

# Auditor's Annual Report on Teignbridge District Council

2021/22 and 2022/23

September 2024



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

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



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

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# Executive summary



## Value for money arrangements and key recommendations

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. The most significant change under the new 2020 Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because this will allow for our Value for Money assessments to be provided to the Council in early 2024 which supports timely reporting. 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. Our interim conclusions, subject to completion of our opinion work, are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	Risk identified given that previous years surpluses have been made as a result of Covid-19 funding and our recommendations made in 2021.	<b>A</b> No significant weaknesses in arrangements identified, but three improvement recommendations made.	<b>A</b> No weaknesses in arrangements identified, but nine improvement recommendations made.	<b>A</b> No weaknesses in arrangements identified, but eight improvement recommendations made.
Governance	Three risks identified arising from our key recommendations in our previous report.	<b>R</b> Four significant weaknesses in arrangements identified, and seven improvement recommendations made.	<b>R</b> Three significant weaknesses in arrangements carried forward and one new significant weakness raised. Four improvement recommendations made. Three prior year recommendations carried forward.	<b>R</b> Two significant weaknesses in arrangements carried forward, two closed. Three improvement recommendations made. Three prior year recommendations carried forward.
Improving economy, efficiency and effectiveness	No risks identified.	<b>A</b> No significant weaknesses in arrangements identified, but three improvement recommendations made.	<b>A</b> No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.	<b>A</b> No significant weaknesses in arrangements identified, but two improvement recommendations raised. Three prior year recommendations carried forward.

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

The Council's approach to budget setting is reasonable, with appropriate assumptions used. A Medium Term Financial Plan was prepared in February 2023 which has strengthened arrangements and supports the Council in longer term planning. The Council plans to use around £7.6m of reserves to balance its budget up to 2025/26. While it has sufficient reserves to do this it recognises this is not sustainable and has used consultants to support it in identifying potential savings. Difficult decisions are now needed to implement those savings to avoid significant financial challenges in the future.



## Governance

Member behaviour continues, at times, to be poor. Relationships between Officers and Members still need to improve. This area continues to be one of significant weakness and our previous key recommendation is carried forward. The Council has made sufficient progress with its complaints procedure and whistleblowing arrangements for those areas to no longer be considered significant weaknesses for 2022/23 and the two key recommendations to be closed.

The external audit of the 2020/21, 2021/22 and 2022/23 financial statements is ongoing. Whilst recognising that there are a number of reasons for this it represents a significant weakness and we have raised a key recommendation.

Members are provided with appropriate information on which to make informed decisions, but changes in those decisions can hinder the Council in delivering its objectives and place it at financial risk.

Risk management and internal audit arrangements are appropriate, with scope for further improvement.



## Improving economy, efficiency and effectiveness

The Council uses performance information appropriately and ensures that the underlying data is reliable and accurate. Use of external consultants has supported the Council in identifying areas where it can drive efficiency and reduce costs. Partnership working arrangements are sound.



## 2020/21

We have yet to complete our audit of your financial statements. This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council's financial statements. We are awaiting Council's approval of the final financial statements and Annual Governance Statement to conclude this work.

This is impacting on our commencement of the 2021/22 and 2022/23 financial statements.

Our findings are set out in further detail on page 50.





# Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p><b>Statutory recommendations</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	We did not issue statutory recommendations.	We did not issue statutory recommendations.
<p><b>Public Interest Report</b></p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue a Public Interest Report.	We did not issue a Public Interest Report.
<p><b>Application to the Court</b></p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply to the Court.	We did not apply to the Court.
<p><b>Advisory notice</b></p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> <li>is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,</li> <li>is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or</li> <li>is about to enter an item of account, the entry of which is unlawful.</li> </ul>	We did not issue an advisory notice.	We did not issue an advisory notice.
<p><b>Judicial review</b></p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply for a judicial review.	We did not apply for a judicial review.

# Key recommendations



## Recommendation 1

The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards. Further investment is required to ensure sufficient skills and capacity exist within the finance team and that the financial system is capable of providing audit evidence in a fully electronic format.

### Audit year

2021/22 and 2022/23.

### Why/impact

In its “Timeliness of local auditor reporting” report, published in June 2023, the House of Commons Committee of Public Accounts stated “Delays to the publication of audited accounts for local government bodies increases the risk of governance or financial issues being identified too late and hinders accountability for £100 billion of local government spending.” Whilst this is a general observation, not directed at any individual council, it does highlight the importance of local authorities preparing auditable financial statements and then being able to support completion of the audit in a timely manner. As at December 2023, the 2020/21 draft financial statements are still to be signed. This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council’s financial statements. We are awaiting Council’s approval of the final financial statements and Annual Governance Statement to conclude this work.

This has resulted in a delay in the commencement of the 2021/22 and 2022/23 financial statements audit.

### Auditor judgement

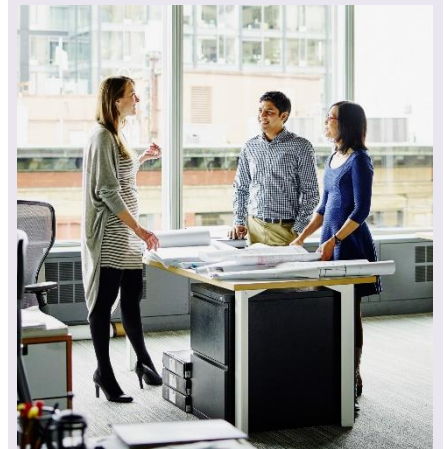
High quality, timely financial statements underpin good governance and provide stakeholders with assurance that Council finances are being managed appropriately. A qualified audit opinion and significant errors undermines that confidence.

### Summary findings

The external audit of the 2020/21 financial statements is ongoing, and the audits relating to 2021/22 and 2022/23 have not yet begun. Whilst there are several reasons for these delays, the failure to provide sufficient and appropriate audit evidence for its financial statements, leading to a qualified opinion, is a significant weakness in arrangements.

### Management Comments

The range of recommendations that external auditors can make is explained in Appendix C.



# Key recommendations



## Recommendation 2

This key recommendation is brought forward from our August 2023 report as it has not been addressed.

Both Members and senior officers must commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders. This should also include commitment from Group Leaders that party members will be held to account for unruly behaviours. Senior leadership, both officers and members, must demonstrate that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints.

### Audit year

2021/22 and 2022/23.

### Why/impact

Despite the use of external facilitation and several reports some of the relationships between Members and Officers remain challenging and insufficiently constructive. This is impacting on decision making and is placing the Council at financial risk.

### Auditor judgement

Poor working relationships between some Members and Officers and a failure to address inappropriate behaviour and ensure the highest ethical standards represents a significant weakness in the Council's governance arrangements.

### Summary findings

Members have failed to address previous recommendations, made by several different organisations, regarding the culture, behaviours and ethical standards. This needs to be addressed this over the next few months in order to change the culture.

### Management Comments

Agreed.

The range of recommendations that external auditors can make is explained in Appendix C.



# 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).



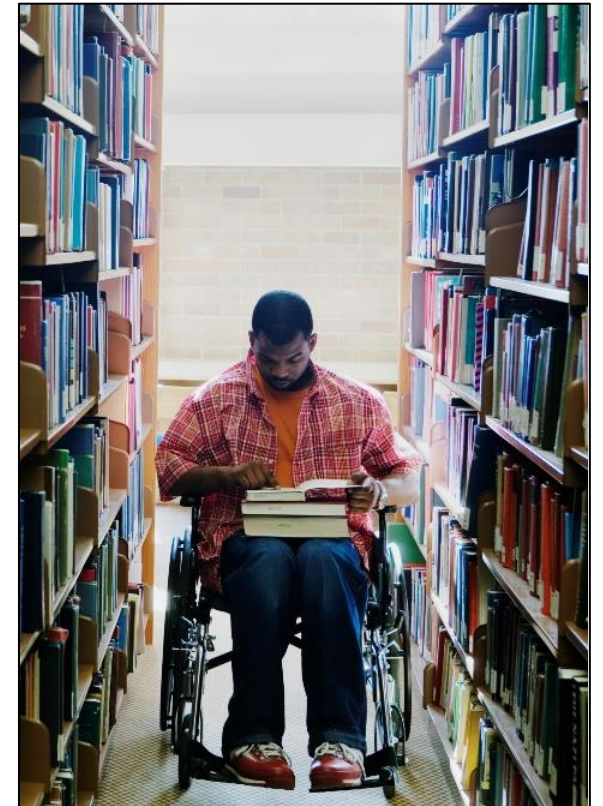
## Governance

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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 43. Further detail on how we approached our work is included in Appendix B.



# Financial sustainability



## We considered how the Council:

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

## Short and medium term financial planning

The Council's approach to budget setting is reasonable, and was strengthened in 2022/23 with the publication of a Medium Term Financial Plan alongside the budget report. Assumptions used are appropriate. The Council is using reserves to balance its budget in the medium term, but recognises it needs to reduce costs and increase income in order to ensure financial sustainability.

### Annual budget setting

The Budget & Council Tax Report to Council each February clearly sets out the impact of the annual funding settlement (please see the adjacent text box for details), noting that a review is expected over the next few years. The Council Tax base is increased by 1% each year, which is based on recent history.

Financial planning includes realistic income assumptions. For example, lower council tax collection rates as a result of the impact of Covid-19 and an assessment of anticipated New Homes Bonus income.

The Council's budget setting report each year includes assumed pay inflation which, at 2.0% from 1 April 2022 and 3.0% from 1 April 2023, was reasonable. The reports do not include any further information on the inflation rates assumed in other areas. However, Officers undertake appropriate analysis each year using the CPI rate as at October each year as well as input from budget managers and other relevant officers. For example, on utility costs. Including this analysis in the public report would provide readers with a better understanding of the key assumptions, and we have made an improvement recommendation, covering 2021/22 and 2022/23.

In order to enhance public reporting of the annual budget the Council should include all of the key assumptions used. For example, inflation rates. This relates to 2021/22 and 2022/23.



## Local Government Finance Settlement

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget.

The Final Settlement for 2023/24 distributed £17.1bn of funding to local authorities, a 4.8% increase in cash terms from 2022/23.

The Settlement also provides the Core Spending Power for local authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant, new homes bonus and social care grants. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a period of three years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

# Financial sustainability (continued)

## Short and medium term financial planning (Continued)

### Managing financial risk

The Council is seeking to manage financial risks in the medium to long term. There is no evidence of "short term fixes". However, the Council is dependent on heavy use of reserves to balance its budget over the life of the Financial Plan. As at February 2023 this included for 2023/24 £2.2m; 2024/25 £0.5m and 2025/26 £3.4m. The Council is therefore using reserves in the medium term, but recognises it needs to reduce costs and increase income, and is taking steps to develop plans to achieve this.

The Financial Plan 2023 to 2028 presented to Council in February 2023 was the first time the Council had created a Medium Term Financial Plan (MTFP) and also to look at a longer timeframe of five years. While there is no evidence of short term management of financial risks, the absence of an MTFP for 2021/22 is an improvement area and we have made a recommendation. As the Council did not have an MTFP place until February 2023 we consider that this also represents a weakness for 2002/23 arrangements.

The Council needs to develop and publish a Medium Term Financial Plan alongside its budget setting report. This should cover a period of at least three years, and ideally include projections over a five year period. This relates to 2021/22 and 2022/23.

The Chief Finance Officer presents a fair and balanced assessment of the robustness of estimates and adequacy of reserves alongside the financial plan. This includes sensitivity analysis on key assumptions, an assessment of the overall financial risk and how these compare to revenue reserves.

## Climate change

In the text box below we set out some of the challenges local authorities face in carbon reduction. The Council's revenue budget supports the funding of a Climate Change Officer and associated revenue budget and capital projects are highlighted within the capital programme which contribute towards the Council's climate change objective. There are over 20 climate change projects included - which are clearly highlighted using a special symbol. The projects cover a wide range of areas - from cycle networks to installing solar panels and replacing heating systems and roofs.



### Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected in local authority risk registers and where local authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

# Financial sustainability (continued)

## Identifying savings

The Council plans to use around £7.6m of reserves to balance its budget to 2025/26. While reserves are sufficient to allow this, it is an unsustainable position and the Council has developed savings plans which would significantly reduce the financial risk. Members and Officers need to work together to ensure that difficult decisions are made in a timely manner in order to safeguard the Council financially.

## The financial challenge

The Council has clearly identified and reported the financial challenge it faces over the next few years. The Financial Plan, presented to Cabinet in February 2023, reported use of reserves to balance the budget of £1.5m in 2022/23, £2.2m in 2023/24, £0.5m in 2024/25 and £3.4m in 2025/26, totalling £7.6m. The 2022/23 draft financial statements showed Earmarked Reserves, which could potentially be used to balance the budget of "Business rates / funding reserve" of £12.0m, "Sundry revenue grants reserve" of £3.9m and "Carry forward reserve" of £2.6m, totalling £18.5m. General Fund unearmarked reserves were £2.32m. The Council has sufficient reserves to balance the budget in the medium term, but recognises that this is not a long term proposition.

## Identifying savings

Throughout 2021/22 and 2022/23 the Council did not have a clear savings plan against which it reported publicly. Where savings had been identified, for example, through fewer staff, these were removed from the budget. This represents a weakness in arrangements and is included in our improvement recommendation on the next page.

The Council recognises that, in order to achieve the savings required, it needs to change many of its internal practices. It engaged external consultants to support it in developing a new operating model, delivering £2.6m of phased savings by April 2026.

The consultants' report, from June 2022, notes "Overall there are significant changes that can be made to the Target Operating Model to support a modernised and sustainable council and delivery against the vision and case for change. The savings will need to include changes to the way the council operates (delivering around £770k of benefits) alongside some challenging strategic projects (delivering around £1.7m of benefits)." The £0.77m savings are analysed across activity type, and involve reducing Full Time Equivalent staff by 22, with no savings in front line services such as waste collection. The review then identifies £2.1m of opportunities through service reviews, but comments that ideally the value in scope

would be two to three times this in order to achieve the required savings. Difficult decisions will be needed to implement the savings plans and ensure that the Council remains financially sustainable. Whilst Members have been kept informed of developments through a series of briefings progress has been too slow, although we note that arrangements have improved in 2023/24. This is an improvement area and we have made a recommendation.

Members need to make the difficult and possibly unpalatable decisions necessary to implement the savings identified through the Target Operating Model to ensure that the medium to longer term financial sustainability of the Council is secured and avoid the need for more drastic measures in a few years time. This relates to 2022/23 only.

As noted above, the Council is dependent on the use of reserves to balance its budget in the medium term. However, it has been proactive in increasing fees and charges part way through 2023/24 in order to help to address the in-year budget deficit. The Council has identified higher than expected pay increases, lower income from the sale of recyclable materials and general inflation as key budget pressures. The Council anticipates that the in-year additional income from the increases will be around £0.145m, with a £0.346m full year effect. It is also clear why some fees have not been increased.

While this proactive approach is to be commended, the minutes of the meeting show that three additional recommendations were made by the Executive Member for Corporate Resources and seconded by the Leader of the Council without prior discussion with the Section 151 Officer. In order to effectively address the financial challenges the Council faces Officers and Members need to work together in an open, transparent and trusting manner and the role of the three statutory officers in particular should be respected. This is an improvement area and we have made a recommendation which covers both years.

Members and Officers need to work together in an open, transparent and trusting manner to ensure that the financial position of the Council is secured in the best way possible and that both Officers and Members have ample time to consider and evaluate proposals. This is particularly important where service users and residents could be impacted. This relates to 2021/22 and 2022/23.

# Financial sustainability (continued)

## Identifying savings (continued)

### Consultation and approval of savings plans

In developing the savings opportunities the external consultants engaged with the Senior Leadership Team (SLT), Programme Team, selected members of the Corporate Management Team (CMT) and Members (through the Executive). The report notes that public consultation on the design of services and performance measures comes later.

Arrangements for approving savings schemes are based on financial limits for decision making, as set out in the Council's Constitution, coupled with an awareness of where an issue is likely to be sensitive and will therefore need Member approval.

In our prior year report we made an improvement recommendation "The savings to be delivered through the BETTER 2022 programme should be clearly set out, reported and monitored at a strategic level." Management's response was that the BETTER 2022 process had been subsumed into the Modern 25 agenda and the work with Ignite (external consultants). Finance reports to Executive include details on the savings expected from Strata and salary vacancies. There is also a narrative section on Better 2022 but, throughout 2021/22 and 2022/23 this has not included any values. The Council is planning for this programme to deliver £2.6m of phased savings by April 2026. Members have been kept informed of developments through a series of briefings. Having asked Members to make difficult decisions around savings, which may impact the public, and in order to demonstrate whether these savings are actually being delivered and the benefits of the work undertaken realised, the Council should report publicly against these savings clearly and transparently. This should include reporting savings on individual projects to ensure appropriate detail for informed decision making where projects are off track. This continues to be an improvement area and we have made an expanded recommendation which covers both years.

The Council needs to publicly report on the delivery of planned savings, ideally by each project. This should include the projected saving, the savings to date, the risk of achieving the full saving, and any corrective action being taken. This relates to 2021/22 and 2022/23.





# Financial sustainability (continued)

## Financial planning and strategic priorities

In 2021/22 and 2022/23 the Council had clear objectives which were aligned to its capital programme. There is scope to make links with revenue expenditure clearer. For 2023/24 the Council needs to clearly articulate its priorities and be clear that both revenue and capital budgets support these.

### Aligning finances to Council objectives

The Council is clear that it needs to provide appropriate levels of statutory services as a minimum. It has sought to maximise income streams in order that it is able to continue to invest in non-statutory services.

The Council Strategy 2020-2030 sets out that the vision is "Making Teignbridge a healthy and desirable place where people want to live, work and visit." This is underpinned by eight objectives (please see the adjacent text box). These objectives will be delivered through ten programmes - "The Teignbridge Ten". The Capital Programme includes a column showing which of the ten programmes each of the schemes will support. This is good practice.

In our prior year report we made an improvement recommendation "A summary of total capital outturn should be aligned and reported against the Council's Corporate Strategic Objectives." This was introduced from November 2022. It was therefore an improvement area for 2021/22 only.

The Council needs to include a total for capital expenditure for each of the ten programmes which will more clearly demonstrate how capital expenditure is supporting delivery of the Council objectives. This relates to 2021/22 only.

## Strategic Objectives and The Teignbridge Ten

The eight strategic objectives are:

- A carbon neutral district
- Better quality and affordable housing
- Good wages and jobs for all
- Active and sustainable travel choices
- Encouraging our young people to stay
- A healthier population living in resilient communities
- A clean, green and safe environment
- An open Council

The Teignbridge Ten programmes are:

- Action on climate - to be a carbon neutral district
- A roof over our heads - to provide more, better and affordable homes
- Clean scene - to keep the district clean
- Going to town - to invest in town centres
- Great places to live and work - to provide well designed quality neighbourhoods
- Investing in prosperity - to create jobs and wealth
- Moving up a gear - to improve travel options
- Out and about and active - to provide opportunities for healthy active lifestyles
- Strong communities - to liaise with, help and support our communities
- Vital, viable Council - to deliver quality, value for money and flexible services

# Financial sustainability (continued)

## Financial planning and strategic priorities (continued)

### Aligning finances to Council objectives (continued)

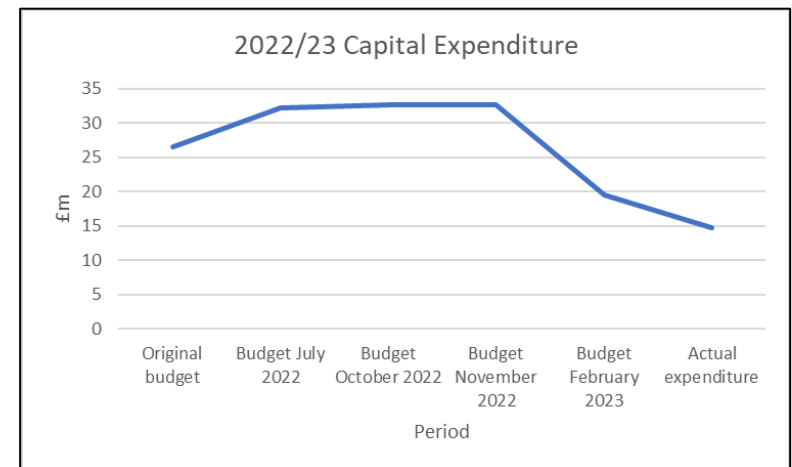
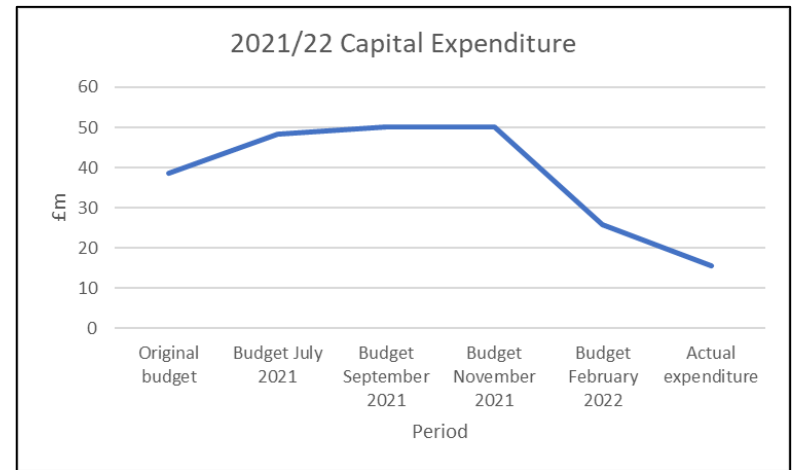
The Council saw a change in political administration in May 2023. The new administration will, quite rightly, be keen to implement its election pledges. In order to do this it needs to ensure that senior Members work with Officers to ensure that capital and revenue budgets are aligned to the pledges. As this relates to 2023/24 we have not made a recommendation.

The budget setting report does not indicate how revenue investments will support achievement of the Council objectives. The Council should consider reporting these items in a similar way to the capital programme, where schemes are clearly linked to Council priority areas. This is an improvement area and we have made a recommendation covering both years.

When setting its revenue budget the Council should clearly demonstrate how investments in services will support delivery of its objectives. This relates to 2021/22 and 2022/23.

### Forecasting capital expenditure

As shown in the adjacent graphs, forecast capital expenditure has fluctuated throughout the year in both 2021/22 and 2022/23, and then been significantly lower at year end. Whilst recognising that this is an area many councils find challenging, accurate forecasting of capital expenditure makes treasury management easier and helps to keep projects on track. This is an improvement area and we have made a recommendation, combined with the recommendation on the next page.



# Financial sustainability (continued)

## Financial planning and other operational plans

The Council is taking steps to develop a Workforce Plan to support its transformation project. There is scope to improve the accuracy of forecasting capital expenditure and to prepare a financial outturn report which is consistent with the previous quarterly reports.

### Workforce Plan

The adjacent text box sets out some of the workforce related challenges many local authorities face. The Council does not currently have a Workforce Plan, but is taking steps to develop one with an aim for this to be agreed in the first quarter of 2024. "People" and "Workforce" is a theme that runs through the work undertaken by external consultants to support the Council in identifying savings opportunities, with the summary indicating that employees are not necessarily doing the right activities. As the Council moves forward in changing the way it works having an up to date Workforce Plan, aligned to the Council priorities, is crucial in ensuring that the right people are in the right place at the right time. The Council is aware of this and plans to develop one after the current restructuring and pay review has been completed. This is an improvement area and we have made a recommendation covering both years.

To ensure it has the right staff with the right skills at the right time the Council is developing a Workforce Plan which will support it as it seeks to implement its transformation plan. This relates to 2021/22 and 2022/23.

