

# Interim Auditor's Annual Report

## East Devon District Council

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.

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.

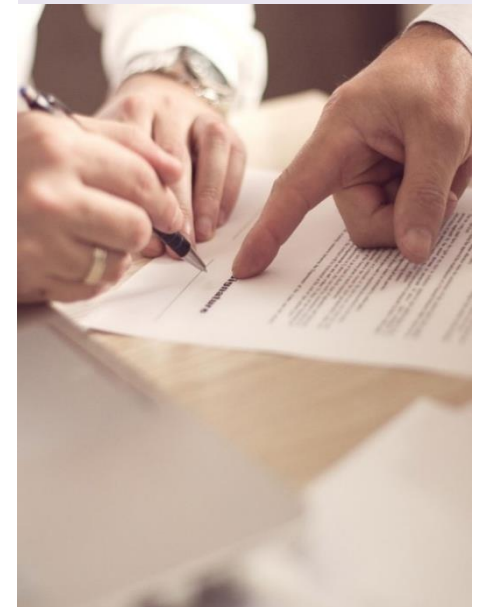
We note that the Council has seen an increase in corporate complaints during 2022/23 and that complaints were not always dealt with within expected timeframes. We understand that this is partly due to the rise in complaints in relation to the condition of some of the housing stock. We are pleased to 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
<p><b>Statutory recommendations</b></p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p><b>Public Interest Report</b></p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p><b>Application to the Court</b></p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p><b>Advisory notice</b></p> <p>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:</p> <ul style="list-style-type: none"><li>• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li><li>• 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</li><li>• is about to enter an item of account, the entry of which is unlawful.</li></ul>	<p>We did not issue any advisory notices.</p>
<p><b>Judicial review</b></p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

# 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.



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# The current LG landscape (continued)

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## 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


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

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

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)

## 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

Improvement Recommendation 6	<p>The Council’s financial planning arrangements should be further strengthened through:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• 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</li><li>• 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.</li></ul>
Improvement opportunity identified	<p>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.</p>
Summary findings	<p>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.</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 being worked upon and ties in with a recommendation in the Corporate Peer Review. To be implemented in 2024/25.</p>

# Improvement recommendations


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

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

<b>Improvement Recommendation 9</b>	<p>The Council should strengthen stakeholder engagement through the budget process. Specifically:</p> <ul style="list-style-type: none"><li>• 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</li><li>• wider Member consultation on the development of savings plans and budget proposals should be considered through cross party and Cabinet budget workshops.</li></ul>
<b>Improvement opportunity identified</b>	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.
<b>Summary findings</b>	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.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	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.
<b>Management comments</b>	Agreed This is likely to be relevant to the 2026/27 budget.

# Improvement recommendations

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.

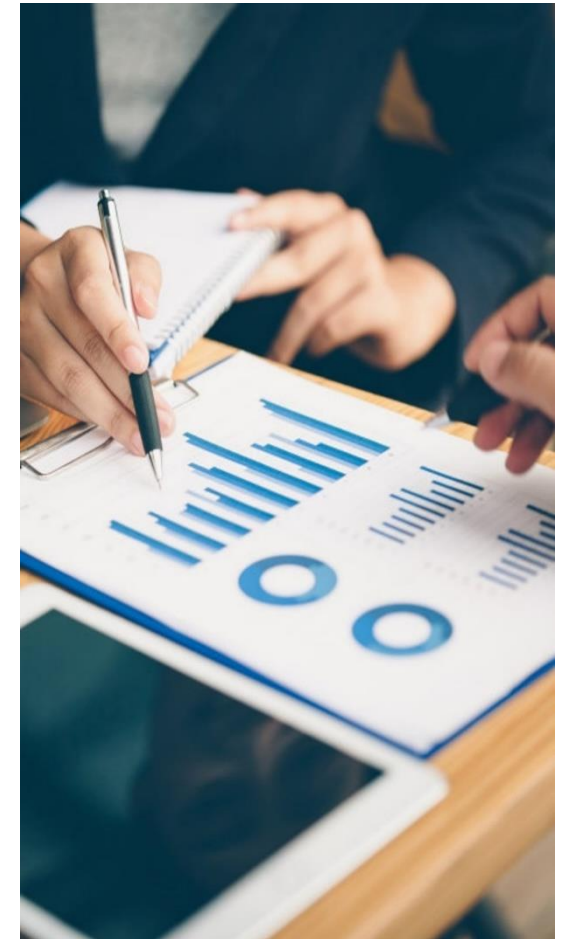
The KPIs are connected to two of the three Council Plan 2021 - 2023 priorities:

