

Auditor's Annual Report

East Devon District Council


2023/24

7 February 2025



Contents

Section	Page
Executive summary	3
Key Recommendations	6
Use of auditor’s powers	8
Securing economy, efficiency and effectiveness in its use of resources	9
The current LG landscape	10
Financial Sustainability	11
Improvement recommendations	17
Governance	20
Improvement recommendations	24
Improving economy, efficiency and effectiveness	29
Improvement recommendations	33
Follow-up of previous recommendations	37
Opinion on the financial statements	44
Appendices	
Appendix A – Responsibilities of the Council	46
Appendix B – An explanatory note on recommendations	47



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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another’s acts or omissions.

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 2023/24 is the fourth 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	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	2022/23 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risk of significant weakness identified.	R Significant weakness identified with regards to the financial health of the Housing Revenue Account. One key recommendation and three improvement recommendations made.	A No significant weaknesses in arrangements identified, but five improvement recommendations made.	↓
Governance	The following risks of significant weakness were identified: <ul style="list-style-type: none"> pervasive internal control or compliance issues. previous cultural issues and the operation of scrutiny arrangements. Timely production of financial statements and supporting working papers 	R Prior year significant weaknesses removed but a new significant weakness identified with regards to delays in the preparation and audit of the Council's Accounts. One key recommendation and five improvement recommendations made	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.	↔
Improving economy, efficiency and effectiveness	No risk of significant weakness identified.	A No significant weakness identified but four 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)



Financial sustainability

The Council reported a £0.765m underspend against its 2023/24 general fund revenue budget. This underspend was despite a cost of service overspend of £2.683m offset, in the main by additional investment income and business rates. The 2023/24 outturn for the Council's Housing Revenue Account (HRA) reports a £7.6m overspend against original budget due, in the main, to additional repairs and maintenance. This is very concerning and combined with significant pressures on the 2024/25 HRA budget that emerged after the 2024/25 budget was set represents a significant weakness in financial sustainability at the Council. We have raised a key recommendation in this regard, further details are set out on page 6.

We have also identified three opportunities for improvement, specifically:

- Effective monitoring of variations against budget;
- The effective management of identified financial risks;
- The timely development of an Asset Management Plan

Further details of these improvement recommendations are set out on pages 17-19.



Governance

In our Interim Auditor's Annual Report (AAR) for 2021/22 issued in December 2023 we raised significant weakness in governance arrangements relating to cultural issues, a lack of clarity between the roles of officers and Members and an ineffective Overview, Scrutiny and Audit and Governance Committees. Our work for 2022/23 (the Interim AAR was issued in March 2024) -recognised the considerable efforts made to address these issues and we are happy to report that both officer and members report better working relations and a more constructive work environment where they feel they are working towards shared goals. During 2023/24 both the Local Government Association (LGA), in the report of their Corporate Peer Challenge and the Centre for Governance and Scrutiny (CFGs) in the report of their review of the scrutiny function within the Council have noted progress on these matters. We now note that for 2023/24 that further progress has been made and we therefore no longer consider these to be a significant weakness in arrangements. The key recommendations made in 2021/22 will therefore be closed. We have made a new Improvement Recommendation for the Council to fully implement the recommendations from the LGA and CFGS reviews.

The Council has encountered significant delays in the preparation and audit of its financial statements. The last signed financial statements are for 2021/22 and the Council has missed the deadline for the publication of its 2023/24 financial statements. We have now agreed to backstop the 2023/24 opinion audit resulting in 3 years of audits dating back to 2021/22 being disclaimed. This represents a significant weakness in governance and we have raised a key recommendation in this regard, further details are set out on page 7.

In addition to the above recommendation regarding the LGA and CFGS recommendations we have also identified four other areas for further improvement, specifically:

- Further enhancements to risk management arrangements
- Presentation to the Audit and Governance Committee of information related to counter fraud work
- Enhancing the content of committee reports to provide more mandated information such as risk, equalities and climate change implications ; and
- Undertaking an effectiveness self-assessment of the Audit and Governance Committee .

Further details of these improvement recommendations are set out on pages 24-28.

For some of the improvement recommendation made in our Interim AAR for 2022/23, presented to Audit and Governance Committee in March 2024, the Council agreed to action these during 2024/25 and we will review progress on these recommendations in our 2024/25 work. Further details are set out on page 37.

Executive summary (continued)



Improving economy, efficiency and effectiveness

We have found no significant weaknesses in arrangements in relation to improving economy, efficiency and effectiveness

In 2022/23, we found good arrangements for reporting of performance with regular reports on performance to those charged with governance. We note this reporting has been less regular during 2023/24 and we would recommend that this issue is addressed during 2024/25. In April 2024, the Council adopted a new Council plan covering the period 2024 to 2028 and in May 2024 the Council appointed a new Chief Executive. We understand that arrangements to report on performance against the new Council plan are in development and should be put in place during 2024/25. We will therefore ensure during our 2024/25 review that regular reporting has been re-established.

During 2023/24 internal audit issued “Limited Assurance” report on performance management and strategic partnerships.

In 2022/23 we reported that the Council had seen an increase in corporate complaints and that complaints were not always dealt with within expected timeframes. This issue related significantly but not exclusively to the Housing Department. A report was presented on this matter to the Housing Review Board in January 2023, but no further progress update has been presented since.

We have identified four opportunities for improvement, specifically:

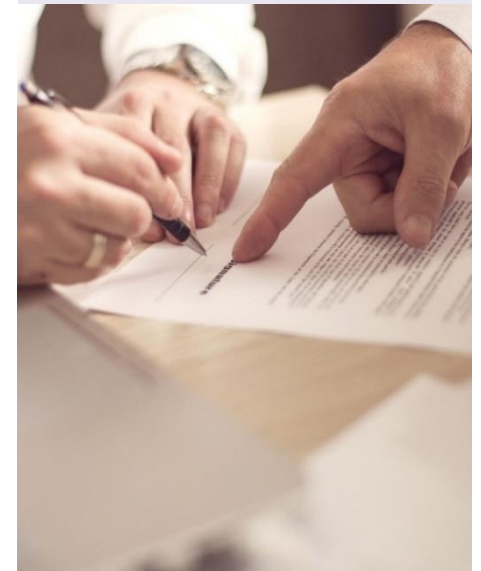
- The need to embed the improvements in performance management recommended in our 2022/23 Auditors Annual Report and the 2023/24 internal audit report on performance management
- An update report be presented to the Housing Review Board to update them on progress against agreed improvements in complaint handling in the Housing department
- The need to embed the recommendation of the internal audit report on strategic partnerships issued during 2023/24
- To ensure that any enhancements to procurement and contract management arrangements are completed in line with required timescales to meet the requirements of the 2023 Procurement Act and embedded as business as usual and that the number and extent of waivers and exemptions to contract rules is periodically (at least annually) reported to those charged with governance.

Further details of these improvement recommendations are set out on pages 33-36 of this report.



Financial Statements opinion

The Council published its draft 2023/24 financial statements on 14 August 2024. The Council was not able to support the audit process, and as a result, these accounts will be backstopped. Further detail can be found on page 44.



Executive summary (continued)



Significant weakness identified in Financial Sustainability arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing financial sustainability. We reviewed the Council's arrangements to deliver financial sustainability and have concluded that there was a significant weakness in arrangements as set out below.

Housing Revenue Account (HRA)

The Council has unidentified savings/funding gaps in financial planning that substantially threaten operation of the HRA. There were significant inconsistencies between budgetary information and the Council's predicted financial outturn position in 2022/23, 2023/24 and 2024/25. The HRA outturn for 2023/24 shows a significant budget overspend. The Revenue budget was overspent by £7.1m, the Capital Programme budget was overspent by £5.1m. The Council has had to borrow an additional £2.5m to fund the Capital overspend.

There has also been unsustainable use of reserves to plug the budget gaps to the extent that there are now no useable reserves left from which to plug the anticipated budget shortfall in 2024/25. The £9.4m earmarked reserves utilised in 2023/24 included money set aside for new homes and climate change development work and Fire Risk Assessment Building works and Lift replacements. As at 31 March 2024 the Council therefore no longer had any reserves set aside to pay for any of these items. The Council has made provision for these items in the revised 2024/25 and 2025/26 budgets however this will require additional borrowing of £7.3m in 2024/25 as well as utilising a further £1.75m of reserves. This will leave the reserves balance in a precarious state. Historically the Council has maintained a minimum reserves balance of £3.1m to provide a buffer against unexpected expenditure. The Council has now recalculated its minimum reserve balance down to £2.1m. The planned use of those reserves in 2024/25 will reduce the reserves balance to £1.35m. This is below even the new minimum reserves level and less than half the previous minimum reserves balance set by the Council.