### Capital programming

Finance reports to Executive include narrative on the capital programme for each portfolio and a summary of the latest capital programme by each project. However, there is no reference to how projects are progressing or whether there is any slippage or cost overruns. Whilst there is no evidence of major capital investment being postponed or cancelled without a sound rationale capital reporting could be further enhanced by including progress, slippage or cost overruns on major projects. This should include any remedial action being taken to bring projects back on track. This is an improvement area and we have made a recommendation covering both years. This incorporates our recommendation in relation to forecasting capital expenditure on the previous page.

The Council should enhance reporting of its capital programme and expenditure by

- Improving the accuracy of forecast expenditure
- Including progress, slippage or cost overruns on major projects. This should include any remedial action being taken to bring projects back on track.

This relates to 2021/22 and 2022/23.



## Workforce

Local government faces multiple workforce challenges including skill shortage in areas like social work (upper tier councils only) and planning and the lessening attractiveness of local government as a career choice when staff can be paid more for less stressful work in other sectors.

This trend has seen an increase in the use of more expensive agency staff and use of interims.

The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is therefore clear.

To achieve this aim, councils need to develop a workforce plan or strategy which not only sets out aims and aspirations but also a roadmap with numerical targets against which outcomes can be measured and assessed.

The workforce strategy needs to be clearly linked with strategic objectives and financial planning. Without a corporate workforce plan, councils cannot take a strategic view of how the needs of the council in terms of human resources will develop over the medium term and appropriate development through training and recruitment may not be undertaken.

# Financial sustainability (continued)

## Financial planning and other operational plans (continued)

### Treasury management

The Treasury Management Policy is presented to Council each February as part of the budget and council tax setting papers. The policy sets out the objective of treasury management - to ensure that the Council has funds available for day to day and capital expenditure, and to invest surplus funds *"commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return. It is paramount to ensure adequate security of the sums invested, as a loss of principal would result in a loss to the General Fund Balance."*

### In year financial reporting

Finance reports to Executive include the main variations to the budget and are within the range we would expect. However, there have been significant differences between the position reported for 2021/22 in November 2021 (with figures up to 30 September 2021) of a £0.736m favourable variance and the final position in the 2021/22 draft financial statements of a £2.193m favourable variance. Likewise the finance report to November 2022 Executive, with figures up to the end of September 2022, reported a £0.146m favourable variance for 2022/23, but the draft 2022/23 financial statements reported a £1.415m favourable variance.

The year end finance reports to Executive in September 2021 for 2020/21 and October 2022 for 2021/22 refer to the Narrative Report in the draft financial statements for the outturn position. As noted above, there are significant differences to the previous financial reports. These may be due to having to account for items differently in the financial statements. However, this does not provide clarity on the outturn position which should be reported on the same basis as during the rest of the year. We would expect to see a Quarter Four outturn report presented to Executive on a consistent basis with the earlier reports and this report then being reconciled to the financial statements in the draft statements themselves. This is an improvement area and we have made a recommendation covering both years.

The Council should prepare a year end outturn report on the same basis as the quarterly finance reports and then reconcile this to the figures in the draft financial statements as part of the financial statements themselves. This relates to 2021/22 and 2022/23.

## Managing risks to financial resilience

The Council has identified the projected budget deficit over the MTFP and is planning to use reserves to address this while it develops savings and income generation plans. In February 2023 the Council was planning to use around £8m of reserves up to 2025/26. The 2022/23 draft financial statements showed Earmarked Reserves including "Business rates / funding reserve" of £12.0m, "Sundry revenue grants reserve" of £3.9m and "Carry forward reserve" of £2.6m. Totalling £18.5m.

Using reserves in the short term is reasonable, as long as longer term plans are developed alongside. We have made an improvement recommendation on page 11.



# Financial governance

## Annual budget setting

The Council has sound arrangements in place for both internal and external involvement in the budget setting process.

### Internal and external engagement

The Council has robust arrangements in place for external consultation in the budget setting process. This includes a survey on the Council website which is then advertised and promoted. Responses are reported in the budget setting report.

Internally, finance department accountants and service managers work together to develop budget proposals which are then presented to Members for initial comment. Further meetings are then held to finalise the budget.

## Budgetary control

The Council has appropriate arrangements in place for internal financial reporting and budget monitoring. However, the fact that the Council has three years of unaudited financial statements outstanding represents a significant weakness in arrangements and we have made a key recommendation.

### Internal financial reporting

In our prior year report we made an improvement recommendation "The Council should ensure that variations in budget identified within year are immediately reflected in a revised MTFS where appropriate." Budget variations are included in the quarterly finance reports to Executive and the MTFP updated annually. Our recommendation has been addressed.

In our prior year report we made an improvement recommendation "The Council should determine how it will obtain independent assurance over the operation of Covid related Grants administration." The Internal Audit Annual Report to August 2022 Audit Scrutiny Committee states "The final Covid grant scheme closed on 31 March 2022. We are now working with BEIS (Dept of Business, Energy and Industrial Strategy, undertaking reconciliation for each scheme, providing evidence for their sampling exercises, and completing data requests." Assurance has therefore been provided to the government department. For 2022/23 there were no Covid-19 related grants. Our recommendation has been addressed.

In our prior year report we made an improvement recommendation "Additional analysis should be provided in budget reports to distinguish between recurring and non-recurring variances that together make up the net revenue position." Budget monitoring reports to Executive include narrative explaining this. For example, the budget monitoring report to November 2022 Executive, with figures up to the end of December includes "Renewal of the building cleansing contract has added a budget pressure of £12,940 for 2022/23 and an ongoing annual budget pressure of £25,890 for future years." Our recommendation has been addressed.

### External financial reporting

The 2020/21 financial statements audit is ongoing, largely owing to being unable to obtain sufficient evidence to support the carrying value of land and buildings. The 2021/22 and 2022/23 audits have not begun, although the Council has published draft financial statements. More broadly, arrangements for producing complete and accurate accounts are generally weak with the use of a poor, out of date, financial system that results in the need for a high number of manual interventions and use of manual working papers. A new finance system is being tested and will be implemented in due course. This represents a significant weakness in arrangements and we have raised a key recommendation.

The Council needs to ensure its annual financial statements are supported by appropriately evidenced working papers that meet the increased expectations of current auditing standards. Further investment is required to ensure sufficient skills and capacity exist within the finance team and that the financial system is capable of providing audit evidence in a fully electronic format. This relates to 2021/22 and 2022/23..

# Improvement recommendations



## Financial sustainability

### Recommendation 3

In order to enhance public reporting of the annual budget the Council should include all of the key assumptions used. For example, inflation rates.

### Audit year

2021/22 and 2022/23.

### Why/impact

Budget setting uses appropriate assumptions in key areas such as income, expenditure and inflation. However, not all of the key assumptions are publicly reported.

### Auditor judgement

The Council has undertaken appropriate analysis on which to base its assumptions, but needs to improve public reporting of them.

### Summary findings

Publicly reporting all key assumptions increases transparency and supports the reader in coming to their own view regarding the robustness of the budget.

### Management Comments

We will review reporting of smaller budget assumptions as part of the 25/26 budget process.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 4

The Council needs to develop and publish a Medium Term Financial Plan alongside its budget setting report. This should cover a period of at least three years, and ideally include projections over a five year period.

### Audit year

2021/22 and 2022/23.

### Why/impact

A Medium Term Financial Plan is essential for local authorities to be able to identify any need for savings or income generation and to be able to implement these appropriately. The Council recognises this and has developed such a plan for 2022/23 onwards.

### Auditor judgement

Not having a Medium Term Financial Plan for 2021/22 is a weakness in arrangements.

### Summary findings

The Council has recognised the need for a Medium Term Financial Plan to underpin its approach to financial sustainability. As the Council did not have an MTFP place until February 2023 we consider that this also represents a weakness for 2022/23 arrangements. While this is now in place, the absence of such a plan until February 2023 is a weakness in arrangements.

### Management Comments

Noted. Our current MTFP (Appendix 8) of the Full Council budget papers meets this requirement.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 5

Members need to make the difficult and possibly unpalatable decisions necessary to implement the savings identified through the Target Operating Model to ensure that the medium to longer term financial sustainability of the Council is secured and avoid the need for more drastic measures in a few years time.

### Audit year

2022/23.

### Why/impact

The Council has recognised that its current financial position and use of reserves to balance its budget is unsustainable. It has used external consultants to support it in developing plans which could save £2.6m by April 2026. Some of these plans will require Members to make difficult decisions as they may impact service provision. However, failure to make these decisions in a timely manner will have a detrimental financial impact on the Council.

### Auditor judgement

Members need to make difficult decisions in order to protect the financial viability of the Council.

### Summary findings

Many local authorities are experiencing significant financial challenges. Some are having to issue “Section 114 notices” which effectively declares them bankrupt. By taking action to reduce costs the Council will significantly improve its financial sustainability and avoid even harder decisions in future years.

### Management Comments

Noted. Modern 25 savings suggestions will continue to be explored and decisions made.



The range of recommendations that external auditors can make is explained in Appendix C



# Improvement recommendations



## Financial sustainability

### Recommendation 6

Members and Officers need to work together in an open, transparent and trusting manner to ensure that the financial position of the Council is secured in the best way possible and that both Officers and Members have ample time to consider and evaluate proposals. This is particularly important where service users and residents could be impacted.

### Audit year

2021/22 and 2022/23.

### Why/impact

The Council identified the need to increase fees and charges part way through 2023/24 and swiftly implemented this, with a clear public report. However, last minute changes to the proposals were recommended by Members without giving Officers the opportunity to properly consider the impact. While elected Members clearly have the democratic right to, where legal, approve their own wishes, failing to work constructively with Officers whose role it is to protect the Council finances is counter productive.

### Auditor judgement

The statutory role of the Section 151 Officer needs to be respected, providing sufficient notice for the financial impact of recommendations to be assessed. Failing to do so places the Council at risk and is a weakness in arrangements.

### Summary findings

Members need to ensure that their wishes are communicated to Officers with sufficient time for the financial impact to be assessed and included in reports. Failing to do so places the Council at financial risk if decisions have not been properly costed.

### Management Comments

Agreed.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 7

The Council needs to publicly report on the delivery of planned savings, ideally by each project. This should include the projected saving, the savings to date, the risk of achieving the full saving, and any corrective action being taken.

### Audit year

2021/22 and 2022/23.

### Why/impact

As the Council begins to implement its savings plans, some of which will have required Members to make difficult decisions and could impact service delivery, it is crucial that the impact of these decisions is publicly reported. This provides Members, Officers and service users with assurance that the desired impact is being achieved, or allows for corrective action to be taken if required.

### Auditor judgement

Having made difficult decisions and embarked on a savings programme it is crucial that progress is publicly reported and any corrective actions required identified.

### Summary findings

The Council recognises the need to make savings and has a plan to support this. Public reporting against the plan is essential.

### Management Comments

We have fed previous savings into the annual budget process. Savings drops are identified in the Modern 25 papers. Savings delivered to date have been included in the budget papers.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 8

The Council needs to include a total for capital expenditure for each of the ten programmes which will more clearly demonstrate how capital expenditure is supporting delivery of the Council objectives.

### Audit year

2021/22 only.

### Why/impact

Public reporting clearly shows how the capital programme supports delivery of Council priorities. Each capital project is aligned to one of the ten Council aims. Reporting could be further enhanced by including a total for each of the ten aims.

### Auditor judgement

Alignment of the capital programme to Council aims is good, but the addition of totals for each aim would complete the picture. This was introduced from November 2022, so is an improvement recommendation for 2021/22 only.

### Summary findings

The Council has good arrangements in place to link individual capital projects to its aims, but can further enhance this with totals for each aim.

### Management Comments

Agreed and now in place.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 9

When setting its revenue budget the Council should clearly demonstrate how investments in services will support delivery of its objectives.

### Audit year

2021/22 and 2022/23.

