 billion for 2017, an increase of 25%. Excluding Benefits £8.8 billion relates to local government fraud and error.
- 1.4 The current strategy hasn't been updated since 2020. The main reason for the delay is due to prioritising government grant schemes as a result of the Covid-19 pandemic and the Cost-of-Living Crisis, resulting in resources being diverted to delivering emergency financial support to our residents and businesses. Focus has now been directed at getting compliance issues up to date, including areas such as reliefs and exemptions for Business Rates and Council Tax, completing the National Fraud Initiative and carrying out the Empty Homes review for the New Homes Bonus.

2.0 What is our strategy?

- 2.1 Our strategy reflects the Fighting Fraud Corruption Locally 2020 Strategy (FFCL 2020 Strategy) which is the counter fraud and corruption strategy for local government. This has been produced by senior local authority experts along with partners who work with councils on counter fraud activities. This will ensure that we are putting in place a robust framework for managing the risk of fraud and corruption.
- 2.2 Our strategy draws on the 5 key pillars which are Govern, Acknowledge, Prevent, Pursue and Acknowledge, and details our commitments under each one. These commitments reflect the FFCL checklist which is a practical programme for local authorities to follow.
- 2.3 As part of our Strategy we will be providing Audit and Governance Committee with an annual report on the delivery plan and outcomes of this work.

3.0 Resources to support Fraud & Compliance

- 3.1 The Council has dedicated resource to support fraud and compliance activities:
 - One Full time Fraud and Compliance Officer
 - Two shared Revenues Assistants (work across 3 disciplines – Business Rates, Sundry Debts and Fraud and Compliance)
 - Revenues, Fraud and Compliance Manager (manages 3 disciplines – Business Rates, Sundry Debtors, Fraud and Compliance).

The team sits under the Assistant Director for Revenues, Benefits, Customer Services, Fraud and Compliance which is part of the Finance Directorate and is within the remit of the Portfolio Holder for Finance.

- 3.2 Due to changes in staff personnel we are currently developing the team to make sure that we have the right level of competency to deal with the full range of counter fraud and corruption activities. Our Corporate Fraud & Compliance Officer is currently undertaking the CIPFA Accredited Level 4 Counter Fraud Apprenticeship (includes the Accredited Counter Fraud specialist course). The Revenues, Fraud and Compliance Manager has just finished the CIFAS Accredited Counter Fraud specialist course.
- 3.3 In addition to the above there are also fraud resources available within SWAP (Southwest Audit Partnership) who also support this work. The aim will be to work much more closely with them as part of the delivery plan. For instance, any investigations in relation to employees would be conducted by SWAP to ensure impartiality.
- 3.4 Partner networking is being developed with other fraud teams including DAP (Devon Audit Partnership). An example of an area of work where we are working in collaboration is in relation to carrying out a single person discount review which is being funded by Devon County Council. We recognise the value and wider benefits of doing this.

4.0 Overview of work completed since 2020

- 4.1 Since March 2020 Covid has had a big impact on the proactive work the team have been able to undertake as they have primarily been focussed on delivering government schemes, initially for Covid-19 and then the Cost of Living Crisis.
- 4.2 The team worked on delivery of the covid grants from March 2020. In total there were 13 different business grant schemes that Councils had to deliver. This work included risk assessments, delivery, management reporting and reconciliation for the Department for Business, Energy & Industrial Strategy (DESNZ) formerly BEIS (Department for Business, Energy & Industrial Strategy).
- 4.3 The final business grant scheme ended on 31 March 22. However, since then the team have had to conduct post payment assurance checks on each business grant scheme, provide documentary proof to evidence certain claims as part of the DESNZ audit, along with recovery of any fraudulent payments claimed:

- A total of 15,856 grant applications were approved across the different business grant schemes.
- £86.5m was paid out to businesses in East Devon
- 560 applications were rejected at application stage, stopping around circa £4.2m of potentially fraudulent grants from being paid.
- 15 grants paid in error that we have either recovered or passed to DESNZ to deal with.