This represents a significant deterioration in the financial sustainability of the HRA in the short time that has elapsed since our 2022/23 AAR in March 2024.

Based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place to secure financial sustainability in 2023/24. We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

Key recommendation 1

The Council needs to review all assumptions and models used in developing the 2024/25 budget to ensure it has an accurate and robust base budget. The Council also needs to update and agree a sustainable HRA business plan as a matter of urgency and ensure that prudent levels of HRA reserves are maintained over the medium term by mitigating the impact of annual deficits on reserves. That plan should reflect the maintenance requirements of the housing stock condition survey, decarbonisation programme and other financial pressures



Executive summary (continued)



Significant weakness identified in Governance arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements relating to Governance.

We reviewed the Council's arrangements relating to Governance and have concluded that there was a significant weakness in arrangements.

Preparation and audit of Accounts

As reported in our 2020/21 Audit Findings Report dated November 2023, delays were encountered and additional work required to conclude the audit, resulting in our opinion not being issued until 2 November 2023. The Council recognises that there have been historic capacity issues within the finance team which combined with national technical issues and subsequent audit team changes that compounded the delay. Whilst not alone in finding itself with prior year unaudited accounts, the focus going forward for both councils and auditors must be timely accounts production and audit completion.

The 2022/23 accounts were not published until 21 May 2024 and there were similar delays in 2021/22. We have, agreed with the Council to backstop the 2021/22 and 2022/23 opinion audit. This should enable an earlier start on the 2023/24 post-statements audit.

The Council had initially committed to producing draft 2023/24 financial statements by the end of May 2024 deadline, these were provided 2.5 months later on 14 August 2024. The Council was not able to support the audit process, and as a result, these accounts will be backstopped.

The absence of external validation of the financial statements means there is a risk that decisions made by the Council will not be based on clear and accurate financial information.

Based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place relating to Governance in 2023/24. We have therefore identified a significant weakness in governance arrangements and raise the following key recommendation.

Please note that as set out in the Executive Summary on page 4 as well as the update on prior year recommendations on page 37 we also made Key Recommendations with regard to other aspects of Governance in our interim AAR for 2021/22. Those Key Recommendations have now been closed. Full details of our findings in this respect are set out on pages 20 and 21 of this report.

Since issuing our 2023/24 Interim Auditors Annual Report in November 2024, we have now agreed to backstop the 2023/24 opinion audit resulting in 3 years of audits dating back to 2021/22 being disclaimed.

Key recommendation 2

The Council should ensure that the annual draft accounts together with associated working papers are published in accordance with the national timetable.



Use of auditor's powers

We bring the following matters to your attention:

2023/24

Statutory recommendations

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

we have not made any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

Public Interest Report

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

we have not issued a public interest report.

Application to the Court

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

we have not made an application to the Court.

Advisory notice

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

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

we have not issued any advisory notices.

Judicial review

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

we have not made an application for judicial review.

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including the Housing Ombudsman and Regulator for Social Housing.
- 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 11 to 36.

The current local government landscape

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



National context

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

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

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

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

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

Given the general election taking place on 4 July 2024 any changes to government policy relating to the sector are at present uncertain.



Local context

East Devon District Council (the Council) is a district council with a population of 148,000 residents, that population is expected to increase by 19,992 (13%) by 2031. East Devon is a largely rural area but also has market and coastal towns, including the new community of Cranbrook. 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 Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by an overview committee and two scrutiny committees.

The Council has 60 councillors, and the Council is elected every four years. The most recent elections were in May 2023 when the Democratic Alliance Group secured a majority with 29 elected councillors. The Council has recently approved a new Council Plan for the period 2024-2028. The Council's four priorities under that plan are: creating a supported and engaged community that has the right homes in the right places, with appropriate infrastructure; developing a sustainable environment that is moving towards carbon neutrality and which promotes ecological recovery; building a vibrant and resilient economy that supports local business, provides local jobs and leads to a reduction in poverty and inequality; and aiming to be a well-managed, financially secure and continuously improving council that delivers quality service.

Financial sustainability

Housing Revenue Account

For the following reasons we now consider there to be a significant weakness in the Council's arrangements for achieving Value for Money in its Housing Revenue Account (HRA). The issues now faced include.

- The Council has unidentified savings/funding gaps in financial planning that substantially threaten the operation of the HRA.
- There were significant inconsistencies between budgetary information and the Council's predicted financial outturn position in 2022/23, 2023/24 and 2024/25.
- there has been unsustainable use of reserves to plug the budget gaps to the extent that there are now no reserves left from which to plug the anticipated budget shortfall in 2024/25.

This represents a worsening position in the financial sustainability of the HRA in the short time that has elapsed since our 2022/23 AAR in March 2024.

In 2022/23 we reported that the HRA was under pressure due to the costs associated with the housing stock condition survey, decarbonisation agenda, and other pressures such as staff costs. At that point (March 2024) the HRA balance was being maintained at £3.1m and despite a predicted year-end deficit of £2.47m for 2023/24 the Council still had sufficient earmarked reserves to plug that gap in the short-term. In addition, the draft HRA budget 2024/25 approved by Council in February 2024 set a balanced budget. Risks were outlined in this budget that it was based on a position without service information with a delay to the stock condition survey and asset management plan, so the budget was a roll over to be updated when this information was provided, and reserves could be allocated, this work was not completed and is still outstanding.

The Council is now reporting that this position has changed significantly for the worse since February 2024. The final HRA outturn for 2023/24 shows a significant budget overspend. The Revenue budget was overspent by £7.1m, the Capital Programme budget was overspent by £5.1m. The Council has had to borrow an additional £2.5m to fund the Capital overspend. This follows an adverse variance of £0.422m in 2022/23. The variances against budget in 2023/24 has necessitated the use of the entire £9.4m of useable reserves.

The original budgets predicted a surplus of £0.268m in 2023/24 and £0.158m in 2022/23. A key area of overspend was repairs and maintenance with an outturn of £11.1m against a budget of £5.8m (an overspend of almost 100%). The above impacts for 2023/24 also impact the budget for 2024/25 as there are further maintenance and repair costs which were not identified in the 2024/25 budget process.

The £9.4m reserves utilised in 2023/24 included money set aside for new homes and climate change development work and Fire Risk Assessment Building works and Lift replacements. As at 31 March 2024 the Council therefore no longer had any reserves set aside to pay for any of these items. The Council has made provision for these items in the revised 2024/25 and 2025/26 budgets however this will require additional borrowing of £7.3m in 2024/25 as well as utilising a further £1.75m of reserves. This will leave the reserves balance in a precarious state. Historically the Council has maintained a reserves balance of £3.1m to provide a buffer against unexpected expenditure. Until July 2024 the Council had reported that £3.1m was the minimum prudent level for the HRA reserves balance. In July 2024 the Council clarified that the minimum prudent level was in fact £2.1m with a £1m headroom added. The planned use of those reserves in 2024/25 will reduce the reserves balance to £1.35m. This is below even the lowest reserves level that the Council believes is prudent and less than half the minimum reserves balance previously reported by the Council. The Council therefore has no reserves remaining with which to manage future budget variations.

The Council has therefore had to formulate a new HRA budget for 2024/25 three months into that year. That revised budget included a target annual revenue saving of £250k pa for 3 years to replenish the HRA balance and a further £2.415m of new savings/income generation was also identified as necessary to balance the 2025/26 budget. There is still a lack of certainty that the Council has identified the total extent of the issues as the full stock survey results have not yet been finalised.

The lack of external audit of the accounts (see page 20 for further details) also impacts on the integrity of the financial information being used to inform decisions relating to budgets and financial planning including the above HRA issue as there has been no external validation of the financial statements for over 3 years.

The Council still does not have an agreed HRA business plan or investment plan and is still working on a longer-term sustainable plan. It is currently working with an external consultancy to produce a new business plan and investment plan from 2025 onwards. The Council does not have the required skills internally to determine the most appropriate action and has commissioned a finance review to be conducted by CIPFA to identify viable options to make the future HRA plan sustainable. As yet the Council has not identified a sustainable plan to meet the funding gap, all earmarked reserves having been exhausted. The Council still has no plan for how to replenish the £9.4m of earmarked reserves utilised in 2023/24.

This lack of plan to address the funding shortfall could reasonably be expected to lead to a significant impact on the quality or effectiveness of the housing service; on the body's reputation as well as potential regulatory action from the Regulator for Social Housing. The Council needs to address these issues as a matter of urgency.