### Why/impact

The Council has arrangements in place to demonstrate how capital projects support achievement of its aims, but does not have the same arrangements in place for revenue investments in services.

### Auditor judgement

Demonstrating how increased revenue investment in services will support delivery of Council aims is crucial, particularly as revenue budgets become increasingly tight.

### Summary findings

It is important for Members and service users to understand how increased expenditure in certain areas will impact on services and achievement of the Council's aims.

### Management Comments

The Corporate Plan is currently under review and we will look to align revenue expenditure to match the revised aims and objectives.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 10

To ensure it has the right staff with the right skills at the right time the Council is developing a Workforce Plan which will support it as it seeks to implement its transformation plan.

### Audit year

2021/22 and 2022/23.

### Why/impact

The Council recognises that a Workforce Plan is needed to support its transformational plans. It intends to develop such a plan once the internal restructuring is complete.

### Auditor judgement

Whilst an adopted workforce strategy is not in place the Council is undertaking a comprehensive programme of workforce development activity and seeks to have an adopted plan in place by March 2024. This will support it in implementing the transformation plan.

### Summary findings

The Council recognises the need for a Workforce Plan and is working to develop one. This needs to be completed as soon as possible.

### Management Comments

Noted.



The range of recommendations that external auditors can make is explained in Appendix C



# Improvement recommendations



## Financial sustainability

### Recommendation 11

- The Council should enhance reporting of its capital programme and expenditure by
- Improving the accuracy of forecast expenditure
  - Including progress, slippage or cost overruns on major projects. This should include any remedial action being taken to bring projects back on track.

### Audit year

2021/22 and 2022/23.

### Why/impact

Forecasting the timing of capital expenditure is not easy. It is something many councils struggle with. However, accurately forecasting the timing of expenditure makes financing projects easier and allows for more reliable monitoring of progress on delivery.

### Auditor judgement

The Council has struggled to accurately forecast the timing of capital expenditure and has not reported in sufficient detail on major projects.

### Summary findings

Capital programmes represent a very significant area of expenditure, but are not reported in the same detail as revenue expenditure. The Council needs to improve the accuracy of forecast expenditure and more clearly explain the reasons why projects fall behind plan and what is being done about it.

### Management Comments

The capital review group helps to aid timing of project delivery which is often delayed due to Member decisions or unforeseen circumstances e.g. inflationary costs, design issues, weather hampering timing of delivery etc. Best evidence will continue to be used to determine likely spend dates. Significant changes to contract values are reported to Executive/Full Council as appropriate with relevant updates.



The range of recommendations that external auditors can make is explained in Appendix C

# Improvement recommendations



## Financial sustainability

### Recommendation 12

The Council should prepare a year end outturn report on the same basis as the quarterly finance reports and then reconcile this to the figures in the draft financial statements as part of the financial statements themselves.

### Audit year

2021/22 and 2022/23.

### Why/impact

The Council has appropriate arrangements in place for financial reporting during the first three quarters of each financial year, but reports in a different way at quarter four. This makes comparisons through the year and with the published financial statements very difficult.

### Auditor judgement

For consistency the year end financial reports should follow the same format as in year ones.

### Summary findings

While recognising that preparing a quarter four report on the same basis as earlier reports will create additional work for Officers, this is something worth doing in order to allow outturn expenditure to be more easily compared to in year forecasts.

### Management Comments

We will look to reconcile the 23/24 outturn report to the financial statements surplus/deficit.



The range of recommendations that external auditors can make is explained in Appendix C

# 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. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Risk management and internal controls

The Council has appropriate arrangements in place for effective risk management, but there are areas where further improvements could be made. Internal Audit is effective, providing a wide range of comprehensive reports. Reporting of work needs to be more frequent however. The Council has improved its whistleblowing arrangements from January 2023 and this area is no longer a significant weakness for 2022/23, but was in 2021/22.

### Risk management

The Council's risk management strategy was updated in July 2023. This sets out that the Council's approach is to identify and manage risk, rather than avoid it. The Council uses a 3x3 likelihood / impact scoring approach, with high scoring risks (nine) reviewed by the responsible officer monthly. The frequency of review decreases proportional to the risk score. The Council uses its SPAR.net system, in which it records all risk information, including details of risk, risk scores, mitigating actions, responsible officers, and risk reviews.

The Internal Audit Risk Management report from January 2023 includes a review of the different categories of risk and benchmarking with other local authorities. The "Opinion" provided is "Good" for strategic, corporate and project risks and "Fair" for service risks. The report states *"This rating is based on having a good risk management and governance framework in place with assigned roles and responsibilities. There is evidence of regular reviews of the strategic and corporate risks and their mitigations, together with reporting mechanisms to the Overview and Scrutiny Committee, Audit Scrutiny Committee and the Strategic Leadership Team...some service risks reviews are not being updated promptly on the Spar.net system by the risk responsible officers despite receiving automatic email reminders from the Spar.net monitoring system."* A number of recommendations have been made and accepted by Officers.

Strategic and Corporate Risk Reports to Audit Scrutiny Committee provide an appropriate level of assurance that risks are being identified and managed appropriately. Where actions are needed to further mitigate risks these are clearly set out and the reports include links to the underlying risk management system should Members wish to delve deeper. For 2022/23 reports were presented in August 2022, January 2023 and March 2023, which is sufficiently regular. However, for 2021/22 the only report is August 2021. This means that a whole year passed by without any public risk reporting. This is an area for improvement for 2021/22 and we have raised a recommendation.

For the period August 2021 to August 2022 no risk management reports were presented to the Audit Scrutiny Committee. The Council needs to ensure that reporting of risk is sufficiently frequent to provide Members with the assurance they need that risks are being managed appropriately. This relates to 2021/22 only.

# Governance

## Risk management and internal controls (continued)

### Risk management (continued)

Risk reports include some background to aid understanding of the process and different categories of risk. Throughout 2021/22 and 2022/23 reports have shown that there have been around 25 risks in the Strategic Risk register which are the risks the Council considers could impact heavily on its ability to deliver essential services and meet important objectives. In addition, there are 11 corporate risks, 'common risks', that apply to many sections of the Council and for which it states it has corporate processes in place to deal with them.

The risk report to March 2023 Audit Scrutiny Committee shows that, of the eight major capital projects included, the risk register for two was being developed. Not having properly developed risk registers for major capital projects is, in itself a risk, and we have made an improvement recommendation covering both years.

The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date. This relates to 2021/22 and 2022/23.

In our prior year report we made an improvement recommendation "Risks within the Council's Corporate risk register should include more detailed description of the risk as well as the mitigating actions, the date the risk score was last reviewed and the previous risk score for that particular risk. Risk registers should be put in place prior to the commencement of major projects." Review of the Strategic and Corporate Risk Reports to Audit Scrutiny Committee indicates that this further detail has not been included. We note the management response that further information is available in the risk management system, but this is not available to the public and our recommendation is carried forward.

## Risk management and internal controls

### Internal Audit

The Council's Internal Audit service is a "mixed provision" of internal staff (Audit Manager and one Auditor), supplemented with a number of audit days commissioned from the Devon Audit Partnership.

The 2021/22 Internal Audit Plan was presented to Audit Scrutiny Committee in August 2021. It includes a list of the areas to be reviewed, which are appropriate, covering financial and non financial areas. However, there is no indication of the timing of the reviews, resources required, or when the areas were last reviewed. We see this information included at other clients but recognise this decision has been made to allow the plan to be fluid. Officers also feel that this is consistent with best practice. The Internal Audit Annual Report was presented in August 2022, providing reasonable assurance around the operation and effectiveness of systems and controls. However, there was no reporting on progress between these two meetings. Whilst recognising that some Internal Audit staff were re-assigned to other areas of the Council as part of the response to the Covid-19 pandemic, this does not provide Members with the assurance they need that Internal Audit is effective. Officers recognises this and are taking steps to increase the frequency of meetings in 2023/24. This is an improvement area and we have made a recommendation.

The 2022/23 Internal Audit Plan was presented in August 2022, with a progress report which includes a table showing the status and assurance level for each assignment presented in January 2023. The Annual Report was presented in August 2023. We do not consider that one high level progress report during the year is sufficient to allow the Audit Scrutiny to effectively discharge its oversight of Internal Audit. We also note that the same content we noted as missing from the 2021/22 audit plan was also missing from the 2022/23 plan. Our recommendation therefore covers 2021/22 and 2022/23.

The Council needs to ensure that the work of Internal Audit is reported to the Audit Scrutiny Committee on a frequent basis. We would expect this to be at least quarterly. This relates to 2021/22 and 2022/23.

Review of the Internal Audit reports most relevant to our work indicates that the work is thorough, with findings evidence based and judgements clearly communicated. Appropriate recommendations are made, to which Officers have responded positively.

# Governance

## Risk management and internal controls (continued)

### Fraud and whistleblowing

Internal Audit conduct an annual Fraud Risk Analysis for all Council services. The assessment covers all major service areas, identifying the fraud risk and mitigating controls. This is good practice.

The adjacent text box includes information on the importance of local authorities having effective whistleblowing arrangements in place.

In our prior year report we made a key recommendation *"The Council should review its whistleblowing arrangements and in particular how it will protect whistleblowers from reprisal."* The Council presented an updated policy to Audit Scrutiny Committee in January 2023 and then to Full Council in May 2023. Full Council requested an external review of the policy, which found the policy to be *"of generally high quality. It is clearly structured, succinct and demonstrates a commitment to transparency and good governance."* A number of changes were recommended, which have been made. The updated Policy was re-presented to Audit Scrutiny Committee in August 2023. The Council provided an externally delivered whistleblowing presentation to Members on 5 September 2023. The presentation contains appropriate content and was well attended. Our recommendation has therefore been addressed in 2022/23, but remained in place for 2021/22.



### Whistleblowing

With a focus on accountability and transparency converging with flexible working trends, it is more important than ever that for a council to have a Whistleblowing Policy in place but it also understands how the effectiveness of the policy is being assured and how the council is sighted on issues raised.

Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups in all premises.
- All staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service, and
- The Council are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

As the National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable. Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.



# Governance (continued)

## Informed decision making including the Audit Scrutiny Committee

Reports to Members provide them with the information they need on which to make informed decisions. However, changes to some decisions have stifled progress, particularly in regard to the Future High Street Fund projects, placing the Council at financial risk. While it is important that decisions can be scrutinised and challenged appropriately, changes to decisions that have been appropriately made can be damaging. There is also scope for the level of scrutiny to be improved, including through more Members attending the optional training provided.

### Making informed decision making

Reports to Members contain appropriate information for them to make major decisions. Members request further analysis or evidence where they feel it is required. For example, the Extraordinary Full Council meeting on 4 May 2021 "to enable works in connection with the Forde House decarbonisation project and the Agile Working project." This required approval for £0.672m of Public Sector Decarbonisation Grant Scheme Funding and a further £2.722m from prudential borrowing and capital receipts. The report provides sufficient explanation of the need for the investment, analysis done on the anticipated benefit and associated risks to allow Members to make an informed decision.

The Council's performance against key governance metrics is set out in the table below.

	2022/23	2021/22
Annual Governance Statement (control deficiencies)	None	None
Head of Internal Audit opinion	"...the framework for governance was as described in the Annual Governance Statement; Risk Management operated consistently; and controls are generally effective. There are matters relating to member – officer relations and other governance issues that remain to be resolved."	"...the framework for governance was as described in the Annual Governance Statement; Risk Management operated consistently; and controls were generally effective."

The "Future High Street Fund project – Cinema market report" to November 2022 Full Council states "At Full Council on 6 September 2022 members requested that officers 'engage consultants who specialise in cinemas and the night-time economy in the South-West as a whole in order to establish how viable a new four screen cinema is.'" The report summarises the key messages. One of the catalysts for the request for additional evidence was the cinema operator indicating that the capital costs of the fit out had increased and it required a further £0.6m from the Council. A report on the same agenda requests approval for the additional funding.