This work was signed off by DESNZ on 1 February 2024.

- 4.4 The Team have also carried out fraud risk assessments on other grant schemes such as the Energy Rebate Scheme, the Energy Bill Support Scheme and post payment assurance checks using the government recommended fraud tool.

5.0 Outcomes for 2023/24

- 5.1 **Protect (Compliance work)** - The following areas of work have been carried out:

i) Retail Hospitality and Leisure (RHL)

A review of RHL rate relief was conducted to ensure that businesses in receipt of this relief were still eligible. Initially this scheme had been introduced by the government as a temporary scheme but continually extended support. Due to the value of relief being awarded (£6.8m) to over 1,000 businesses, we recognised the need to carry out a full review to ensure compliance with the scheme.

Outcome:

- Removal of RHL on 38 accounts - 22 removed as over the subsidy limit, opted out or did not qualify and 16 removed as review form not returned.
- £289,706.92 in relief being removed with businesses re-billed.

ii) Unlisted businesses /Under assessed business rates

Since the introduction of the Business Rate Retention Scheme, it is in the Council's interest to ensure that we are identifying business premises that either aren't in the rating list or there has been a material change resulting in an undervalued rating assessment. We use open-source data, internal data sets and regular inspections to identify and review cases as part of our compliance (protect) work.

Outcome:

- £673,090 additional business rates generated in 2023/24.
- East Devon retains £153,486.

iii) Empty Homes Review – New Homes Bonus

New Homes Bonus (NHB) is a grant paid by government to local councils to reflect and incentivise housing growth in their areas. The number of empty homes (unoccupied and unfurnished for over 6 months) are taken into account in the NHB calculation. We undertake a yearly review to ensure that any changes have been reflected on our council tax records in time for the government return, thereby maximising our income from the NHB. There are companies that offer to do this work for Councils as many don't have the resources or prioritise this as an area of work.

Outcome:

- £185,563 of additional New Homes Bonus revenue generated.
- £38k was saved by not using an external company and conducting this review in house. Total £233,653.

iv) National Fraud Initiative (NFI) – data received January 2023

The NFI is a data matching exercise carried out by government. Its primary purpose is to identify and prevent fraud and error in the public sector.

The NFI works by comparing data from various public sector organisations, such as local authorities, government departments, and other public bodies, to identify inconsistencies, discrepancies, and potential cases of fraud or error. The data that is compared includes information on areas like Housing Benefits, Council Tax, and payroll. This is work we are required to review:

Outcome:

- 668 cases reviewed as part of the exercise.
- 1 case currently being investigated.

5.2 Pursue

i) 73 allegations of fraud referrals received and 16 open cases with the Single Fraud Investigation Service within the Department for Work & Pensions (DWP). The breakdown of these is as follows:

- 58 Council Tax (Council Tax Reduction, discounts, etc)
- 4 Business Rates (Rate reliefs, not rated, etc
- 11 Tenancy
- 16 open DWP cases and 2 cases have been passed to Crown Prosecution Service.

Outcome:

- So far 39 cases closed with a combined value of £27,961 in savings.

5.3 In addition to the above the team are working on a review of Small Business Rates Relief, finalising a lengthy rates avoidance/compliance litigation matter, preparing for starting the Council Tax Single Person discount review and working with other teams in relation to our 'prevention measures'.

5.4 In summary the value of the completed work undertaken in relation to 'protect' and 'pursue' from the above is over £1m of additional taxation income. The direct income to EDDC is circa £350K.

6 Next steps

6.1 Recommendation 2 is for delegated authority to be given to the Assistant Director responsible for fraud and compliance to make any final amendments to this strategy in consultation with the Chair of Audit and Governance Committee and the S151 Officer. This is primarily to take account of any feedback from SWAP. The principles and approach of this strategy will remain unchanged.