Financial sustainability (continued)

Housing Revenue Account (cont'd)

In 2022/23 we made an improvement recommendation that the Council should strengthen financial planning for the HRA. This included:

- updating the 30-year business plan; and
- ensuring that prudent levels of HRA reserves are maintained over the medium term

We are now replacing the above improvement recommendation with a key recommendation that in addition to updating the 30-year business plan to reflect the maintenance requirements of the housing stock condition survey, decarbonisation programme and other financial pressures; the Council needs to review all assumptions and models used in developing the 2024/25 budget to ensure it has an accurate and robust base budget. The Council also needs to update and agree a sustainable HRA business plan as a matter of urgency.

Budget outturn 2023/24

The Council's 2023/24 outturn report to Cabinet on 10 July 2024 reported a £0.765m underspend against its general fund revenue budget. This underspend was despite a cost of service overspend of £2.683m offset, in the main, by interest income and business rate income exceeding budget by £2.079m and £2.152m respectively. The Council has assessed that there is no knock-on implications for the 2024/25 budget or beyond but that this will require careful monitoring. Within the financial outturn report for 2023/24 the Council has not expanded on how it has assessed this. Whilst, we have not identified any evidence of serious weaknesses with regard to financial sustainability from the Council's outturn position we note the in-year overspend against cost of services and recommend the Council take corrective action to ensure this is avoided going forward. We have therefore raised an improvement recommendation in this respect.

The General Fund balance was maintained at £4.3m at 31 March 2024.

Budget 2024/25

The Council approved a balanced budget for 2024/25 of £23.58m with a £0.5m contribution to the General Fund.

© 2024 Grant Thornton UK LLP.

This reflects savings and additional income achieved through the Council's Financial Sustainability Model (FSM) and anticipated increased income from business rates. As with previous years 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 2024/25, the month 5-budget monitoring report presented in October 2024 identified a small favourable variance expected on the General Fund of £0.5m. 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 assumptions for business rates retention. We are satisfied that the annual budget reflects the implications of the annual funding settlement.

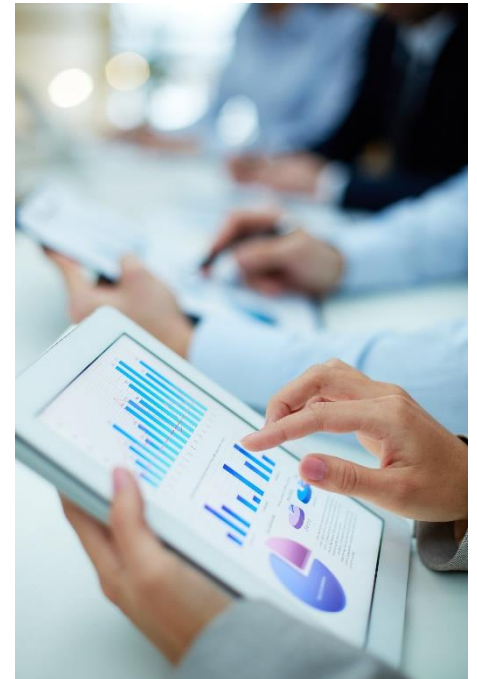
The budget report clearly sets out inflation assumptions across different income and expenditure headings and identifies required increases to fund pressures relating to staff costs, increased recycling and waste costs, and homeless persons support.

A Council Tax increase of £5 (3.09%) per Band D dwelling was approved by Council in February 2024. This is within the threshold stipulated by government before triggering a council tax referendum

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's Medium-Term Financial Plan (MTFP) and Financial Sustainability Model (FSM) sets out the Council's plans for bridging the budget gaps identified in order to be able to set balanced budgets going forward.

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.



Financial sustainability (continued)

Medium-term financial planning (continued)

The General election has also lead to greater uncertainty in this respect making medium-term financial planning more difficult for all Councils. Government plans relating to business rates reset will have a big impact for the Council as it recognises significant business rate income in addition to the baseline within the budget.

Additional business rate income of £5m above the baseline was put in to the 2024/25 budget this represents a further 50% uplift when compared to 2022/23. The projected income is in line with LGFutures estimates for the Council. Achievement of this level of increase is a financial risk for the Council. The Council has a Rates Volatility Fund of £0.650m accumulated from previous Business Rate surplus to help mitigate the risk.

The Council had undertaken scenario planning regarding business rate income as part of its refresh of the MTFP in October 2023. The Council took forward the worst-case scenario which would produce an additional funding gap of £4.467m from 2026/27. Crucially the Council estimated that from an overall budget perspective as a result of actions proposed under its FSM the Council would be back to achieving a surplus by 2027/28. The business rate income projections and FSM were not updated as part of the refresh of the MTFP undertaken in February 2024 as demonstrated by Figure 1 below.

Figure 1: MTFP Budget projections based on worst case business rate income projections (five years only)

	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m
Oct 2023 deficit / (surplus)	£0.578	£0.563	£4.467	£(0.154)	£(0.126)
Feb 2024 deficit / (surplus)	£0.578	£0.563	£4.467	£(0.154)	£(0.126)

Two new areas of financial risk was highlighted in the 2024/25 budget these being: a new 'cost +5%' arrangement on a new Recycling and Waste contract and an unresolved gap of £0.5m between the payment for Leisure services contract put in the budget and the proposed requirement put forward by the contractor LED. The Council intends to use the planned £0.5m surplus for 2023/24 as a contingency buffer to mitigate these risks. It will be vital that the Council closely monitors the costs of the new waste contract and take appropriate action to manage any adverse variation to the approved budget.

With regard to the LED contract payment gap, the Council needs to agree a budget for 2023/24 with the contractor as a matter of urgency. We have made an improvement recommendation in this respect.

In our 2022/23 AAR published in March 2024 we raised an improvement recommendation that the Council's financial planning arrangements should be further 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. That work is planned to be introduced as part of the budget setting process for 2025/26 and we will therefore review progress with this in our 2024/25 value for money work.

The first stage of the FSM is to undertake service reviews to drive efficiencies and savings. The impacts of FSM work already undertaken by that time were however factored into the budget for 2023/24. These included a service review undertaken on Revenues and Benefits to increase the council tax base by 794 homes as well as increasing the New Homes Bonus payment by reducing the number of recorded empty homes.

In response to improvement recommendations made in our 2022/23 Annual Audit Report (AAR) as well as a similar recommendation mad by the Centre for Governance and Scrutiny (CFGs), the Council intends to undertake a refresh of the MTFP business rate scenario planning as well as the FSM over the summer of 2024. It is likely that the Council will have to consider making more radical decisions regarding service delivery in order to achieve a balanced budget in 2026/27 as the current FSM is not designed to achieve savings of that magnitude. The Council could also decide at that time to simply adopt a less prudent 'middle case' scenario for business rates and manage the differential between worst case and mid case scenarios as a financial risk. We will consider the Council's response to our recommendations as part of our 2024/25 value for money work.

Financial sustainability (continued)

Capital programme

As reported in our Interim AAR for 2022/23 the capital bidding process is overseen by the Budget Setting and Capital Allocation Panel who ensure that the capital programme reflects corporate priorities, and that approved schemes are affordable. Each scheme is scored against a set criteria including: how the project meets the Council Plan, the risk involved, any part funding and carbon implications. This scoring is used to measure priority against the funding available. The Panel then make recommendations to Cabinet on which capital proposals should be approved.

The MTFP approved in February 2024 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. In our Interim AAR for 2022/23 we 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. We also recommended that the capital programme should be supported by a revised Asset Management Plan.

In February 2024 the Council approved additional budget in the sum of £50k to fund the appointment of a consultant to help develop the Asset Management Strategy. We note that at that time the Council reported that it did not have sufficient information to enable it to accurately forecast and budget for the financial implications of managing its repair and maintenance obligations across its property portfolio. The Council states that an outcome of the Asset Management Strategy will be a fully costed plan of works but has not set a timescale by which it expects that plan to be in place. It is vital that the plan has been agreed prior to the 2025/26 budget planning round. A further improvement recommendation has been made in this respect – see page 19.

The capital programme 2024/25-2027/28 was approved in February 2024 with total General Fund and Housing Revenue Account expenditure of £49.818m. The General Fund capital programme totals £30.2m and requires £29.6m of internal borrowing after accounting for external funding and capital receipts. The capital scheme aligns 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 Capital Strategy 2024/25 to 2026/27 identifies the revenue implications of the capital programme. The General Fund Capital Financing Requirement is forecast to increase from £19.5m in 2022/23 to £49.1m by 2026/27 as the capital programme is delivered.

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 Asset Management Plan is in place for prior to the 2025/26 budget planning round – see page 20.



Financial sustainability (continued)

Stakeholder engagement in the budget setting process

In 2022/23 we reported that the Council had 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 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.

That improvement recommendation was only agreed with management in March 2024 and therefore it is too early to report progress with its implementation. This is something we will consider as part of our value for money work in 2024/25.