However, the report states "Monies paid via the FHSF must be spent by end March 2024". We understand from Officers that Government allows extensions and this is being explored with absolute spend likely to be March 2025. The Capital Programme report to September 2023 Executive shows that this project spent on £0.2m against an initial budget of £5.4m for 2022/23 and that over £5.3m is now budgeted for 2024/25. The Council therefore needs to ensure that decisions are made in a timely manner to allow capital projects to proceed as planned and avoid the risk of any Government clawback of unspent funding. This is an improvement area and we have made a recommendation covering both years.

To avoid potential recall of allocated capital funding the Council needs to ensure that decisions are made and stuck to in order to allow projects to proceed as required. This relates to 2021/22 and 2022/23.

# Governance (continued)

## Informed decision making including the Audit Scrutiny Committee (continued)

### Making informed decision making (continued)

In our prior year report we made a key recommendation as below:

Both Members and senior officers must commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders. This should also include commitment from Group Leaders that party members will be held to account for unruly behaviours. Senior leadership, both officers and members, must demonstrate that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints.

The Council's 2022/23 Annual Governance Statement to August 2023 Audit Scrutiny Committee states "some decision making has been delayed due to a failure to appreciate roles and professional responsibilities. A disregard for professional officer advice, and / or proposals put forward without such, has also resulted in increased risk in some areas, the Future High Street work being an example of this. A revised officer and member protocol, to give clarity of roles and aid decision making has been drafted. This protocol, together with previously recommended improvements to the Constitution proposed in July 2022, which are still pending Council approval, need to be taken forward and implemented as soon as practical."

We understand that, as at December 2023, the planned Member / Office Protocol has still not been agreed and that external support is now being sought in an attempt to resolve the issue. Senior Members need to work with Officers, particularly Statutory Officers, in a more collaborative, respectful and supportive manner. This includes tackling Member behaviour which falls short of the high standards expected of those in public office. This is a significant weakness and is linked to our key recommendation which is carried forward from the prior year as set out on page seven.

### Effective scrutiny

In our prior year report we made an improvement recommendation "The Council needs to address this issue of lack of Member engagement in training courses. Essential training needs to be made mandatory with non-attendance treated as misconduct." The Council has developed a suite of training for 2021/22 and 2022/23, which is overseen by the Procedures Committee. The programme states "Except where specific training is defined as 'essential', the offer of learning and development will be presented as an opportunity to become Members to personally decide how you wish to engage with Member development." Review of the programme shows that "Essential" training is limited to specific committees, such as planning, licensing and Audit Scrutiny. The purpose and outcome of the training are clearly set out. The 2023 Member Induction Programme is a comprehensive suite of training covering all key areas, including meeting key officers, Code of Conduct, IT, Cyber security, Equality & Diversity, Effective Scrutiny, Licensing, Planning, Safeguarding and finance. Although training has not been made "Mandatory" it is clear which training Members are expected to attend and a comprehensive programme has been established. Officers keep a record of attendance and are satisfied that "Any Member sitting on the regulatory committees attended the mandatory training". Our recommendation has therefore been addressed. However, we would encourage Members to attend "optional" training which is designed to support them in undertaking their role as effectively as possible.

In order for the Audit Scrutiny Committee to be able to discharge its responsibilities as effectively as possible it is important that Members attend each meeting. Where absences are unavoidable the Council allows appropriate informed substitutes to attend. We note that one Committee Member did not attend a meeting for two years, and that this appears to have gone without comment or a substitute attending.

Throughout 2021/22 and 2022/23 there was little change in the membership of Audit Scrutiny Committee. In 2023/24 this has changed, with only two Members the same as before. While we recognise that there is inevitably change, particularly after local elections, and that a fresh perspective can be beneficial, this level of change risks undermining the effectiveness of the Committee owing to the loss of corporate knowledge. We have not raised an improvement recommendation, but would suggest it is something the Council needs to be conscious of.

# Governance (continued)

## Standards and behaviours

Too often poor Member behaviour and a failure to work constructively with Officers for the greater good of the Council is impacting on the ability of Officers to do their work as effectively as possible. Too much time is taken up managing relationships and responding to last minute requests or changes of plan. Until this culture changes the Council will be unable to achieve its full potential.

### Creating the right culture

The Committee on Standards in Public Life is an advisory non-departmental public body of the Government, established in 1994 to advise on ethical standards of public life. It promotes a code of conduct called the Seven Principles of Public Life, also known as the Nolan principles after the first chairman of the committee, Lord Nolan. We have set these out in the adjacent text box.

There have been instances over the last few years where Member behaviour has fallen short of the standards expected by the code.

As reflected in our prior year report, the Council has struggled to ensure that Officers and Members work constructively together. Too much time has been taken up with complaints and investigations. Independent external investigations have found the conduct of some Members to be below expectations. Equally, the Council has been found at fault over how it conducted an investigation into alleged breaches of its Code of Conduct by a Member. A number of remedies were recommended, which the Council has addressed, including, as noted on the next page, a new procedure for dealing with complaints. As reported on the previous page, our key recommendation on developing a better culture is carried forward.

As reported on page 42, progress in implementing recommendations, particularly those made by the Centre for Governance and Scrutiny (CFGs), which would improve the culture, has been too slow.



## The Seven Principles of Public Life

The Seven Principles of Public Life (also known as the Nolan Principles) apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the Civil Service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also apply to all those in other sectors delivering public services.

### Selflessness

Holders of public office should act solely in terms of the public interest.

### Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### Honesty

Holders of public office should be truthful.

### Leadership

Holders of public office should exhibit these principles in their own behaviour and treat others with respect. They should actively promote and robustly support the principles and challenge poor behaviour wherever it occurs.

# Governance (continued)

## Standards and behaviours (continued)

### Investigating complaints

In our prior year report we made a key recommendation "The Council should review its procedures for investigating and dealing with complaints of misconduct by members. The Council should also review how many complaints are in progress and ensure that complaints are investigated and closed as quickly as possible so that further learning points can be identified quickly and introduced into the Council's processes." A similar recommendation was made by the Local Government and Social Care Ombudsman in its report discussed at Extraordinary Full Council on 14 February 2023. Standards Committee agreed a new investigation process at its meeting in March 2022. Our recommendation has therefore been addressed for 2022/23 but remained in place in 2021/22.



### The role of the Monitoring Officer

The role of the Monitoring Officer is set out in the Local Government and Housing Act 1989. In summary, it is the role of the Monitoring Officer to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of councillors and officers and, to be responsible for the operation of the council's constitution. They are often, but not always, the head of legal services in a local authority.

In our prior year report we made an improvement recommendation "The Council should review its Record Retention Policy and ensure that it reflects the need to retain key evidence that may need to be accessed during the investigation of complaints." We understand that, as at December 2023, this has still to be concluded. Our recommendation is therefore carried forward.

In our prior year report we made an improvement recommendation "The Council should review its procedures for how it deals with concerns about the mental Capacity of members." The Council response to this recommendation confirmed that support is provided by the Council's Democratic Services team and that the particular matter was referred to the Independent Person who decided no further action was necessary. Now that meetings are again "in person" the particular circumstance giving rise to our recommendation is unlikely to recur. Our recommendation is therefore closed.

### Compliance with the Council's Code of Conduct

The adjacent text box sets out the key role that the Monitoring Officer plays in ensuring compliance with codes of conduct. Throughout 2021/22 and 2022/23 there have been a number of instances where alleged non-compliance with the Council's Code of Conduct have been investigated. Some of these have been referred for independent external consideration. Where appropriate, sanctions have been applied to individual Members and remedies and apologies made to Members where the Council has been found at fault. There is no evidence of significant or repeated departure from key regulatory and statutory requirements or professional standards.

In our prior year report we made an improvement recommendation "The Council should ensure members fully understand their obligations with regard to Conflicts of Interest. This should include mandatory training." Members Declarations of Interest are on their individual Council website page. From review of a selection of these we can see that declarations are made. We can also see from our review of Full Council minutes that declarations are made against specific items. However, we understand that there are examples of Members not making declarations appropriately. Members need to be aware that these requirements are designed to protect them from any misconception of wrongdoing and should ensure that all declarations or conflicts of interest are made in a timely manner. Our recommendation is therefore ongoing.

### Procurement governance

The Council reviews its Financial Thresholds - Contract Procedure Rules annually. In 2021/22 this included an external review by the Local Government Association (LGA). The review included benchmarking against the other eight Devon councils and seven from other parts of the country. Audit Scrutiny Committee receives reports on waiving of contract rules. The number (around 12 per year) is reasonable, and reports include appropriate details, including the value, contractor, why the waiver was needed, and who approved it. In many cases waivers are approved by the Managing Director and Leader of the Council, as well as the Head of Service.

# Improvement recommendations



## Governance

### Recommendation 13

For the period August 2021 to August 2022 no risk management reports were presented to the Audit Scrutiny Committee. The Council needs to ensure that reporting of risk is sufficiently frequent to provide Members with the assurance they need that risks are being managed appropriately.

### Audit year

2021/22 only.

### Why/impact

Failing to keep Members up to date with merging or changing risks could adversely affect the achievement of Council priorities.

### Auditor judgement

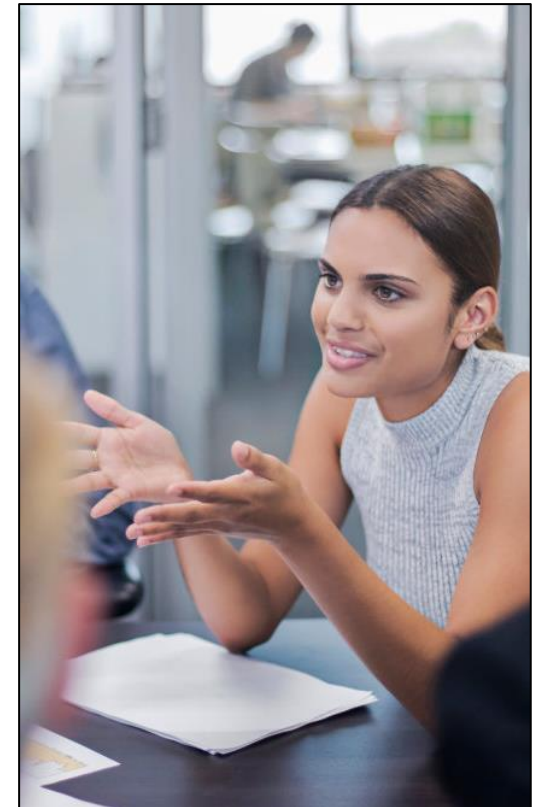
Risk management reports should ideally be presented to Members quarterly. Once a year is insufficient.

### Summary findings

The Council has sound arrangements in place for risk management, but needs to ensure that risks which may impact the achievement of Council objectives are regularly reported to Members.

### Management Comments

Reports were reduced in 2021/22 due to staff being reassigned to Covid related activities. More regular reporting has continued since then with greater detail.



The range of recommendations that external auditors can make is explained in Appendix C.



# Improvement recommendations



## Governance

### Recommendation 14

The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date.

### Audit year

2021/22 and 2022/23.

### Why/impact

The Council does not have risk registers for all of its major capital projects. Given the value of these projects and the fact that each of them is intended to support the achievement of Council objectives, this is a weakness.

### Auditor judgement

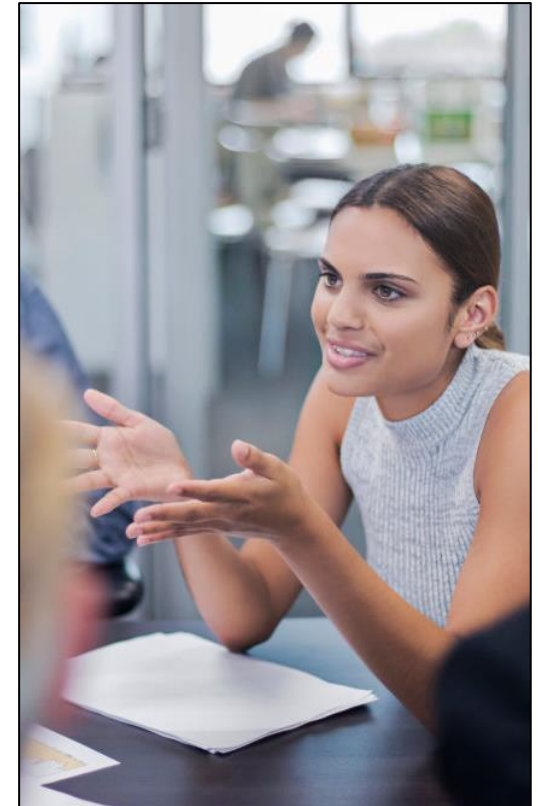
The Council has identified the need for risk registers for major capital projects. It needs to ensure that these are in place for all such projects.