6.2 Assuming the updated strategy is approved (recommendation 1) the next stage is to produce a Delivery Plan that will sit under this strategy that will take account of the following areas:

- Full assessment against the FFCL checklist to address areas of governance we need to improve upon.
- Ensure that all key findings from the SWAP Fraud Audit (September 2022) have been addressed or reflected in the Delivery plan.
- Areas to be prioritised for 2024/25 such as completing Small Business Rate Review, Single Person Discount Review and Empty Homes Review to maximise New Homes Bonus.

- Input from Strategic Leadership Team on the draft delivery plan

6.2 Our aim is to bring this to the next Audit and Governance meeting on 25 July 2024.

7.0 Conclusion

7.1 With fraud on the increase, it is important that we target our resources to areas that will have the best preventative effect. This strategy together with a Delivery Plan will provide a clear approach and direction to how we will do this over the next four years.

Financial implications:

There is no additional budget request being made, this is an important strategy for the council in relation to income protection and protecting public money.

Legal implications:

It is important that the Council has an up-to-date and fit for purpose Fraud Strategy in place.

Corporate Fraud, Corruption and Compliance Strategy 2024 – 2028

Contents

1	Background
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5	Our Approach
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8	Monitoring and outcomes
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Issue Details	
Title:	Corporate Fraud, Corruption and Compliance Strategy 2024 - 2028
Version number	Version 2.0
Officer Responsible	Assistant Director - Revenues, Benefits, Customer Services, Fraud & Compliance
Authorisation by:	Audit and Governance Committee
Authorisation date:	21 March 2024
Review date:	No later than March 2028

1 Background

- 1.1 This strategy replaces the Corporate Counter Fraud and Compliance Strategy 2017-2020
- 1.2 The Council has a duty to protect the public purse. This strategy sets out the framework for counter fraud and corruption measures in the council and demonstrates our commitment to preventing, discouraging and detecting fraud and corruption whether carried out against the council or from within it.
- 1.3 We recognise that tackling fraud and error is an integral part of protecting the Council's Finances. Any fraud against the council leaves less money to spend on services for residents and costs taxpayer's money. Fraud against the council is not a victimless crime.

2 Our Strategic Aims

- 2.1 Our strategy has been developed to incorporate the 'Fighting Fraud and Corruption Locally Strategy 2020s' (FFCL 2020 Strategy) which is the counter fraud and corruption strategy for local government¹. It provides a blueprint for a coordinated response to fraud and corruption. This details the importance of a culture in which fraud and corruption are unacceptable, fraud risks are understood, fraud is prevented and better detected, and fraudsters are brought to account more efficiently.
- 2.2 The FFCL strategy has been produced by several senior local authority experts working with partners that work with councils on counter fraud activities, such as local authorities, Chartered Institute of Public Finance (CIPFA), Credit Industry Fraud Avoidance System CIFAS, Grant Thornton, Local Government Association (LGA), Society of Local Authority Chief Executives (SOLACE), etc. By reflecting the FFCL approach within our own strategy we will be ensuring we are putting in place a robust framework for managing the risk of fraud and corruption.
- 2.3 Each local authority is self-regulating in respect of how it deals with fraud and error. EDDC has a zero-tolerance approach to fraud and corruption and has a number of policies and controls in place to provide a robust governance framework. These include the Anti-Fraud, Theft and Corruption Policy, the Regulatory Enforcement and Prosecution Policy, Whistleblowing Policy, Anti-Bribery Policy, Employee and Member code of conduct, etc. This strategy sits as part of that wider governance framework.
- 2.4 This strategy also supports the new draft Council's plan (2024-2028) as one of the key themes is having a well-managed, financially secure and continuously improving council that delivers quality services. A clearly defined and robust fraud strategy assists this. Every pound that is lost to fraud and error is a pound that cannot be spent on services where they are needed.
- 2.5 The purpose of this strategy is to support East Devon District Council in becoming more resilient to current threats and those identified in the future.
- 2.6 The strategy's key objectives are to:

¹ [Fighting Fraud Corruption Locally Strategy 2020s | Cifas](#)

- Further develop an effective anti-fraud culture.
- Understand the harm that fraud can do in our communities.
- Assess and understand the fraud risks faced by East Devon District Council
- Prevent fraud more effectively.
- Make better use of technology to improve our response.
- Share information and resources more effectively.
- Improve the recovery of losses.
- Better detect fraud loss.
- Bring fraudsters to account more quickly and effectively.
- Protect those at risk.