Reserves

The Council has a General Fund balance that is currently being maintained at the upper end of the Council's own 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 within the General Fund.

The General Fund balance remained at £4.3m as at 31 March 2023 which at approximately 18% of net revenue is a very healthy level (5% being the deemed minimum prudent level).

As part of the draft budget for 2024/25 the Council intends to increase its prudent range for the General Fund balance to a minimum of £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 the additional risks within the 2024/25 budget relating to waste and leisure contracts as discussed on page 14.



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. In 2022/23 we 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 2023/24 financial year:

- July 2023 – Outturn (March 2023)
- September 2023 – Month 4 (July 2023)
- November 2023 – Month 6 (September 2023)
- February 2024 – Month 9 (December 2023)

Cabinet did therefore receive budget monitoring reports on a quarterly basis during 2022/23. Those reports were delivered prior to the agreement of the above improvement recommendation and therefore did not contain more detailed information regarding the capital programme. The outturn report for 2023/24 was reported to Cabinet in July 2024 contained a summary of Capital spend against budget by portfolio but did not contain any detailed explanation of key variances. We do not therefore consider that this recommendation has been fully implemented and we will review this again as part of our value for money work in 2024/25.


We have raised separate concerns regarding the effectiveness of budget monitoring with regard to the HRA and these are set out on page 12 of this report.

Conclusion


Overall, we found a significant weakness in the Council's financial sustainability arrangements relating to the operation of the HRA. We have found two further opportunities for arrangements to be further enhanced and we have made two improvement recommendations set out on pages 17 to 19.




Improvement recommendations

Improvement Recommendation 1	The Council should take corrective action to avoid the significant in-year cost of service variations against budget experienced in 2023/24. Where such variations are identified the Council should set out more clearly the longer-term impacts of those variances including its reasoning for how those impacts have been assessed.
Improvement opportunity identified	To further strengthen financial planning.
Summary findings	The Council's 2023/24 outturn report to Cabinet on 10 July 2024 reported a £0.765m underspend against its general fund revenue budget. This underspend was despite a cost of service overspend of £2.683m offset, in the main, by interest income and business rate income exceeding budget by £2.079m and £2.152m respectively. The Council has assessed that there is no knock-on implications for the 2024/25 budget or beyond but that this will require careful monitoring. Within the financial outturn report for 2023/24 the Council has not expanded on how it has assessed this.
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	This was done in setting the 2024/25 budget as these variation were already identified; consideration was given at this point with significant focus on these areas to ensure sufficient account had been taken going forward. This was confirmed again at Outturn. Going forward these consideration will be expressed in more detail in reports to members.

Improvement recommendations

Improvement Recommendation 2	The Council’s financial planning arrangements should be further strengthened by ensuring that the newly emerging financial risks associated with the new waste and recycling contract and payments to the Leisure Services contractor LED are managed appropriately.
Improvement opportunity identified	To further strengthen financial planning.
Summary findings	Two new areas of financial risk was highlighted in the 2024/25 budget these being: a new ‘cost +5%’ arrangement on a new Recycling and Waste contract and an unresolved gap of £0.5m between the payment for Leisure services contract put in the budget and the proposed requirement put forward by the contractor LED. The Council intends to use the planned £0.5m surplus for 2023/24 as a contingency buffer to mitigate the waste contract risk. The LED payment gap is an unmitigated risk at the present time. It will be vital that the Council closely monitors the costs of the new waste contract and take appropriate action to manage any adverse variation to the approved budget.
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	Both these areas have been subject to detailed consideration and member oversight, and it is considered the Council has good planning and control in place.

Improvement recommendations

Improvement Recommendation 3	The Council should ensure that the new Asset Management Plan is in place prior to the 2025/26 budget planning round.
Improvement opportunity identified	The Council needs to have a clear view of the costs involved in maintaining its properties.
Summary findings	The Council states that an outcome of the Asset Management Strategy will be a fully costed plan of works but has not set a timescale by which it expects that plan to be in place.
Criteria impacted	 Financial sustainability
Auditor judgement	The Council currently has insufficient information on which to assess the costs of maintaining its properties.
Management comments	This is still not in place in time for 2025/26 but will be reflected in future budgets. The Council has a good awareness of its General Fund asset base, and the risk is considered acceptable at this stage

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.

Preparation of Accounts

The 2022/23 accounts were not published until 21 May 2024, almost 12 months after the statutory deadline for publishing those accounts. This was due to delays encountered and additional work required to conclude the audit, resulting in our opinion not being issued until 2 November 2023. There were similar delays in 2021/22. The Council recognises that there have been historic capacity issues within the finance team which combined with national technical issues and subsequent audit team changes that compounded the delay. The draft accounts for 2023/24 were made available for audit on 14 August 2024, 2.5 months after the deadline agreed. The Council was not able to support the audit process, and as a result, these accounts will be backstopped. The absence of external validation of the financial statements means there is a risk that decisions made by the Council will not be based on clear and accurate information. We consider this to be a significant weakness in arrangements and have made a key recommendation in this regard. Further details are set out on page 7 of this report.

Standards and behaviours

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 continued to improve during 2023/24. This view is supported by the LGA Corporate Peer Review feedback. Discussions with the Chair of the Audit Committee also confirmed he felt officer/member relations had improved and officers and members were now working to a shared set of objectives.

In the draft 2022/23 Annual Governance Statement (AGS) under principle A it describes how the Council ensure it is "Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law" This includes the constitution, scheme of delegation the appointment of statutory officers and a Head of Internal audit, codes of conduct and the complaints procedure.

A monitoring officer is in place and was in place throughout 2023/24. The Monitoring Officer and her team sign off all committee reports. All reports to Cabinet and Council are reviewed by the Senior Leadership team (SLT). Heads of Service complete annual assurance reports for their services as part of the Annual Governance Statement (AGS) process.

The Council has an action plan to deliver the LGA recommendations and progress is being monitored by Cabinet. We are therefore satisfied that the previously reported significant weakness in arrangements should be removed and the associated key recommendations made in 2021/22 closed. We have however made a new improvement recommendation that all actions arising from the LGA Corporate Peer Challenge should be effectively implemented.

Governance (continued)

Informed decision making including the Audit and Governance Committee

In our 2021/22 Interim AAR we made a key recommendation that 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.

In 2022/23 we reported that induction training had been delivered following the May 2023 elections. Our 2022/23 Interim AAR stated that the Council should seek to fully implement our recommendation and those of the Centre for Governance and Scrutiny (CFGs). Due to the short timeframe between our 2022/23 report in March 2024 and this report there has been little opportunity for the Council to make further progress. The Council has an action plan to deliver the CFGS recommendations and progress is being monitored by Cabinet.

We have concluded that the significant weakness reported in 2021/22 should now be removed and the associated key recommendation closed. We have however made a new improvement recommendation that all actions arising from the CFGS review are effectively implemented.

The Council publishes its constitution on its website. The constitution is a written legal document that guides the Council on its decision-making processes. It provides a basis and framework for the members and officers to work within and sets out how decisions are taken, who has the power to take which decisions and sets out the procedures, codes and protocols to be followed to ensure decisions are made efficiently, transparently and with accountability to local people. The Constitution was last reviewed in May 2023.

During 2023/24 the Council continued to operate a Cabinet and Council leader model of governance. The cabinet at the Council consists of 10 members, that met 10 times during 2023/24, and its terms of reference are laid out in the constitution.

The cabinet is supported by several committees. The Council publishes on its website details of all cabinet, committee and full Council meetings, and this includes the agendas, minutes and decisions made which enhances transparency and demonstrates reasonable practice. All reports are reviewed by legal and finance staff.

The Council has three Overview and Scrutiny Committees - Overview Committee, Scrutiny Committee and Housing Review Committee.

Review of a sample of committee papers indicate that they are comprehensive and provide members with sufficient information to make informed decisions. Other Council do show equalities, public health, safeguarding, climate change, HR, property, crime and disorder, procurement and risk implications. The Council should consider widening the scope of such mandated sections. **We have raised an improvement recommendation in this area – see page 27.**

The Audit and Governance Committee consists of 10 members. In 2023/24, the Committee had five meetings in line with the constitution. We have previously reported that attendance at Audit and Governance Committee is poor, we note this improved in 2023/24 but one meeting (September 2023) was attended by just four members. This is deemed acceptable.

Following previous recommendations that we have made, we note that the Council is now recruiting two independent member for the Audit and Governance Committee to enhance its effectiveness.

The Audit and Governance Committee Terms of Reference are set out in the Council's Constitution. Review of minutes of the Audit & Governance Committee provide evidence of challenge of officers.