### Summary findings

The Council has a number of major capital projects. Not all of these are progressing as planned. Comprehensive risk registers for each project, with summary reporting to Members, is crucial to support informed decision making and risk management.

### Management Comments

All schemes do have a risk register and we will ensure these continue to be up to date and complete.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 15

The Council needs to ensure that the work of Internal Audit is reported to the Audit Scrutiny Committee on a frequent basis. We would expect this to be at least quarterly.

### Audit year

2021/22 and 2022/23.

### Why/impact

Failing to provide regular progress report to the Audit Scrutiny Committee means that they are unable to discharge their responsibilities effectively.

### Auditor judgement

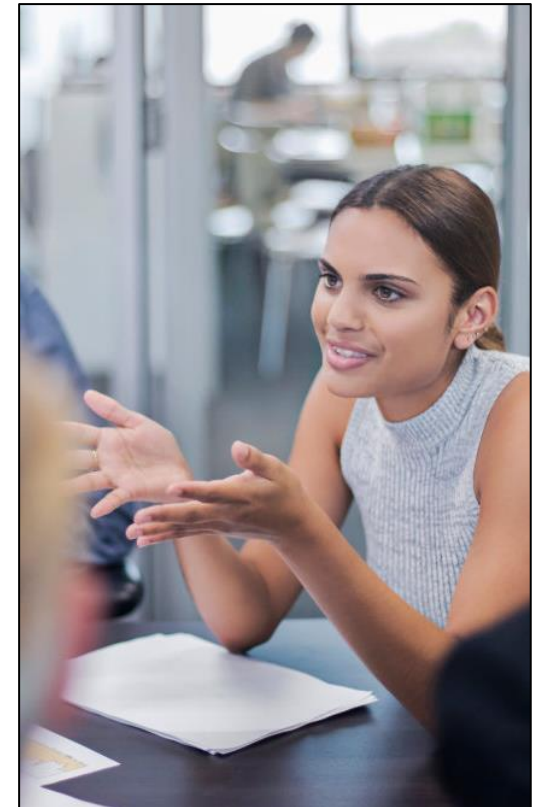
Regular and timely reporting of Internal Audit work is crucial in ensuring appropriate oversight of internal control and governance arrangements.

### Summary findings

The Council has an effective Internal Audit service which provides a wide range of comprehensive reports. This work needs to be reported to Members in a timely manner.

### Management Comments

Noted. Resourcing and Covid related activities has played a part for some of the work and frequency of meetings including the lack of year end auditing to report on the agenda.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



## Governance

### Recommendation 16

To avoid potential recall of allocated capital funding the Council needs to ensure that decisions are made and stuck to in order to allow projects to proceed as required.

### Audit year

2021/22 and 2022/23.

### Why/impact

Preparing business cases and funding applications takes a lot of Officer time. Public funding is not unlimited and councils essentially compete for it. To be awarded public funding for a project intended to help regenerate a town centre and then fail to use it in time represents a weakness in arrangements.

### Auditor judgement

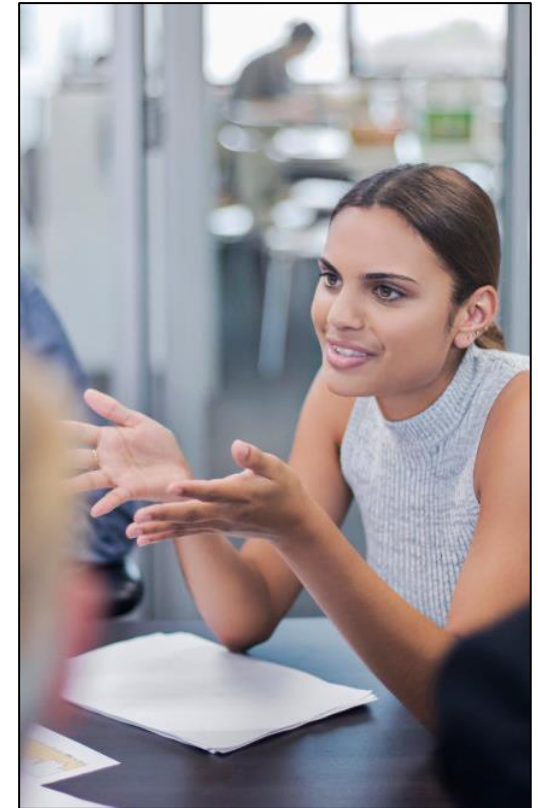
The Council needs to ensure that it has appropriate arrangements in place to allow scrutiny and challenge of decisions, but then implement those decisions in a timely way, without further changes to plans.

### Summary findings

**While it is entirely appropriate for decisions to be scrutinised and challenged this should not be done in a way that jeopardises funding and places the Council at financial risk.**

### Management Comments

Agreed.



The range of recommendations that external auditors can make is explained in Appendix C.

# 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.

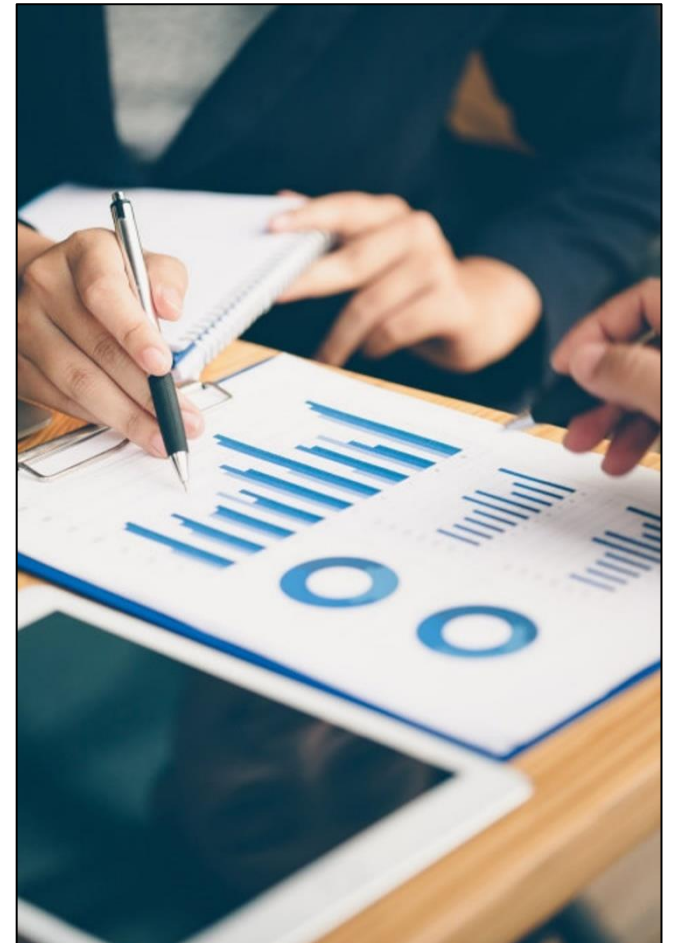
## Use of financial and performance information

The Council uses performance information appropriately in order to provide assurance over the delivery of its aims and objectives. It ensures that the underlying data used is accurate and reliable. The Council also uses benchmarking to identify areas for improvement or possible cost reduction.

### Performance information

Key Performance Indicators (KPIs) are provided in the Council's strategy to enable monitoring of the body's performance and identify areas for improvement. The KPIs are rated based on their progress towards targets, and the performance against the ten priorities is monitored through annual business plans and performance monitoring reports reviewed by the Overview and Scrutiny Committee. The Council also reviews and updates the KPI targets to ensure they are appropriately written and challenging.

The Council has a 10-year strategy (2020-30) with eight main objectives supported by the "Teignbridge Ten" programmes for practical improvements. The Council Strategy provides a framework for prioritising and delivering services and projects. Performance against the ten priorities is monitored through annual business plans and performance monitoring reports reviewed by the Overview and Scrutiny Committee. In Quarter Four 2022/23, five KPIs were rated red, including net additional homes provided, number of self-build homes provided, and homelessness prevention. Overall, the Council is monitoring and reviewing its performance against its strategy and objectives.



# Improving economy, efficiency and effectiveness (continued)

## Use of financial and performance information (continued)

### Accuracy of information used

The Council has several mechanisms in place to monitor and review its performance. These include quarterly reports shared with the Overview and Scrutiny Committee, monthly reports on treasury management, an annual internal audit report on data quality, and a Member development programme that includes scrutiny training. Overall, the positive assessments from internal audit suggest that the Council has effective processes in place to manage its financial operations and ensure the accuracy and reliability of its internal financial information.

The Centre for Governance and Scrutiny report identified areas for improvement in governance, scrutiny, and ethical behaviour, including the need for more effective work programming arrangements and methods for determining the effectiveness of scrutiny's work. The Council has responded to these recommendations by employing a new Scrutiny Officer, providing significant training on scrutiny, setting deadlines for work and feedback, and looking at the role of committees including audit scrutiny.

The Internal Audit Data Quality Report from March 2023. The "Opinion" provided is "Good" *"based on having a good data quality and governance framework in place. There is evidence of data quality checks being made by the Data and Performance Analyst before performance reports and Power BI dashboards are published and permissions given to other officers. As well as mechanisms in place to ensure accurate data within central government returns and information used to support new strategies and policies."*

### Learning from others

The Council has compared its housing performance with England and the South West region, identifying areas for improvement such as excess cold, fuel poverty, and low-income households in the private rental sector. The Council also benchmarked its costs per head of population with statistically nearest neighbours and used the Local Government Association (LGA) research dashboard to compare its performance in various service areas with other local authorities. The dashboard showed that the Council's performance was worsening in certain areas, including council tax non-collection, primary school exclusion, and recycling rates.

The Council also conducted benchmarking through external consultants to review its services costs and alignment with strategic priorities. Findings related to the Council's performance reported underperformance in planning and an opportunity for better alignment of performance KPIs to the Corporate plan and outcomes.

The Council should consider regular reviews and updates to its action plans to incorporate specific and measurable targets for improving performance in the areas of low performance. This may involve exploring alternative solutions, investing in more sustainable practices, and partnering with community groups and stakeholders to increase public awareness and participation in these initiatives. This is an area for improvement and we have made a recommendation covering both years.

To support continuous improvement the Council should review and update action plans to ensure that targets remain appropriate, especially in areas where performance needs to improve. This relates to 2021/22 and 2022/23.

In our prior year report we made an improvement recommendation *"The Council should initiate an external Peer Review through the Local Government Association."* This took place in January 2024. However, for 2021/22 and 2022/23 it has not been actioned and our recommendation is carried forward.



# Improving economy, efficiency and effectiveness (continued)

## Use of financial and performance information (continued)

### Grant Thornton benchmarking of the Council

We have used our own benchmarking tool (based on Revenue Outturn (RO) submissions to government) to compare unit costs to ten statistical nearest neighbours. We were able to identify services that had a "Very High Unit Cost" and compared the Council's performance in these areas. Our findings showed that the Council's unit cost was considerably higher than that of its ten statistical neighbours in 15 specific services across three main service areas in 2021/22. In 2022/23, we expanded the analysis to include four main service areas and 15 specific services. We found that the Council's unit cost remained high compared to its statistical neighbours. It is important to note that this analysis depends on the accuracy, consistency and comparability of returns.