3 Definition of Fraud and Corruption

- 3.1 The legal definition of fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.
- 3.2 The Fraud Act 2006² describes fraud as the intention to make gain or cause loss under three main headings:
- Fraud by false representation
 - Fraud by failing to disclose information
 - Fraud by abuse of position
- 3.3 Corruption is the dishonest or fraudulent conduct by those in power, typically involving bribery.

4.0 Landscape

4.1 National Picture

- 4.2 The following provides details on the national picture:

The 2023 Annual Fraud Indicator (AFI) published by Crowe, Peters & Peters and University of Portsmouth³ reports:

- Public sector fraud losses estimated to be £50.2 billion for 2021 compared to £40.4 billion for 2017, an increase of approximately 25%. With Fraud losses estimated to be over £50 billion.
- Within the £50.2 billion, fraud in local government (excluding benefits) increased from an estimated £7.8 billion in 2017 to £8.8 billion in 2021/22.
- Benefits and Tax Credit fraud saw an increase of 21% from £2.42 billion in 2017 to £2.93 billion in 2021/22 (this includes Housing Benefit and Council Tax Reduction).
- A further £4.6 billion is lost across several other public sector expenditure streams.

- 4.3 The following table highlights the public sector fraud risks that relate to a lower tier local authority:

Fraud Type	Description	AFI 2013 report (1)	AFI 2017 report (2)	AFI 2023 report (3)
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² [Fraud Act 2006 \(legislation.gov.uk\)](https://legislation.gov.uk)

³ [Annual Fraud Indicator | Crowe UK](#)

		Estimated loss	Estimated Loss	Estimated Loss
Housing Tenancy	Fraudulent applications for housing or successions of tenancy, and subletting of the property	£845m	£1,827m	£1,997m
Procurement	Tendering issues, split contracts, double invoicing	£876m	£4,436m	£5,041m
Payroll	False employees, overtime claims, expenses	£154m	£1,075m	£1,164m
Council Tax	Discounts and exemptions, Council Tax Reduction (CTR)	£133m	£60m published for CTR only	Not published
Grants	Works not carried out, funds diverted, ineligibility not declared	£35m	£94m	£153m
Housing Benefit	Fraudulent applications, not declaring changes in circumstances.	£350m	£1,000m	£704m

Figures taken from:

1 – Annual Fraud Indicator June 2013, page 15 - [National Fraud Authority - Annual Fraud Indicator \(publishing.service.gov.uk\)](#)

2 – Annual Fraud indicator 2017, page 17 - [annual-fraud-indicator-report-2017.pdf \(crowe.com\)](#)

3 – Annual Fraud Indicator 2023, page 18 - [Annual Fraud Indicator | Crowe UK](#)

(publication of report changed as National Fraud Authority was disbanded in 2014 and gap filled by Crowe, Peters & Peters and the University of Portsmouth)

4.4 The FFCL Strategy 2020 also highlights other areas of fraud risks for lower tier authorities:

Type	Description
Money laundering	Exposure to suspect transactions.
Right to Buy	Fraudulent applications under the right to buy/acquire
Business rates	Fraudulent applications for exemptions, reliefs, unlisted properties.
Disabled facility grants	Fraudulent applications for adaptations to homes aimed at disabled residents.
Insurance	False claims including slips and trips.

4.5 Our last strategy referenced a report by the European Institute for Combating Corruption and Fraud (TEICCAF)⁴ which highlighted the top ten corporate frauds investigated by Councils in 2015/16:

- Housing Benefit
- Tenancy
- Right to buy
- Council Tax
- Business Rates
- Procurement
- Insurance
- NRPF (No right to public funds)

⁴ [Corporate counter fraud and compliance strategy 2017 - 2020](#)

- Other
- Councillor /Employee

4.1.5 As part of our strategy we will acknowledge all these different types of fraud risks when developing our delivery plan.