The committee has not undertaken an effectiveness review during 2023/24. One has been suggested in the 2024 peer review. **We have therefore raised an improvement recommendation in this area – see page 28.**

Three senior officers (The s151 officer, the Monitoring Officer and the Director of Housing, Health & Environment) shared the Chief Executive role following the retirement of the former Chief Executive during 2023/24. We have not identified any significant weaknesses arising from this arrangement and recent staff feedback, summarised in the Council's Position Statement for the LGA Peer Review suggests that staff morale is good. We note the Director of Housing, Health & Environment was appointed to the role of Chief Executive in May 2024 so the Council will revert to having a single Chief Executive going forward..

Governance (continued)

Risk management and internal controls

The Council's approach to risk management has continued to improve in 2023/24. However, further work is required to ensure risk management arrangements are fully effective.

The Council has reviewed its Risk Management Policy and this was presented to Audit and Governance Committee in January 2024. The Policy defines risk, defines roles and responsibilities, describes how risk are identified, assessed and reported and provides a risk scoring matrix (the Council use a 4x4 matrix). Gallagher Bassett (risk management consultants) are currently undertaking a Risk Management Health Check. In addition to the recommendations from this work, they will be leading risk training and workshops over the coming months. They have provided access to their risk portal which has free material available on training and other resources. Following the health check, the Council will issue guidance and support to officers.

The policy does not define the Council's risk appetite. A risk appetite statement is due to be prepared and approved by the end of July 2024. This is also included the support to be gained from Gallagher Bassett.

The Corporate Risk Register reported to Audit and Governance Committee in July 2023 includes 16 strategic risks and 81 operational risks. Risks are scored by impact and likelihood. We previously recommended that the number of risks should be reduced as the number we felt was too high to allow members to focus on the key risks. Risks are all being reviewed but Members at Audit and Governance Committee disagreed this recommendation in that it is about determining what is correct for the Council. We have therefore not raised an improvement recommendation in this area in 2023/24.

The Council has begun a programme of twice-yearly risk workshops for SLT to include horizon scanning and is taking external advice from its insurers to help it understand its risk appetite.

Risks are reported to the Audit and Governance Committee, not to Cabinet. Apart from routine references to risk as part of the Council's agenda template, there is no evidence that Cabinet routinely considering issues of risk. The risks highlighted in the strategic risk register include financial risks, technology risks, safety risks, as well as the Council major projects amongst others. Coverage seems generally appropriate while we would question why housing finance is not included as a strategic risk. The risk register provided show current and residual risk scores, control status, control action, the responsible officer, the date the risk was identified and the day it was last reviewed. It does not show the target risk score, causes and impact of risk, planned actions and the direction of travel. Strategic risks are not mapped to strategic priorities. No strategic risks are rated red on the current risk score. We note some risks have the same original risk score as the current risk score meaning mitigating actions are not reducing these risks.

We have raised an improvement recommendation in this area – see page 25



Governance (continued)

Risk management and internal controls (continued)

Internal audit services are provided by the South West Audit Partnership (SWAP) and established provider of internal audit services. They report delivering 100% of their planning audits in the audit year 2022/23. The 2023/24 Audit Plan and Charter was approved by Audit and Governance Committee on 23rd March 2023.

For 2023/24 SWAP has not provided an internal audit annual plan but work is allocated on a rolling risk based six monthly plan. The six-monthly planning approach means that the 2023/24 audit plan is flexible to respond to new and emerging risks as and when they are identified. We will continue to monitor how this new approach to internal audit planning and reporting becomes embedded. A plan for the second half year was presented to Audit and Governance Committee on 21st September 2023. We are informed that there is a longer-term strategic audit plan sitting behind the six-month operational plan. This is deemed acceptable.

SWAP report quarterly to the Audit and Governance Committee. During 2023/24 updates were provided in September 2023, December 2023, January 2024 and March 2024. Up until March 2024, six of the nine internal audit reports providing an assurance opinion of "limited assurance" This was discussed with the Head of Internal Audit and she felt this was because internal audit had an open relationship with the Council and were asked to look at known issues rather than there being any inherent weaknesses in the control environment. Limited Assurance Reports included Performance Management, IR35 arrangements, strategic partnerships, Emergency Planning, Volunteering and Information Governance Policies.

The Head of Internal Audit Opinion for 2022/23 was one of Reasonable Assurance based on eight reasonable assurance opinions in the year and two limited assurance opinions. The Head of Internal audit Opinion is yet to be presented for 2023/24

Public Sector Internal Audit Standards require internal audit services are subject to an independent external assessment against those standards every 5 years, SWAP were last subjected to an external assessment in February 202 and was found to be in conformance to the standards.

The Council has an Anti-Fraud and Corruption Policy, which includes a whistleblowing policy. The policy is available on the Council's website. The policy was updated in January 2022. The Corporate Fraud, Corruption and Compliance Strategy 2024 – 2028 was approved by Audit and Governance Committee in March 2024. There are plans (as reported to Audit and Governance Committee in March 2024) for a fraud delivery plan and annual report to be produced in 2024, However, no counter fraud plan or update report are presented to Audit and Governance Committee during 2023/24.

We have raised an improvement recommendation in this area – see page 26.

Counter fraud operations are underpinned by officer and member codes of conduct which form part of the constitution. These are undated so it is unclear when they were last reviewed. The code of conduct also include sections on rules related to gifts and hospitality and declaration of interests for both officers and members.

Engagement

In our interim Auditor's Annual Report for 2022/23 we reported 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. We recommended that 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. This work is still to be completed and we will continue to monitor progress in this area in our 2024/25 report.

Conclusion

Overall, we found a significant weakness in the Council's governance arrangements relating to the preparation of accounts for 2023/24. A key recommendation has been made which is set out on page 7. We have identified four opportunities for arrangements to be further enhanced and we have made five improvement recommendations set out on pages 24 to 28.

Improvement recommendations

Improvement
Recommendation 4

The Council should fully implement the recommendations from the LGA Peer Challenge and the CFGS governance review.

Improvement opportunity identified

These recommendations will strengthen overall governance arrangements.

Summary findings

The Council has an action plan to deliver the LGA and CFGS recommendations and progress is being monitored by Cabinet. We are therefore satisfied that the previously reported significant weakness in arrangements should be removed and the associated key recommendations made in 2021/22 closed. The Council should continue to implement all actions arising from the LGA Corporate Peer Challenge and CFGS

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

Agree, good progress has been made and Cabinet are informed through regular update reports

Improvement recommendations

Improvement
Recommendation 5

The Council should consider the following changes to further enhance its risk management arrangements

- i) Complete the planned risk management activities such as training and defining its risk appetite.
- ii) Report significant risks to Cabinet periodically alongside financial and performance information.
- iii) Include the following information in the risk registers – target risk score, causes and impact of risk, planned actions and the direction of travel
- iv) Include a risk relating to housing finance in the strategic risk register .
- v) Map strategic risks to corporate objectives .

Improvement opportunity identified Improvements in risk management will assist in the making of appropriate decisions.

Summary findings

Gallagher Bassett (risk management consultants) are currently undertaking a Risk Management Health Check. In addition to the recommendations from this work, they will be leading risk training and workshops over the coming months. They have provided access to their risk portal which has free material available on training and other resources. Following the health check, the Council will issue guidance and support to officers. The policy does not define the Council's risk appetite. A risk appetite statement would be prepared and approved by the end of July 2024. This is also included the support to be gained from Gallagher Bassett.

Risks are reported to the Audit and Governance Committee, not to Cabinet. Apart from routine references to risk as part of the Council's agenda template, there is no evidence that Cabinet routinely consider issues of risk.

The risk highlighted in the strategic risk register include financial risks, technology risks, safety risks, as well as the Council major projects amongst others. Coverage seems generally appropriate while we would question why housing finance is not included as a strategic risk. The risk register provided show current and residual risk scores, control status, control action, the responsible officer, the date the risk was identified and the day it was last reviewed. it does not show the target risk score, causes and impact of risk, planned actions and the direction of travel, Strategic risks are not mapped to strategic priorities.

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

Agree, all these areas are being progressed. A new performance management system has been procured which includes a risk management module, the specific recommendations on risk will be considered how best to be incorporated into the new system that is being implemented in 2024/25.

Improvement recommendations

Improvement Recommendation 6	An annual Counter Fraud Plan should be presented to Audit and Governance Committee annually for approval and an annual counter fraud report should be presented to Audit and Governance Committee to provide detail of the activities and outcomes of counter fraud work.
Improvement opportunity identified	Greater transparency around counter fraud arrangements
Summary findings	The Corporate Fraud, Corruption and Compliance Strategy 2024 – 2028 was approved by Audit and Governance Committee in March 2024. There are plans (as reported to Audit and Governance Committee in March 2024) for a fraud delivery plan and annual report to be produced in 2024, However, no counter fraud plan or update report are presented to Audit and Governance Committee during 2023/24.
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	Agree, this is being presented to the A&G Committee in 2024/25.