- 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.

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.

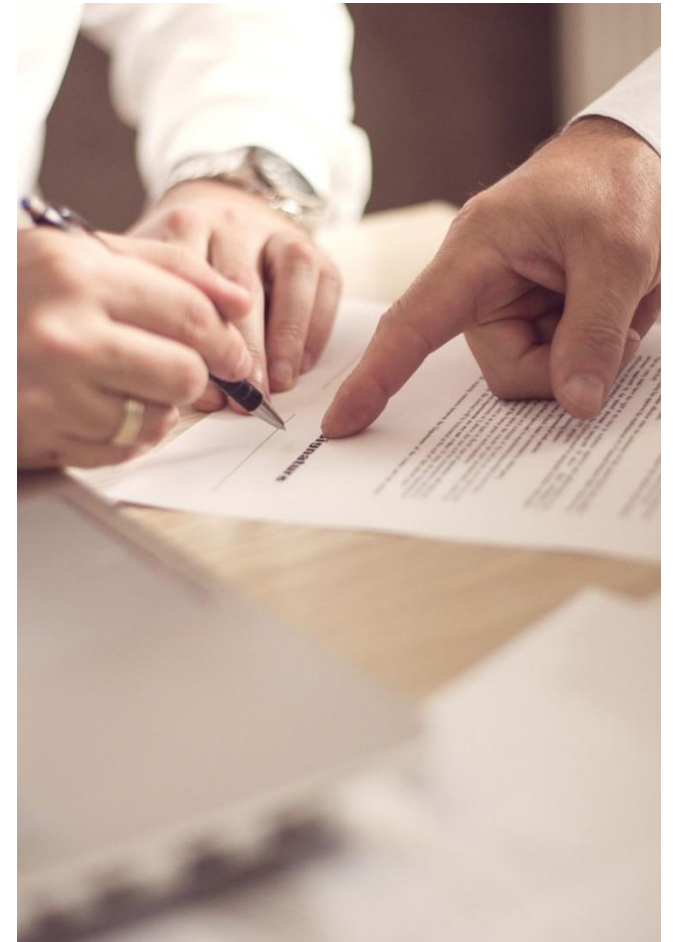
Contract managers are in place for the waste and housing repairs contracts and regular monitoring occurs. The Council have monthly contract monitoring meetings with Suez, as well as reporting on performance to the Joint Partnership Board quarterly. The Council engage with the contractor on a daily basis 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

Improvement Recommendation 11	In order to strengthen the Council’s performance management arrangements, consideration should be given to:	
	<ul style="list-style-type: none"><li>• developing a data quality policy/strategy;</li><li>• ensuring all performance indicators are SMART (specific, measurable, achievable, realistic, and time-bound) and linked across all Council priorities;</li><li>• reporting housing performance to the Housing Review Board quarterly; and</li><li>• developing a corporate approach to benchmarking with outcomes reported to the Scrutiny Committee.</li></ul>	
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	<p>We have identified weaknesses in arrangements to manage performance. These include:</p> <ul style="list-style-type: none"><li>• the absence of a data quality policy;</li><li>• 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”;</li><li>• while some benchmarking is used there is no corporate approach to benchmarking to identify areas for efficiency or service improvement; and</li><li>• 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.</li></ul>	
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	<p>Agreed</p> <p>A number of these actions are currently underway and will be implemented within 2024/25.</p>	