4.1.6 The national picture highlights that Fraud is on the increase and there is no reason to suspect that the local picture will be anything different. The AFI Crowe UK report concludes that understanding the magnitude of the issue should stimulate more action by government, law enforcement, organisations and individuals to tackle the problem.

4.2 Local Picture - East Devon

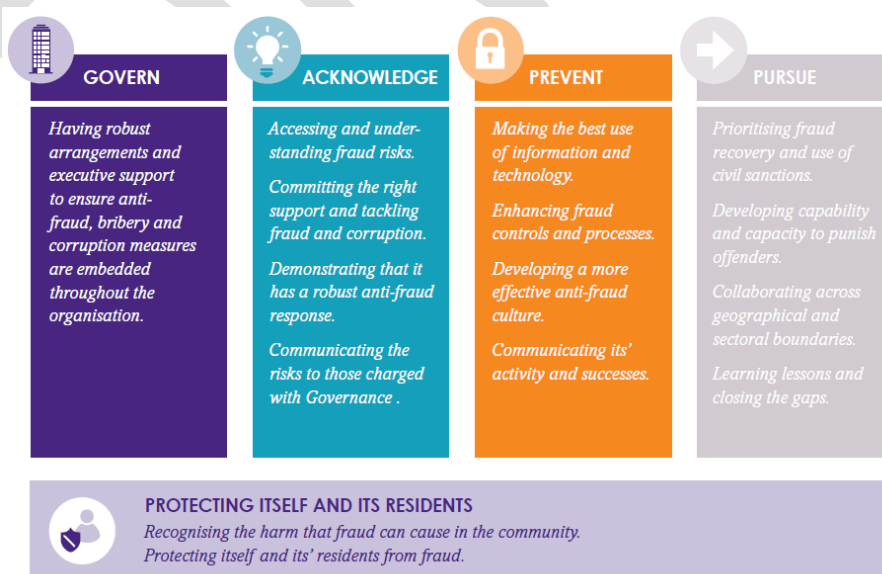
4.2.1 The AFI indicators do not breakdown the figures by geographical area which means there is no published information specifically in relation to fraud in the Southwest or in Devon.

4.2.2 Part of the work we will be doing moving forward is to record and monitor outcomes of fraud and compliance work so we can start to develop a local picture. We will use South West Audit Partnership (SWAP) audit reports and the Counter Fraud team fraud alerts and proactive fraud work to identify emerging fraud risks, work with other organisations such as Devon Audit Partnership (DAP) to help inform the local threats, and exploring more opportunities for collaboration and developing local benchmarking with Councils that do monitor fraud.

4.2.3 We will also use feedback from the Audit and Governance Committee meetings to inform our approach.

5.0 **Our Approach**

5.1 Our approach will be to use the '**five key pillars**' under the FFPL 2020 Strategy These are:



5.2 We will also use the six Cs within the FFCL Strategy to ensure our fraud response is comprehensive and effective and consider our performance against each of the six themes:

- Culture – creating a culture in which beating fraud and corruption is part of daily business.
- Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.
- Capacity – deploying the right level of resources to deal with the level of fraud risk.
- Competence – having the right skills and standards.
- Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes.
- Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation and information.

6.0 The Council's Commitment

6.1 To tackle fraud and corruption and reduce the effects of this to an absolute minimum, we have based the Council's commitment on the 5 pillars and incorporated the FFCL checklist into these to ensure consistency with their strategy.