Improvement recommendations

Improvement Recommendation 7

The Council should consider including the following mandated sections into committee reports - equalities, public health, safeguarding, climate change, HR, property , crime and disorder, procurement and risk.

Improvement opportunity identified More informed decision making

Summary findings

Review of a sample of committee papers indicate that they are comprehensive and provide members with sufficient information to make informed decisions. Other Council do show equalities, public health, safeguarding, climate change, HR, property , crime and disorder, procurement and risk implications.

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

The Council has already developed a new report template which includes all of these mandated sections. The Democratic Services Manager is in the process of rolling this template out for all meetings (except Planning) over the next two months and ensuring that staff are appropriately trained on the use of the new template.

Improvement recommendations

Improvement Recommendation 8	The Council should ensure the continued effectiveness of the Audit and Governance Committee by conducting a self-assessment exercise, in line with the Chartered Institute of Public Finance and Accounting’s (CIPFA) methodology.
Improvement opportunity identified	The performance of Audit and Governance Committee and Committee members’ confidence in performing their role would be enhanced by self-assessment and will enable the Committee to evaluate its effectiveness and identify areas for improvement, including any unmet training needs.
Summary findings	The Audit and Governance committee has not undertaken an effectiveness review during 2023/24. One has been suggested in the 2024 peer review.
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	Agree, being considered by A&G Committee at its November 2024 meeting

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

We raised an improvement recommendation in our Interim AAR for 2022/23 that, in order to strengthen the Council's performance management arrangements, consideration should be given to:

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

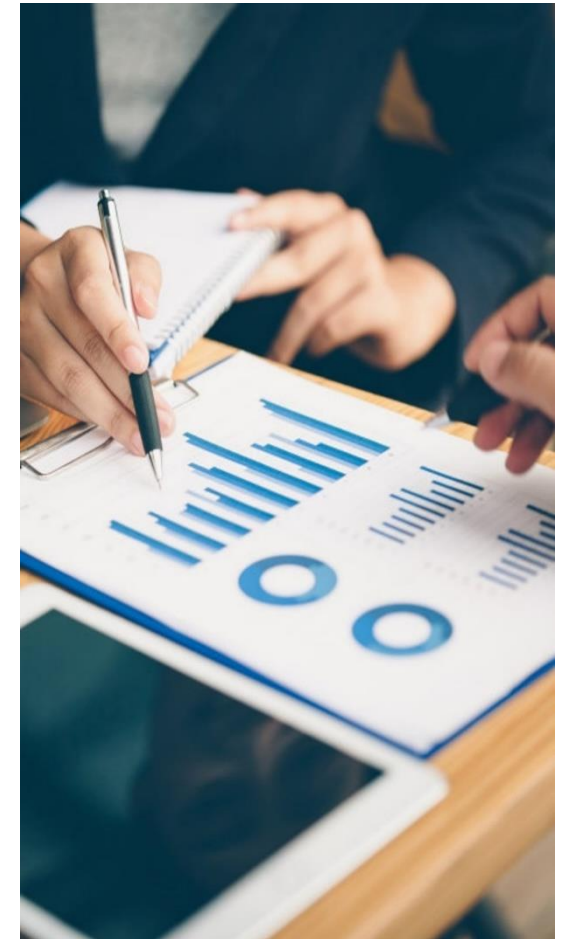
Work on implementing these actions is ongoing and we will monitor this further during our work for 2024/25.

The Council uses SPAR.Net to record performance indicator data. This is a system developed by Teignbridge 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 was reported in January 2024 (Q2). No other performance report was presented during 2023/24. We would expect performance to be reported between one to three months after the end of the relevant quarter, so these arrangements are deemed unsatisfactory

We have raised an improvement recommendation in this area – see page 33

The Council has recently adopted (April 2024) a new Council Plan and efforts are being made to link performance indicators to all Council objectives. There has been a tendency up to this point for services to decide what performance has been reported but a new chair of Scrutiny Committee since the May 2023 elections has asked for more input in what performance indicators are reported to the committee. This is a positive step.



Improving economy, efficiency and effectiveness (continued)

Managing Performance and Benchmarking (continued)

An analysis of progress against KPIs, including Council Plan actions, was undertaken in 2022/23. An annual report on performance against key objectives was presented to Scrutiny committee as part of the Quarter 4 2022/23 KPI report in July 2023. This is yet to be done for 2023/24. The Council plan in place during 2023/24 was considered and approved in October 2021 and published on the Council's website. 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.

As previously mentioned, an internal audit report on performance management in 2023/24 provided limited assurance. This report was issued during September 2023. This made one priority 1 recommendation and six priority 2 recommendation. the priority 1 recommendation related to the development of a formal performance framework. All recommendations were accepted by management and management undertook to complete all actions by the end of March 2024. Internal Audit follow up work is yet to be completed.

Alongside the update of the Council Plan the MTFP, the budget and the 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. This did not happen in 2023/24 but we note this practice was reinstated for 2024/25 with service plan objectives being presented to Scrutiny Committee on 11th January 2024. The Housing Review Board (HRB) considered the housing service plan 2023/24 in January 2023 and this also included a recommendation to Cabinet. The HRB also received a performance dashboard in November 2023 (Q2) and March 2024 (Q3).

The June 2023 HRB received outcomes from the tenant satisfaction report and the benchmarking report from Housemark. The results of the tenant satisfaction survey indicated a significant decline in satisfaction across several aspects of the Housing Service. In response the housing leadership team have created a communication plan and an improvement plan together to address the issues raised.

The Housemark report concluded overall operational performance was slightly above that of peers and costs are lower, The service was rated as good performance at low cost, Voids and complaints were highlighted as areas of weakness and improvement plans are in place to address these concerns.

The September 2023 Internal Audit report on performance management found that performance report do not include any internal or external benchmarking. Management agreed to correct this by March 2024.

The Council has recognised the need to improve its use of benchmarking and KPIs and agreed the relevant recommendations included in the 2020/21 Auditor's Annual Report. The Council is working towards a corporate benchmarking dashboard and benchmarking is an activity which is included in the Financial Sustainability Model.

Other Benchmarking activity is completed on a fairly ad hoc basis, through the service plans. The Management Info Officer told us that the Council has recently invested in LG Inform Plus, a tool to support the Council in benchmarking work as part of the FSM work.

A Local Government Association (LGA) Peer Review was completed in February 2024. This was reported to full Council in April 2024. Officers are now working on developing an action plan to be presented to Cabinet in July 2024. This is something we will consider as part of our 2024/25 work.

The Housing Ombudsman and the Regulator of Social Housing have identified no significant issues relating to 2023/24. We have seen that the Council has used findings of the Housing Ombudsman in 2022/23 as a drive for improvement in housing services.

In 2022/23 we did raise an improvement recommendation that The Council should ensure that improvement 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. A report on this matter was presented to the Housing Review Board in January 2023 but no subsequent report to provide an update on progress has been made.

A further improvement recommendation has been raised in this area – see page 34.

Improving economy, efficiency and effectiveness (continued)

Partnership working

We reported in 2022/23 that the Council has adequate arrangements in place to work with and monitor the performance of key partnerships who help deliver corporate priorities and these arrangements continued throughout 2023/24

Partnership work continues to be reported to Cabinet. For example, the minutes of the Strata Joint Scrutiny Committee were also presented at Cabinet in November 2023 and February 2024. Updates were provided to Cabinet of the LED Monitoring Forum, which monitors the leisure contract in June 2023, Sept 2023, Oct 2023 and Jan 2024. Items discussed by the LED Monitoring Forum included both performance and financial updates from LED. The forum met four times during 2023/24 in April 2023, June 2023, September 2023 and January 2024.

The Strata Joint Scrutiny Committee met three times during 2023/24 (June 2023 January 2024 and February 2024) and unlike previous years no meetings were postponed.

A report concerning the Exeter and East Devon Enterprise Zone was taken to Cabinet in October 2023, This provided an update on the operation and performance of the Exeter and East Devon Enterprise Zone.

However, an internal audit report on strategic partnerships issued in 2023/24 provided limited assurance. It raised one priority 1 recommendation, five priority 2 and one priority 3. recommendation The priority 1 recommendation related to deficiencies in formal guidance and issues related to approval for the Council's involvement in three partnership sampled which had not followed the formal process outlined.

In prior years the Council had published Knowing East Devon: A Place and People Profile (May 2019) and used this to give the Council, local people and organisations in East Devon a better understanding of the district. However, this is not consultation and we understand from the s151 officer that the Careful Choices consultation has not been used. The 2021/22, 2022/23 and 2023/24 budgets did not require significant reductions in services. A new Council plan has been agreed in April 2024 and the process does include stakeholder consultation.