Additionally, we observed that in 2022/23, the Council spent more in five specific services across Housing, Environmental & Regulatory, and Central services than it did in the previous year. These findings suggest that the Council may need to review its spending and identify areas where it can reduce costs while maintaining service delivery standards. This is an area for improvement and we have made a recommendation which covers both years.

The Council should review its expenditure and service delivery in the areas that our benchmarking analysis identified as outliers compared with ten statistical nearest neighbours. This relates to 2021/22 and 2022/23.

RO - Actual 2021/22	Very High Unit cost services	RO - Actuals 2022/23	Very High Unit cost services
<b>Housing Services</b>	Housing advances	<b>Housing Services</b>	Housing advances
	Nightly paid , private accommodation		Homeless Reduction Act: Administration and Support
	Other private sector housing renewal		Other private sector housing renewal
	Private sector accommodation leased by authority		Rent allowances - discretionary payments
	Rent allowances		Temporary accommodation administration
<b>Environmental &amp; regulatory</b>	Climate change costs	<b>Environmental &amp; regulatory</b>	Climate change costs
	Coast protection		Coast protection
	Defences against flooding		Food safety
	Land Drainage		Public conveniences
	Private rented housing		Defences against flooding
	Public conveniences		Private rented housing standards
	Recycling		Street cleansing
	Street cleansing	<b>Central services</b>	Revenue expenditure on surplus assets
<b>Central services</b>	Revenue expenditure on surplus assets		Retirements benefits
	Retirements benefits	<b>Planning and Development</b>	Other Planning Policy

# Improving economy, efficiency and effectiveness (continued)

## Assessing performance and identifying improvement

The Council has undertaken a wide ranging piece of work, using external consultants, to support it in identifying areas for improvement internally, through increased efficiency.

### Service standards

There is no evidence to suggest that there is a failure to meet minimum service standards in core service areas or repeated/historic failure to achieve improvements in efficiency and productivity. Rather, the Council is actively monitoring and reporting on its financial and non-financial performance, identifying areas for improvement, and taking steps to address underperformance. The caution status reported for certain service areas is due to specific challenges, such as Covid-19-related delays and cost of living increases, rather than an indication of repeated or historic failure to achieve improvements. Additionally, the Council's plan to prepare the Teignbridge Local Plan 2020-2040 suggests a proactive approach to managing development and improving built and natural spaces in a zero carbon environment, with high standards of design, development, and living conditions.

In our prior year report we raised an improvement recommendation that *"The Council should ensure that there is a process by which savings reported by budget heads under the BETTER 2022 program are validated for accuracy on a regular basis."* There is no evidence that this has been done, therefore our improvement recommendation is carried forward. The Council has been working on improving its services as part of the Better 2022 initiative for the past two years and plans to continue this effort by implementing the Modern 25 agenda in the future. Briefings to Members show when benefits from the Modern 25 agenda are expected to be realised, with significant savings anticipated by September 2024. The Council will need to ensure that these savings are reported publicly and can be validated.

### Review of Council priorities

On page 13 we report on how the Council aligns its finances to its objectives. On page 14 we note that the political administration changed in May 2023 and that this will bring with it new priorities.

The Council began a review of its Strategy in September 2023. A Council Strategy Working Group (CSWG) has been established with membership comprised of nine Members as the primary advisors and their involvement will ensure continuity throughout the process of preparing the Council Strategy. The CSWG is not a decision-making body. It will seek agreement and consensus on Council Strategy matters and advise Officers as appropriate.

The Council has a clear annual delivery plan for its Housing Strategy, which is regularly reviewed and monitored through quarterly reports to the Overview and Scrutiny and Executive Committees. The Council Strategy Review is carried out regularly, with the CSWG advising on high-level issues and specific, measurable projects aligned with the strategy's goals. The Council also has two Overview and Scrutiny Committees which review quarterly performance monitoring reports separately and occasionally hold joint meetings. The Council's approach to recovery from the Covid-19 pandemic includes seven projects aimed at training support for businesses, improving engagement with the community and voluntary sector, and combined data analysis.

The Council's plan to prepare the Teignbridge Local Plan 2020-2040, which will cover various areas, including climate change and energy, environmental conditions and protection, and health and wellbeing, suggests a commitment to considering a range of value factors beyond purely financial considerations.

### Evaluating service delivery

The BETTER2022 programme of reviews is designed to help ensure value for money in services, suggesting that the Council is committed to identifying more cost-effective ways of delivering services. The ongoing work to improve automated performance reporting through the use of the Power BI reporting tool also suggests a focus on improving efficiency and reducing costs. Furthermore, the positive assurance provided to the Council's IT provider, Strata Service Solutions Limited, suggests that the Council is monitoring the performance of its suppliers to ensure that they are delivering value for money. The BETTER 2022 process has been subsumed into the Modern 25 agenda and the work with Ignite external consultants.

### Responding to recommendations

The report by the Centre for Governance and Scrutiny (CFGs) [presented](#) in February 2023 identified six improvement areas in respect of governance, scrutiny and ethical behaviours. While the Council has made progress in some areas, such as reviewing the constitution and providing training for scrutiny, it appears that there has been little progress in addressing some of the key issues identified, such as the relationships between Members and Officers and decision-making arrangements. The fact that CFGs has had to revisit the issue and conduct further individual interviews with Members and Officers suggests that previous efforts to address these issues may not have been successful. Please refer to our governance work for detailed commentary on these areas.

# Improving economy, efficiency and effectiveness (continued)

## Partnership working

The Council has sound arrangements in place for working with partners, including obtaining assurance over their performance.

### Partnership oversight

The Council maintains a partnership register consisting of 48 strategic partnerships and groups. The partnerships are categorised according to the different directorates, and they can be either statutory or voluntary. Partnerships may have formal or informal agreements, and the frequency of contact can range from monthly to quarterly. The partnership register includes details on budget funding/grants, the year involvement commenced, and the partnership objective, which is aligned with the Council's corporate objectives (Teignbridge Ten). Each partnership has a responsible officer assigned to it.

There are regular reports on the performance and progress of various partnerships, committees, and services. These reports provide updates on the priorities, achievements, and challenges faced by these entities. The Council also monitors the performance of its key suppliers, such as the Strata Partnership, through governance arrangements in accordance with the Shareholder Agreement. The Council has received grants and funding to support community safety initiatives and waste management strategies. However, there are some areas where reviews of Strata have identified that improvements are needed, such as in the governance structure of the Strata Partnership, which is currently under review, and infrequent Joint Scrutiny Executive Committee meetings. We have not repeated these recommendations.

## Commissioning and procurement

The Council has appropriate arrangements in place when it commissions or procures services. Officers have agreed areas for further improvement identified by Internal Audit.

In the adjacent text box we set out some of the procurement challenges facing local authorities. Waivers to the Financial Instructions and Contracts Procedure Rules are reviewed by Internal Audit and the procurement team, and a report of all waivers is submitted to each Audit Scrutiny Committee meeting for monitoring. The Council has also identified the risk of contractor poor performance or failure in its strategic and corporate risk register. Several waivers have been processed since March 2021, with reasons such as urgent action required and limited markets. Additionally, the Council has utilized the Voluntary Ex-Ante Transparency (VEAT) notice (VEAT notices are used when contracts are awarded without prior publication of contract notice) for procurement, such as for the procurement of Time, Attendance and Payroll Software for three councils, which was deemed a commercially viable decision.

The Internal Audit Procurement Report from April 2023 provides "Good" assurance overall, with a number of recommendations which management have accepted.

In our prior year report we recommended that *"The Devon Building Control Partnership should agree the frequency of internal audits of its internal control framework and specify this in the Partnership Agreement."* Our review of the 2021/22 and 2022/23 Internal audit plans and reports show no evidence of the review of Devon Building Control Partnership. We understand from Officers that an audit was completed in August 2023 and that the Partnership Agreement has been updated. As this was not completed until 2023/24 our recommendation is carried forward.



## Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 17

To support continuous improvement the Council should review and update action plans to ensure that targets remain appropriate, especially in areas where performance needs to improve.

## Audit year

2021/22 and 2022/23.

## Why/impact

Ensuring that targets and actions plans are up to date and remain relevant is a crucial part in supporting performance improvement where required.

## Auditor judgement

The Council is committed to continuous service improvement, but needs to ensure that it is measuring the right things.

## Summary findings

The Council has appropriate arrangements in place to learn from others, including through benchmarking. Ensuring that targets in service areas remain relevant will ensure performance is monitored appropriately.

## Management Comments

We continue to ensure that our targets are SMART and comparable with others. This process continues including targets in departmental Business Plans.



The range of recommendations that external auditors can make is explained in Appendix C.

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 18

The Council should review its expenditure and service delivery in the areas that our benchmarking analysis identified as outliers compared with ten statistical nearest neighbours.

## Audit year

2021/22 and 2022/23.

## Why/impact

Grant Thornton's own benchmarking has identified areas where the Council appears to be an outlier in terms of unit cost expenditure on services. There is an opportunity for the Council to consider why this might be, and possibly identify savings areas.

## Auditor judgement

The Council undertakes its own benchmarking and this appears to be consistent with Grant Thornton benchmarking. There are opportunities to potentially reduce costs in some areas.

## Summary findings

The Council uses benchmarking appropriately and needs to supplement this with Grant Thornton benchmarking in order to maximise the benefits arising.

## Management Comments

We will review this analysis with our own information to assist with our Modern 25 agenda work.



The range of recommendations that external auditors can make is explained in Appendix C.