6.2 Govern

Govern

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

We will commit to:

- Setting the tone from the top of the Council with the Strategic Leadership Team championing the fight against fraud and corruption.
- Ensuring Council Members and employees behave in line with the Seven Principles of Public life*
- Ensuring we are measuring ourselves against the checklist for FFCL.
- Have trained counter fraud resources in our organisation or access to one.
- Engaging with the Audit & Governance Committee where we will provide annual reports on the delivery plan and outcomes of our work.
- Working closely with SWAP and ensuring our external auditor is aware of this.
- Provide half yearly reports to the Strategic Leadership Team on counter fraud activity with measurable outcomes.
- Provide regular reports to our Portfolio Holder on the progress of our Delivery plan.
- Provide training to Members of audit committees and portfolio holder for Finance on counter fraud.
- Anti-fraud mandatory training will be provided to all staff and bespoke training for those areas where the fraud risk is high.
- Maintaining a Whistleblowing register and having procedures and support for those who come forward to report suspected fraud.
- Maintaining a fraud register and hold regular meetings between S151 officer, Monitoring Officer, and Assistant Director responsible for Fraud to review fraud allegations to ensure our approach is in line with our Anti-Fraud, theft and corruption policy.

* Seven principles: selflessness, integrity, objectivity, accountability, openness, honesty, leadership

6.3 Acknowledge

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

We will commit to:

- Undertake fraud risk assessments.
- Use appropriate data matching tools available to deter and detect fraudulent activities.
- Adopting best practice and learning from other Authorities in respect of counter fraud and corruption work.
- Horizon scanning of future potential risks.
- Developing a comprehensive delivery plan that takes account of the FFCL checklist.
- Ensuring that all staff understand how, where and when to report suspicions of fraudulent activity.
- Ensuring we have an effective Corporate Anti-Fraud resource with the appropriate accreditation.
- Working with all available internal and external partners and law enforcement agencies with a view to reducing the risk of fraud across all areas of the Council business.
- Maintaining a robust counter fraud and corruption response.

6.4 Prevent

Prevent

Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes, and developing a more effective anti-fraud culture.

We will commit to:

- Supporting proactive counter fraud activity
- Ensuring that the counter fraud and corruption strategy applies to all aspects of the local authority's business and has been communicated throughout the council and acknowledged by those charged with governance.
- Fraud and corruption risks are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies, and initiatives across all council services, and this is reported upon.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- We will put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to the audit committee.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics and other digital tools where possible.

- Using a proactive joined up approach to investigations across the Council and Cross boundary (if appropriate) to help generate income and savings.

6.5 Pursue

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

We will commit to:

- Giving Fraud investigators unfettered access to documents for the purposes of counter fraud investigation.
- Risk assessing any allegations of fraud or corruption.
- Producing a pre-investigation plan for Fraud allegations
- Consider the use of Compensation orders or the Proceeds of Crime Act to recover profits made by fraudulent means.
- Consider the use of applying sanctions, penalties or prosecuting where it is in line with our Regulatory Enforcement and Prosecution Policy.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business.
- Contractors and third parties sign up to the whistleblowing policy and we obtain evidence of this.

6.6 Protect

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

We will commit to:

- Carry out regular compliance reviews using a risk-based approach to protect public funds for areas of council business that are susceptible to fraud or corruption.
- Ensuring Strata is following the National Cyber Security Centre guidance and security best practice to make sure the best protection is afforded to the Council's environment. This includes but not limited to security awareness training, back up policy stored off site, software patches regularly updated, antivirus software and firewalls installed, password protection in place including PIN and facial recognition and multi factor authentications (NFA) enabled.
- Any weaknesses in the control environment are identified and steps taken to plug any gaps and improve systems.
- Highlighting potential scams and fraud risks to our residents where it is related to areas of our business.

- Prevention measures and projects are undertaken using data analytics and other digital tools where possible (also covered in Prevent)
- Ensuring legislation, policies and procedures are being followed to protect public funds

6.7 Through our commitment under the five key pillars, we are establishing a resilient framework for governing, acknowledging, preventing, pursuing and protecting the Council's finances and the harm that fraud can do. This in turn helps to safeguard important services to our businesses and residents.