One of the key recommendations of the 2024 LGA peer review is to develop a programme of external engagement and make outwardly focused work a priority for the new chief executive and recommends that engagement with housing tenants should be improved. We have raised recommendations in 2021/22 and 2022/23 about the need to improve engagement. It is unclear what work has been completed in this area in 2023/24. We have not raised further recommendations at this time, but we will monitor progress and report further in our 2024/25 Annual Auditors Report

Commissioning and procurement

In our 2022/23 Interim AAR we reported that we were satisfied that the Council has adequate arrangements in place to manage procurement and monitor key contractors such as Suez, Ian Williams and LED. Those arrangements have continued through 2023/24.

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.

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.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement (continued)

The leisure services contract with LED 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 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.

Work on compliance with the 2023 Procurement Act is on hold awaiting formal guidance from Central Government on what is expected. This is in line with other Councils we work with. This work will include an update to contract standing orders and contract management procedures.

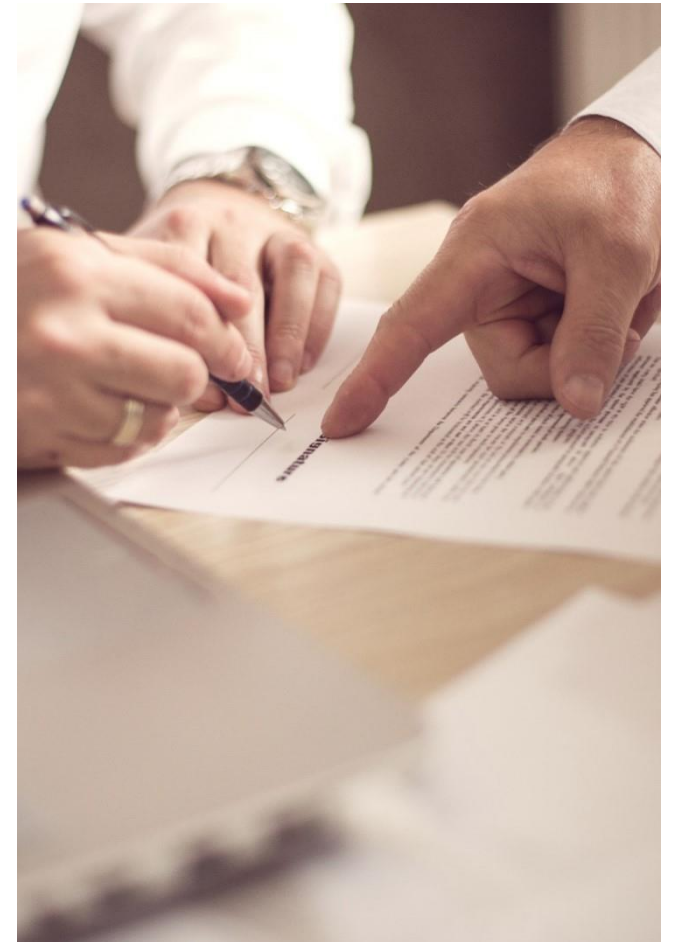
For 2024/25 funding has been agreed to appoint an internal Procurement Advisor role to supplement the service provided by Devon County Council. The role will ensure compliance and act as support to officers in procurement matters. Recruitment is on going at the time of this report.

Procurement exemptions are not publicly reported so the public are unable to ascertain if the level of exemptions is in line with expectations, whether they are used appropriately or if these exemption are approved in line with agreed procedures. Other councils report details of waivers and contract exemptions to their audit committees periodically. In order to enhance transparency in procurement, we would recommend that the Council considers this approach.


We have raised an improvement recommendation in this area – see page 36

Conclusion


Overall, we found no evidence of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness for 2023/24. However, we have found opportunities for arrangements to be further enhanced and we have made five improvement recommendations set out on pages 33 to 36.




Improvement recommendations

Improvement Recommendation 9	<p>The Council need to embed the improvements in performance management recommended in our 2022/23 Auditors Annual Report and the 2023/24 internal audit report on performance management</p> <p>The Council should endeavour to report performance information to members in a timely fashion</p>
Improvement opportunity identified	<p>Failure to provide Members with regular, up to date, reliable performance data can impair Members’ ability to take appropriate decisions.</p>
Summary findings	<p>We made several improvement points around performance management in our interim Auditors annual Report for 2022/23. The Council agreed to implement these during 2024/25. The internal audit report on performance management, issued in March 2024, found that there is no validation of the data that is input into SPAR.net before it is included in the performance reports. This was included as a priority 2 issue and it was agreed with management that this would be corrected by March 2024.</p> <p>Quarterly KPI reports are generated and taken to Scrutiny Committee. Performance was reported in January 2024 (Q2). No other performance report was presented during 2023/24. We would expect performance to be reported between one to three months after the end of the relevant quarter, so these arrangements are deemed unsatisfactory</p>
Criteria impacted	<div> Improving economy, efficiency and effectiveness</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>Agree and good progress is being made. A new performance management system has been procured and will go live in 20024/25</p>

Improvement recommendations

Improvement Recommendation 10	An update report is presented to Housing Review Board to update them on progress against agreed improvements in complaint handling in the Housing department
Improvement opportunity identified	Improvement in service quality and more effective use of resources.
Summary findings	In our interim Auditors Annual Report for 2022/23 we raised an improvement recommendation that The Council should ensure that improvement 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. A report on this matter was presented to the Housing Review Board in January 2023 but no subsequent report to provide an update on progress has been made.
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	Update provided to our Housing Review Board (HRB) on 01 st August 2024 as part of our Performance Update. An additional update report was circulated to HRB members w/c 21 st October and additional information will again be provided as part of our Performance Update at HRB on 7 th November 2024


Improvement recommendations

Improvement Recommendation 11	The Council should embed the recommendation of the internal audit report on strategic partnerships issued during 2023/24.
Improvement opportunity identified	Improvement in service quality and more effective use of resources.
Summary findings	An internal audit report on strategic partnerships issued in 2023/24 (December 2023) provided limited assurance. It raised 1 priority 1 recommendation, 5 priority 2 and 1 priority 3. The priority 1 recommendation related to deficiencies in formal guidance and issues related to approval for the Council's involvement in three partnership sampled which had not followed the formal process outlined.
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	This has been implemented

Improvement recommendations

Improvement
Recommendation 12

- We would recommend that the Council should place a focus on the following:
- ensure that any enhancements to procurement and contract management arrangements are completed in line with required timescales to meet the requirements of the 2023 Procurement Act and embedded as business as usual.
 - report periodically (at least annually) to members at a public meeting, such as Audit and Governance Committee the number and extent of waivers and exemptions.

Improvement opportunity identified	This recommendation seek to enhance existing arrangements.
Summary findings	The Council has yet to align procurement and contract management arrangement with the 2023 Procurement Act as it is waiting for formal guidance from central government. The Council does not routinely report all exemptions agreed to those charged with governance.
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	Agree. Procurement Act has been delayed and report will be presented annually to A&G on Contract exemption statistics