# Improvement recommendations

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

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

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

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

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

	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

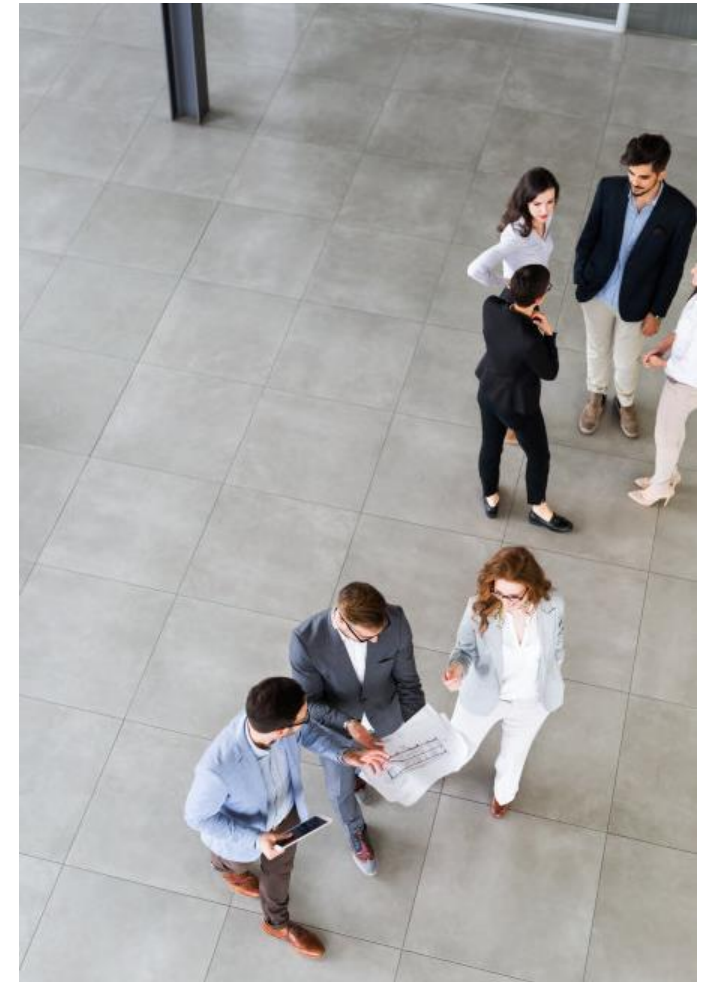


## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- 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.

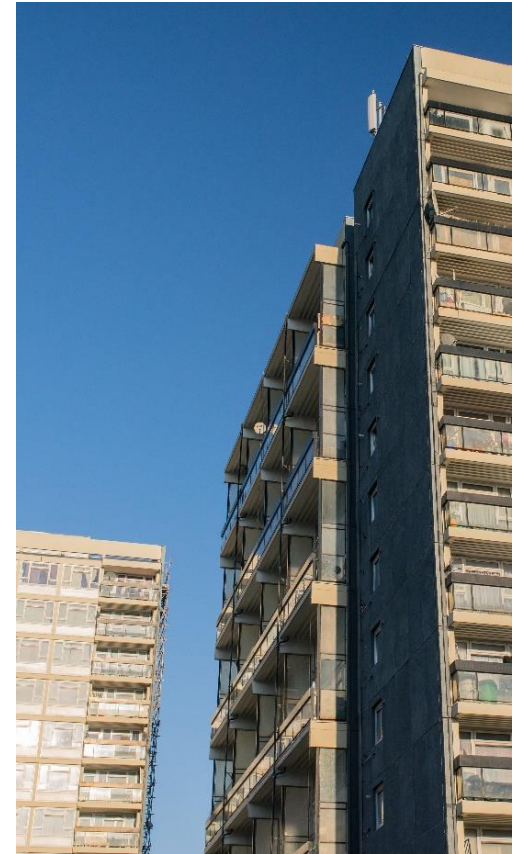
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