7 Our Delivery Plan

7.1 As we are adopting the principles from the FFCL 2020 strategy we will put in place a robust delivery plan:

- The Delivery Plan will be developed in consultation with the Portfolio Holder for Finance.
- Each year the Audit and Governance Committee will review and agree the Delivery Plan
- The outcomes of this work will be reported annually to Audit and Governance Committee
- The Finance Portfolio Holder will be able to shape and inform this work.

7.2 The Delivery plan will address the following areas:

- Carry out a self-assessment against the FFCL checklist to identify areas for improvement to inform our workplan.
- Take account of emerging fraud risks, outcomes from SWAP audits and areas that are highlighted under the national picture as potentially high risk.
- Reflect on new and emerging fraud risks and use risk assessments to highlight business areas to concentrate on.
- At the end of each year we will review the outcomes and these will be used to inform future actions.

8 Monitoring and Outcomes

8.1 To ensure our work is accountable, we will monitor, review and report on our outcomes:

- We will produce a Delivery Plan with timelines and SMART objectives.
- Where possible we will record cashable and non-cashable savings* and ensure our approach is consistent with other Council Fraud teams.
- We will provide an interim report every 6 months to Executive Leadership Team on progress against the Delivery plan.
- We will report to Audit and Governance annually on the outcomes.
- Where possible we will capture data on demographics in-line with our Equality policy to understand any patterns /trends against those with protected characteristics to help inform any adjustments needing consideration.

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- We will measure our performance under the 6 c's:
 Culture
 Capability
 Capacity
 Competence
 Communication
 Collaboration

**Non- cashable savings include the right to buy discounts, costs of homelessness associated with the loss of a social housing property.*

Cashable savings includes; overpayments identified, money not paid out as a result of investigations or it represents 'future expenditure saved' as a result of the intervention.

9 Roles & Responsibilities

Responsibilities of Stakeholders	Specific Responsibilities
Chief Executive (Head of Paid Service)	<p>Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.</p> <p>Ensuring that the authority is measuring itself against the checklist for FFCL.</p>
Director of Finance (S151 Officer)	<p>Responsible for ensuring the fraud risk register is established and reviewed annually and maintained. For external cases this will be managed by the Revenues, Fraud and Compliance Manager and for internal matters for staff the register will be maintained by S151 officer.</p> <p>They will ensure the implementation of appropriate measures to prevent and detect fraud and corruption and that the fraud strategy and fraud delivery plan is consistent with legislation. They are responsible for the Corporate Fraud & Compliance Team ensuring that effective procedures are in place to identify fraud and to promptly investigate. They are also responsible for ensuring progress against annual fraud plans is reported to Executive Leadership Team bi-annually and Audit & Governance annually.</p>
Director of Governance & Licensing (Monitoring Officer)	<p>The Monitoring Officer will ensure a formal code of conduct is established and is widely publicised, a Register of Interests is maintained and the receipt of hospitality</p>

	<p>and gifts covering both Members and officers are recorded.</p> <p>They will ensure that The Public Interest Disclosure Act 1998 (whistleblowing) policy is maintained and available and that officers are able to make disclosures which will be treated diligently and robustly investigated.</p> <p>Responsible for maintaining and reviewing the corporate Whistleblowing Register.</p> <p>To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.</p>
Audit and Governance Committee	<p>To review the assessment of fraud risks and potential harm to the council from fraud and corruption. To monitor the counter-fraud strategy, actions and resources and the Council's approach to tackling fraud and corruption whilst promoting an anti-fraud culture. To review and approve the annual Corporate Fraud delivery plan and consider reports from the Head of Internal Audit/ Revenue Fraud & Compliance Manager on the Corporate Anti-Fraud Team's performance at mid-year and at year-end.</p>
Councillors	<p>To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.</p>
External Audit	<p>Statutory duty to ensure that the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.</p>
Internal Audit (SWAP)	<p>Responsible for evaluating the potential for the occurrence of fraud and how the organisation manages fraud risk.</p>
Assistant Director responsible for Fraud & Compliance Service / Corporate Fraud & Compliance Manager	<p>Responsibility for the co-ordination of the authorities' anti-fraud and corruption strategy, including the measures in place to govern, acknowledge, prevent, pursue and protect against fraud and corruption activity. Responsible for the Delivery plan including monitoring and measuring outcomes. Responsible for ensuring that a pre-investigation plan is produced, followed and approved (including corporate oversight) for allegations of fraud in line with the Anti-Fraud, theft and corruption policy.</p>