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	Both members and senior officers must commit to building up respect and good working relationships and demonstrate that significant progress has been made within a reasonable timeframe, to be agreed by the Managing Director and Group Leaders. This should also include commitment from Group Leaders that party members will be held to account for unruly behaviours. Senior leadership, both officers and members, must demonstrate that there is zero tolerance to inappropriate behaviours. This includes changing the organisational culture in relation to complaints.	Key – Governance	August 2023	The Council has commissioned several external consultants to support it in this area. However, progress in implementing recommendations has not been at the pace required. Officers have also provided Members with training around roles and behaviours. In its 2022/23 Annual Governance Statement, presented to Audit Scrutiny Committee in August 2023, the Council clearly articulates that this continues to be an area of concern, and some of the impacts it has had. Our key recommendation is therefore carried forward. See page 32.	No.	Yes.
2	The Council should review its procedures for investigating and dealing with complaints of misconduct by members. The Council should also review how many complaints are in progress and ensure that complaints are investigated and closed as quickly as possible so that further learning points can be identified quickly and introduced into the Council's processes.	Key – Governance	August 2023	A similar recommendation was made by the Local Government and Social Care Ombudsman in its report discussed at Extraordinary Full Council on 14 February 2023. Standards Committee agreed a new investigation process at its meeting in March 2022. Our recommendation has therefore been addressed for 2022/23, but remained in place in 2021/22. See page 34.	Yes.	No.
3	The Council should review its whistleblowing arrangements and in particular how it will protect whistleblowers from reprisal.	Key – Governance	August 2023	The Council presented an updated policy to Audit Scrutiny Committee in January 2023 and then to Full Council in May 2023. Full Council requested an external review of the policy, which found the policy to be "of generally high quality. It is clearly structured, succinct and demonstrates a commitment to transparency and good governance." A number of changes were recommended, which have been made. The updated Policy was re-presented to Audit Scrutiny Committee in August 2023. Our recommendation has therefore been addressed for 2022/23 but remained in place in 2021/22. See page 30.	Yes.	No.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
4	The Council should ensure members fully understand their obligations with regard to Conflicts of Interest. This should include mandatory training.	Improvement – Governance	August 2023	Members Declarations of Interest are on their individual Council website page. From review of a selection of these we can see that they are made. We can also see from our review of Full Council minutes that declarations are made against specific items. However, we understand there are examples of where declarations have not been made appropriately despite training being provided and advice offered. Our recommendation is therefore carried forward. See page 34.	No.	Yes.
5	The Council needs to address this issue of lack of member engagement in training courses. Essential training needs to be made mandatory with non-attendance treated as misconduct.	Improvement – Governance	August 2023	The 2023 Member Induction Programme is a comprehensive suite of training covering all key areas, including meeting key officers, Code of Conduct, IT, Cyber security, Equality & Diversity, Effective Scrutiny, Licensing, Planning, Safeguarding and finance. Although training has not been made "Mandatory" it is clear which training Members are expected to attend and a comprehensive programme has been established. Officers keep a record of attendance and are satisfied that "Any Member sitting on the regulatory committees attended the mandatory training. Our recommendation has been addressed. However, we would encourage Members to attend "optional" training which is designed to support them in undertaking their role as effectively as possible. See page 32.	Yes.	No.
6	The Council should review its Record Retention Policy and ensure that it reflects the need to retain key evidence that may need to be accessed during the investigation of complaints.	Improvement – Governance	August 2023	As at December 2023, this has still to be concluded. Our recommendation is therefore carried forward. See page 34.	No.	Yes.
7	The Council should review its procedures for how it deals with concerns about the mental capacity of members.	Improvement – Governance	August 2023	The Council response to this recommendation confirmed that support is provided by the Council's Democratic Services team and that the particular matter was referred to the Independent Person who decided no further action was necessary. Now that meetings are again "in person" the particular circumstance giving rise to our recommendation is unlikely to recur. Our recommendation is therefore closed. See page 34.	Yes.	No.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
8	Risks within the Council's Corporate risk register should include more detailed description of the risk as well as the mitigating actions, the date the risk score was last reviewed and the previous risk score for that particular risk. Risk registers should be put in place prior to the commencement of major projects.	Improvement – Governance	August 2023	Review of the Strategic and Corporate Risk Reports to Audit Scrutiny Committee indicates that this further detail has not been included. We note the management response that further information is available in the risk management system, but this is not available to the public and our recommendation is carried forward. See page 29.	No.	Yes.
9	The Council should determine how it will obtain independent assurance over the operation of Covid related grants administration.	Improvement – Governance	August 2023	The Internal Audit Annual Report to August 2022 Audit Scrutiny Committee states "The final Covid grant scheme closed on 31 March 2022. We are now working with BEIS (Dept of Business, Energy and Industrial Strategy, undertaking reconciliation for each scheme, providing evidence for their sampling exercises, and completing data requests." Assurance has therefore been provided to the government department. For 2022/23 there were no Covid-19 related grants. Our recommendation is therefore closed. See page 17.	Yes.	No.
10	Additional analysis should be provided in budget reports to distinguish between recurring and non-recurring variances that together make up the net revenue position.	Improvement – Governance	August 2023	Budget monitoring reports to Executive include narrative explaining this. For example, the budget monitoring report to November 2022 Executive, with figures up to the end of September includes "Renewal of the building cleansing contract has added a budget pressure of £12,940 for 2022/23 and an ongoing annual budget pressure of £25,890 for future years." Our recommendation has been addressed. See page 17.	Yes.	No.
11	The Council should ensure that there is a process by which savings reported by budget heads under the BETTER 2022 program are validated for accuracy on a regular basis.	Improvement – Improving economy, efficiency and effectiveness	August 2023	Officers have provided briefings to Members on the Modern 25 agenda, including when benefits should be realised. However, significant savings are not expected until September 2024. This has not therefore been actioned. Our recommendation is carried forward. See page 42.	No.	Yes.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
12	The Council should initiate an external Peer Review through the Local Government Association.	Improvement – Improving economy, efficiency and effectiveness	August 2023	This took place in January 2024. As this has not been completed until 2023/24 our recommendation is carried forward. See page 40.	No.	Yes.
13	The Devon Building Control Partnership should agree the frequency of internal audits of its internal control framework and specify this in the Partnership Agreement.	Improvement – Improving economy, efficiency and effectiveness	August 2023	Review of the 2021/22 and 2022/23 Internal Audit plans and reports show no evidence of the review of Devon Building Control Partnership. We understand from Officers that an audit was completed in August 2023 and that the Partnership Agreement has been updated. As this was not completed until 2023/24 our recommendation is carried forward. See page 43.	No.	Yes.
14	The savings to be delivered through the BETTER 2022 programme should be clearly set out, reported and monitored at a strategic level.	Improvement – Financial sustainability	August 2023	Finance reports to Executive include a section on savings. In respect of Better 2022, there is a narrative explaining that review of service business plans will continue to identify savings that will be fed into the budget process together with the work and findings from Ignite. There is no reporting of actual savings delivery. We have therefore made a further, expanded, recommendation. See page 12.	In part.	Address the updated recommendation.
15	The Council should ensure that variations in budget identified within year are immediately reflected in a revised MTFs where appropriate.	Improvement – Financial sustainability	August 2023	Budget variations are included in the quarterly finance reports to Executive and the MTFP updated annually. Our recommendation has been addressed. See page 17.	Yes.	No.
16	A summary of total capital outturn should be aligned and reported against the Council's Corporate Strategic Objectives.	Improvement – Financial sustainability	August 2023	This was introduced from November 2022. It was therefore an improvement area for 2021/22 only. See page 13.	Yes.	No.

# Opinion on the financial statements for 2021/22 and 2022/23



## Audit opinion on the financial statements

This is due to a management imposed limitation in our inability to gain assurance over the carrying value of your Property, Plant and Equipment valuations at 31 March 2021. This will result in a disclaimer opinion on the Council's financial statements. We are awaiting Council's approval of the final financial statements and Annual Governance Statement to conclude this work.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published in October 2021 and reported to the Council's Audit Scrutiny Committee on 27 October 2021.

As a result of the inability to obtain sufficient, appropriate audit evidence in the area of valuation of land and buildings (part of the Property, Plant and Equipment disclosure) we are proposing a disclaimer in our audit opinion highlighting this. We are currently discussing this with the Chief Financial Officer.

This is impacting on our commencement of the 2021/22 and 2022/23 financial statements.

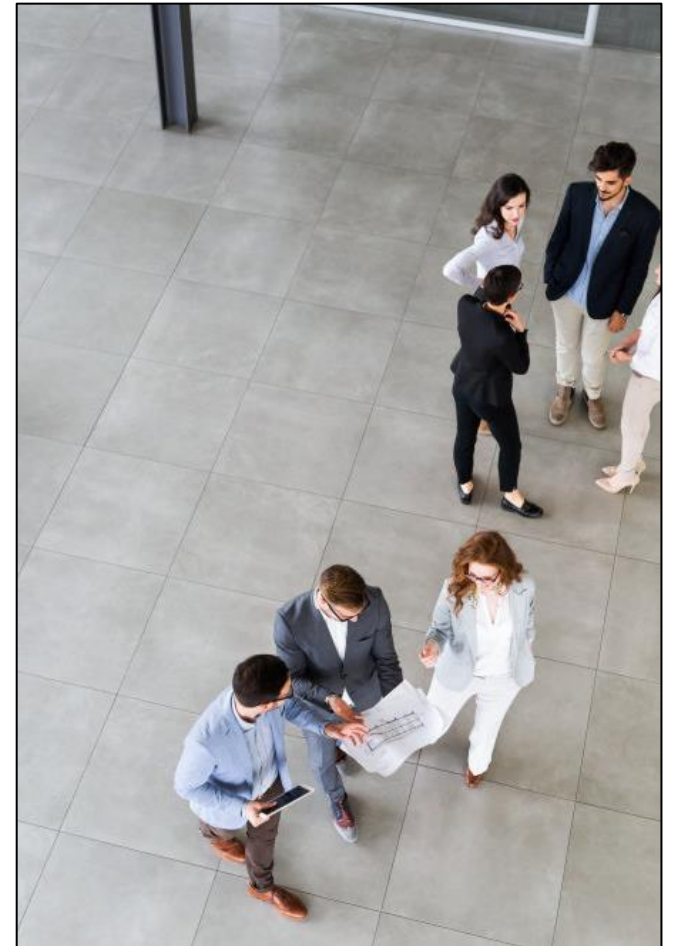
## Preparation of the accounts

The Council provided draft accounts in line with the national deadline. The audit identified significant weaknesses in financial accounting and record keeping at the Authority. The Council did not maintain adequate records to sufficiently support the PPE balances within the 2020-21 financial statements. The qualification of the 2020-21 financial statements will impact the audit opinion of subsequent years, due to the impact on the comparative PPE balances reported in the 2021-22 and 2022-23 accounts.

## Issues arising from the accounts:

The valuation of the land and buildings for 2020-21 was completed by a valuer who subsequently left the Council's employment before the audit commenced. The valuation calculations were documented in an excel workbook, but no supporting evidence was available to support the assumptions and judgements made by the valuer. We have therefore been unable to test the accuracy of the calculations.

In addition, car parks had been valued using the average of the prior three years car parking income. However, this valuation did not include consideration of the impact of Covid-19 on the car-parks income and the fact that during the financial year income would have been restricted due to the national lockdowns in force.





# 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.

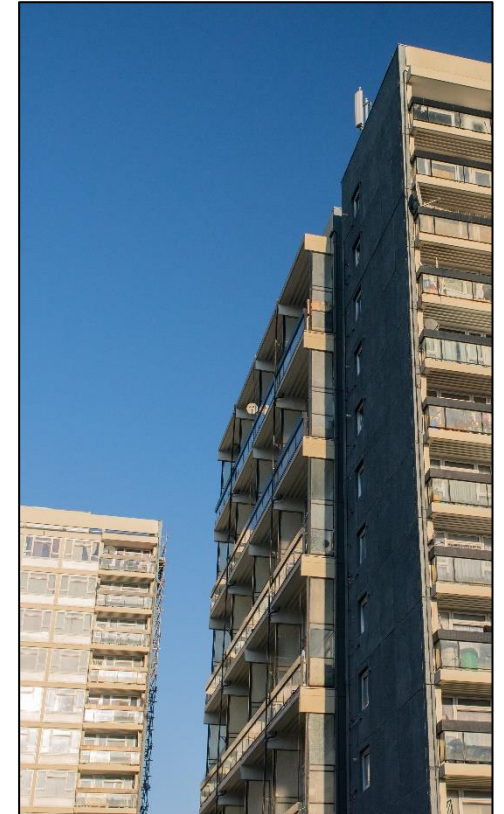
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and 2022/23	Financial sustainability was identified as a potential significant weakness as previous years surpluses have been made as a result of Covid-19 funding and our recommendations made in 2020/21.	To address this risk we reviewed the February 2023 budget setting report and Medium Term Financial Plan. We reviewed the key financial planning assumptions made and the savings plan the Council has developed. We reviewed finance reports to Members and met with the Chief Finance Officer.	The Council has appropriate arrangements in place to ensure it remains financially stable, but needs to make difficult decisions in order to implement savings plans.	No significant weakness identified, but improvement recommendations made.
2021/22 and 2022/23	Governance was identified as a potential significant weakness owing to the significant weakness identified in 2020/21 relating to Member and Officer relationships and Member behaviour.	To address this risk we reviewed Executive and Council papers and minutes, plus the Annual Governance Statement, and met with the Managing Director, Chief Finance Officer and Monitoring Officer.	We noted several instances where Member behaviour was inappropriate and where the Officer / Member relationship did not function as it should.	The significant weakness identified in 2020/21 is carried forward.
2021/22 and 2022/23	Governance was identified as a potential significant weakness owing to the significant weakness identified in 2020/21 relating to complaints investigation procedures.	To address this risk we reviewed relevant papers, including those of Standards Committee. We met with the Monitoring Officer.	Standards Committee agreed a new investigation process at its meeting in March 2022	Prior year significant weakness closed.
2021/22 and 2022/23	Governance was identified as a potential significant weakness owing to the significant weakness identified in 2020/21 relating to whistleblowing arrangements.	To address this risk we reviewed relevant papers, including those of the Audit Scrutiny Committee and Full Council.	Following internal processes and review, plus an external review process, the updated Policy was re-presented to Audit Scrutiny Committee in August 2023.	Prior year significant weakness closed.

# Appendix C – 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
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 their 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.	6 and 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.	18-27, 35-38, 44 and 45.