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.	Yes	None
2 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.	Yes	None
3 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	Training provided as part of the procurement training. Authority given to recruit a Procurement Advisor. Appointed a temporary Contract Lawyer. Aug 24	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?
4. 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	Part of the project for Implementation of the new corporate performance software and reporting. Council have approved budget for this software. Aug 24	In progress	To be completed in 2024/25
5 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	New actions and measures aligned to the new council plan are in place. This work is on going with the project to implement a new corporate performance system and improve the recording and reporting of KPI's. Aug 24	Complete	See recommendation 22 below
6 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	As above - We have made improvements to the complaints handling system and policy. We have appointed a performance lead to ensure that we are learning lessons from complaints and embedding those at lessons learnt. We are also taking regular reports to Scrutiny and Cabinet regarding our complaints performance. Due to the sheer number that we are receiving it is going to take time for performance to improve but we are already seeing a positive direction. Aug 24	Partially	See recommendation 22 below
7 The Council must ensure that it responds effectively and at pace to the Housing Ombudsman's recommendations.	Improvement	December 2023	Response times have improved and priority is given to these recommendations. Aug 24	Complete	To be reviewed as part of the 2024/25 Auditor's Annual Report.
8 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	March 2024	Risk review work with Gallagher Bassett (GB) still ongoing. Risk Health Check report completed by GB and risk workshops with Directorates held on the 2nd and 3rd October 2024. Corporate Risk Workshop to be facilitated by GB on the 21st November and outcome to be reported to Cabinet and A&G committees at the start of 2025. Aug 24	In progress	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?
9 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	March 2024	This recommendation is being feed into the risk project plan and once the Risk Register has been finalised from the facilitated Risk workshops this can progress. Oct 24	In progress	To be reviewed as part of the 2024/25 Auditor's Annual Report.
10 The Council should consider the appointment of two independent members to the Audit and Governance Committee to provide expertise and additional capacity.	Improvement	March 2024	The recruitment of these two independent members is currently in train	In progress	To be reviewed as part of the 2024/25 Auditor's Annual Report.
11 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	March 2024	New policy developed waiting Committee sign off. Aug 24	In progress	To be reviewed as part of the 2024/25 Auditor's Annual Report.
12 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	March 2024	Work started on the Engagement Strategy and key stakeholders have been identified. Comms manager has left the authority and their replacement will focus on completing this important piece of work. Good examples currently are the Water Summit, Devolution and Anti Poverty project. New CEO has started to form relationships with key partners such as Devon Chief Executives, Chair of SWW and attending first LGA conference. Oct 24	In progress	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?
<p>17 The Council's financial planning arrangements should be further strengthened through:</p> <ul style="list-style-type: none"> • developing appropriate governance arrangements for the Financial Sustainability Model (FSM) to ensure that a robust pipeline of savings is developed, approved and progress on delivery is monitored and reported to Members; • ensuring that sufficient momentum is achieved in rolling out service reviews in order to balance the budget gaps identified in the earlier years of the Medium-Term Financial Plan (MTFP); and • developing options and plans for more significant changes to service design and delivery, supported by scenario analysis, should they be required to mitigate the impact of future changes to local government funding. 	Improvement	March 2024	Update to the BSCAP in September in line with recommendations. Aug 24	In progress	To be reviewed as part of the 2024/25 Auditor's Annual Report.
<p>18 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.</p>	Improvement	March 2024	Complete Aug 24	Complete	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?
19	<p>The Council should strengthen financial planning for the Housing Revenue Account (HRA). This includes:</p> <ul style="list-style-type: none"> • updating the 30-year business plan to reflect the maintenance requirements of the housing stock condition survey, decarbonisation programme and other financial pressures; and • ensuring that prudent levels of HRA reserves are maintained over the medium term by mitigating the impact of annual deficits on reserves. 	Improvement	March 2024	The position with regard to the HRA has significantly deteriorated since this recommendation was made. Update reports on this issue sent to Cabinet and Council in July. Aug 24	No	We have now made this part of a new Key Recommendation
20	<p>The Council should strengthen stakeholder engagement through the budget process. Specifically:</p> <ul style="list-style-type: none"> • as the Council develops the Financial Sustainability Model (FSM), creating a pipeline of savings proposals and considers the potential for more significant service redesign, the need for wider public consultation should be further considered; and • wider Member consultation on the development of savings plans and budget proposals should be considered through cross party and Cabinet budget workshops. 	Improvement	March 2024	Service planning meeting being held in December separate from the Jan budget setting meeting in Jan to allow for more time to Members to scrutinise the budget in more detail. Aug 24	In progress	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?
<p>21 The Council should strengthen budget monitoring to Members to ensure sufficient information is provided in order to make timely and informed decisions. This includes:</p> <ul style="list-style-type: none"> 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	March 2024	Complete, this is happening on a quarterly basis. Aug 24	Complete	To be reviewed as part of the 2024/25 Auditor's Annual Report.
<p>22 In order to strengthen the Council's performance management arrangements, consideration should be given to:</p> <ul style="list-style-type: none"> developing a data quality policy/strategy; ensuring all performance indicators are SMART (specific, measurable, achievable, realistic, and time-bound) and linked across all Council priorities; reporting housing performance to the Housing Review Board quarterly; and developing a corporate approach to benchmarking with outcomes reported to the Scrutiny Committee. 	Improvement	March 2024	Data quality policy under development with Strata and the other authorities, to be agreed by Autumn. Draft data strategy going to ELT. SMART indicators - reviewed as part of the service planning work and also further work through the implementation of the Corporate Performance System. Housing Performance goes to HRB quarterly. Work ongoing as part of the implementation of the new performance and risk system. Aug 24	On going	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?
23 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	March 2024	We have made improvements to the complaints handling system and policy. We have appointed a performance lead to ensure that we are learning lessons from complaints and embedding those at lessons learnt. We are also taking regular reports to Scrutiny and Cabinet regarding our complaints performance. Due to the sheer number that we are receiving it is going to take time for performance to improve but we are already seeing a positive direction. Aug 24	Complete	Improvement Recommendation made
24 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.	Improvement	March 2024	First report in the new format taking on recommendations was presented at July's A&G committee. Positive feedback was received on this report. Aug 24	Complete	To be reviewed as part of the 2024/25 Auditor's Annual Report.

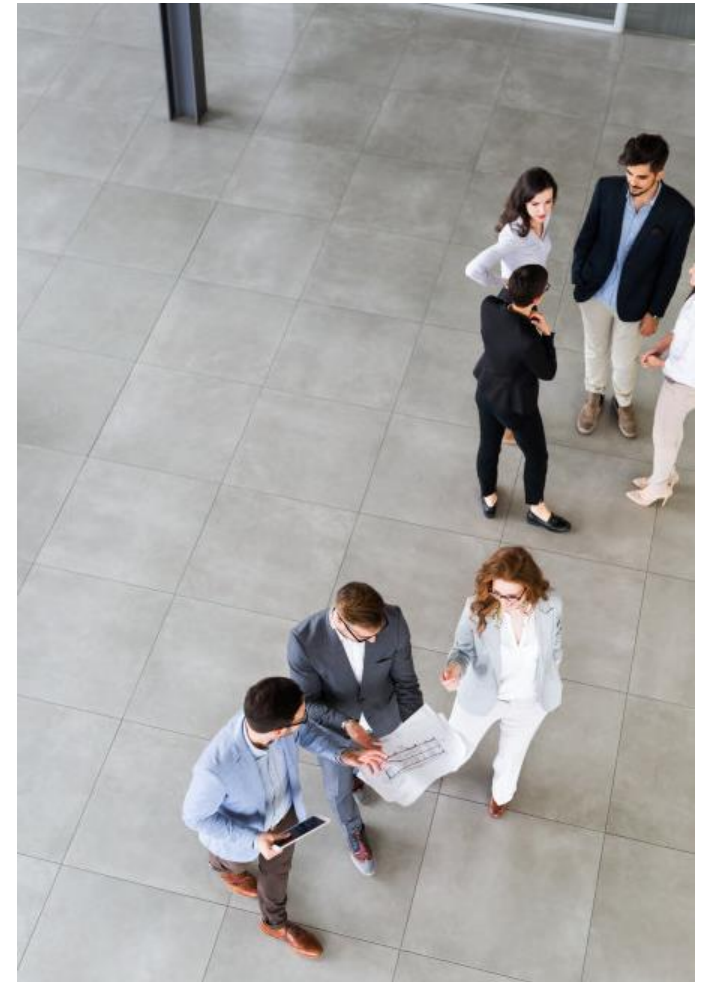
Opinion on the financial statements



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 accounts for 2023/24 were made available for audit on 14 August 2024, 2.5 months after the deadline agreed. The Council was not able to support the audit process, and as a result, these accounts will be backstopped.



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.

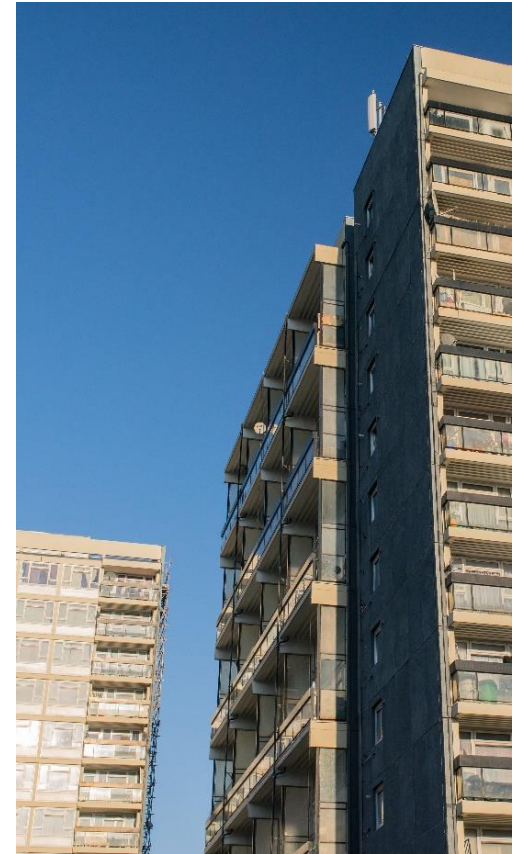
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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’.	Yes	Pages 6-7
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 17-18 Pages 24-28 Pages 33-36