	A key co-ordination role in the National Fraud Initiative (NFI) which is a fraud prevention and detection exercise based around bulk data matching that is led by the Cabinet Office every two years.
Directors, Assistant Directors, Corporate Leads and Service Managers	<p>Responsible for managing the risk of fraud and corruption. To promote staff awareness and ensure that all suspected or reported irregularities are referred to the relevant officer in-line with the Anti-Fraud, Theft & Corruption policy for staff or Member related cases.</p> <p>The public can report via the fraud hotline or via the dedicated fraud email address. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls. It is vital that this group show leadership in supporting investigations into fraud and corruption and that they are responsive to implementing actions arising from this work. Their role in the NFI exercise is to provide data for matching and to analyse the outputs from the matching exercise and take any appropriate action.</p>
Employees	Our employees are the first line of defence against fraud and corruption. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. Also responsible for reporting malpractice through well established 'whistleblowing' procedures.

10 This strategy accompanies an established framework of internal policies, strategies, procedures and legislation

- ICO Code of Practice for data-sharing
- ICO Privacy Impact Assessment Code of Practice
- Members code of conduct
- Employee code of conduct
- Regulatory Enforcement and Prosecution Policy
- Code of corporate governance
- Anti-fraud theft and corruption policy
- Anti-bribery policy
- Contract Standing Orders
- Financial regulations procedures
- IS01 – Information Security policy
- IT02 – Information protection policy

- Proceeds of Crime Act (Anti-Money Laundering) Policy
- Procurement Strategy
- Recruitment and Selection Policy
- Whistleblowing Policy
- Devon Social Housing Fraud Forum Sanctions Policy
- Devon Home Choice Fraud Strategy
- Theft Act 1978 and the Fraud Act 2006
- Freedom of Information Act 2000
- Data Protection Act 2018
- Police and Criminal Evidence Act 1984
- Regulation of Investigatory Powers Act 2000
- Prevention of Social Housing Fraud Act 2013
- Proceeds of Crime Act 2002
- Money Laundering Regulations 2003 and 2007
- Serious Crime Act 2000

Audit and Governance Committee**21 March 2024****Audit and Governance Committee****Forward Plan 2024/25**

Date of Committee	Report	Lead Officer
25 July 2024	<ul style="list-style-type: none"> • Internal Audit Progress report • Internal Audit Annual Opinion Report 2023/24 • Revenue and Capital Outturn Report 2023-2024 • Risk Management Review • Strata Annual Internal Audit report 2022/23 	SWAP Finance Manager Management Information Officer DAP
19 September 2024	<ul style="list-style-type: none"> • Internal Audit Plan 2023-24 • Internal Audit Activity Progress report • Audit Progress report and Sector update • Financial Monitoring report 2023/24 - Month 4 July 2023 	SWAP Grant Thornton Finance Manager
21 November 2024	<ul style="list-style-type: none"> • Internal Audit Plan Progress report 2024/25 • Interim Auditor's Annual Report 2022/23 	SWAP Grant Thornton
16 January 2025	<ul style="list-style-type: none"> • Internal Audit Progress Report – December 2023 • Risk Policy update • 'Time for change' - External Auditor updates 	SWAP Director of Finance Grant Thornton

20 March 2025	<ul style="list-style-type: none"> • Annual Audit Plan 2024/25 and Review of Internal Audit Charter • Internal Audit Plan Progress • Auditor's Annual Report • Audit Committee update • Partnership Review 2023 • Accounting Policies Approval • Strata Annual Internal Audit report 2023/24 	SWAP Grant Thornton Management Information Officer Financial Services Manager DAP
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