

Auditor's Annual Report on Teignbridge District Council

Auditor's Annual Report for the
year ended 31 March 2024

February 2025



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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, based on the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken Teignbridge District Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of 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.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council on 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



Executive summary

Executive summary

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 NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30th November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible and are bringing forward our 2024 reporting in advance of the Code change. Our summary findings are set out below.

Our work included document reviews (including budget and outturn documents); looking at minutes of and reports to Full Council, Executive, Audit Scrutiny Committee and the Overview and Scrutiny Committees; watching recordings of meetings; reviewing findings from other external organisations (for example, Ofsted, LGA and the Centre for Governance and Scrutiny); and conducting a series of interviews. We have interviewed: The s151 Officer; the Monitoring Officer; the Managing Director; the Director of Place; the Audit and Information Governance Officer; the Risk Manager; the Future High Street Funds Project Lead; the Corporate Procurement Officer; and the four councillors who held Group Leader roles during 2023/24.

Our recommendations and management responses are summarised in the section starting on page 26.



Governance

There are significant weaknesses in arrangements for governance and these are not new. We raised key recommendations around the need to improve behaviour and relationships in August 2023 (AAR for 2020/21) and in February 2024 (AAR for 2021/22 and 2022/23). The Centre for Governance and Scrutiny made similar observations as early as 2022 and the findings from an LGA Peer Review visit from 9th to 11th January 2024 were similar again.

In February 2024, we reported that commitment was required from group leaders that party members be held to account for behaviour. We commented on relationships both between members and their fellow members; and between members and officers. A new member/officer protocol was adopted in July 2024, but underlying poor behaviour has persisted.

Within this report, we raised a new statutory recommendation (**SR1, page 8**) around behaviour and standards. In the event that our statutory recommendation is not complied with, we will consider the use of further audit powers in future years.

Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. In this report, we raised two new key recommendations around arrangements that might help build trust (**KR 1 and 2, page 19**).

Issues with relationships and trust seem to affect arrangements for supporting decisions once they have been made. Our Auditor's Annual Report for 2021/22 and 2022/23 highlighted the importance of sticking to decisions once they are made. We raised a new key recommendation in this report around the need to work collaboratively once decisions have been made and, where necessary, to revisit decisions constitutionally rather than by other means (**KR3, page 19**).

Within this report, we raised six new improvement recommendations around arrangements for monitoring the Council's action plan; risk register reviews; committees; the finance system; and draft accounts (**IRs 1 to 6, page 20**).



Due to the backstop legislation, we have been unable to complete our audit of your financial statements and plan to issue a disclaimed audit opinion in February 2025. Our findings are set out in further detail on page 11.

Executive summary (continued)



Financial sustainability

The Council wrote off £522,000 when it abandoned a cinema project during the year. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them. In this respect, the key recommendation we made around decision-making is also relevant to financial sustainability (KR3, page 19).

In other respects, the Council performed relatively well financially during 2023/24. The Council generated a small surplus of £1.392 million during the year. Forecasts available when we completed our testing indicated that the Council was expected to underspend again by £1 million in 2024/25. However, the medium-term financial plan prepared in February 2024 did anticipate some reliance on reserves – for example, a £2.2 million draw on reserves in 2025/26 and a £4.2 million draw on reserves in 2026/27. The Funding Reserve to cover such gaps was valued at £12 million on 31 March 2024. This would be unsustainable in the long term and is something the Council should seek to move away from. We raised one new improvement recommendation to this effect (IR7, page 23).



Improving economy, efficiency and effectiveness

There is evidence to suggest that the difficulty some have had with supporting decisions once they have been made may affect the Council's progress with capital projects. In this respect, the key recommendation we made around decision-making is also relevant to improving economy, efficiency and effectiveness (KR3, page 19).

We also note that at one stage in the year 2023/24, the Council's Planning Service was under threat of being placed in special measures for poor performance on non-major planning applications. Performance has since improved. The Council has implemented processes within the Planning Service to ensure that performance on non-major planning applications remains above the government's minimum target. This needs to be maintained. We raised one new improvement recommendation to this effect (IR8, page 25).

Conclusion

Our Auditor's Annual Report for 2020/21 (published in August 2023) raised three key recommendations and thirteen improvement recommendations. By February 2024 (when our Auditor's Annual Report for 2021/22 and 2022/23 was published), one of the key recommendations and seven of the improvement recommendations still needed to be addressed.

Our Auditor's Annual Report for 2021/22 and 2022/23 (published in February 2024) raised two key recommendations and sixteen improvement recommendations. Some of the themes were the same as, or similar to, the year before – these included themes around behaviour. New themes in the Auditor's Annual Report for 2021/22 and 2022/23 surrounded decision-making; and reporting and monitoring for the capital programme, similar to the themes raised in this February 2025 report.

Although there has been some progress, for example with the new member/ officer protocol finalised in July 2024, in other respects there is still much work left to do now in February 2025.



Executive summary (continued)

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.



Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2020/21 Auditor judgement on arrangements		2021/22 and 2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Governance	R	Three key recommendations identified. Seven improvement recommendations identified.	R	Two key recommendations identified. Four improvement recommendations identified.	R	Significant weakness identified. One statutory recommendation identified. Three new key recommendations identified. Six new improvement recommendations identified. Our new key recommendation around decision-making for a cinema project is also relevant to financial sustainability and to improving economy, efficiency and effectiveness.	↓
Financial sustainability	A	Three improvement recommendations identified.	A	Ten improvement recommendations identified.	R	Significant weakness identified. Our new key recommendation around decision-making for a cinema project is also relevant to financial sustainability. In addition, one new improvement recommendation identified.	↓
Improving economy, efficiency and effectiveness	A	Three improvement recommendations identified.	A	Two improvement recommendations identified.	R	Significant weakness identified. Our new key recommendation around decision-making for a cinema project is also relevant to improving economy, efficiency and effectiveness. In addition, one new improvement recommendation identified.	↓

Statutory Recommendation



Statutory Recommendation

The Nolan Principles include a principle of Leadership, which states that "Holders of public office..... should treat others with respect". The two previous Auditors Annual Reports published in August 2023 and February 2024 identified significant weaknesses in the Council's arrangements for upholding good standards in member behaviour and in member-officer relationships. Weaknesses in behaviour and relationships have also been highlighted by the Centre for Governance and Scrutiny (in 2022) and a recent LGA Peer Review (in January 2024). The Council successfully finalised a new member/ officer protocol in July 2024. However, there is still evidence of bullying and aggressive behaviour having persisted among some members. This impacts on the Council's reputation, working culture, and ability to transact business as usual.

The Council should:

1. Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council's constitution under the members' code of conduct and the member/officer protocol; and which have impacted the Council's reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues.
2. Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council's constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting.
3. Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol.
4. Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council's Standards procedures.
5. Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships.
6. Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record.

Securing good standards and behaviour amongst members will help to strengthen corporate governance and working culture. This in turn should help to create a positive environment from which the Council can build better relationships and address the other issues it faces, such as transacting business as usual and maintaining respect and co-operation around decisions once they have been taken.

Statutory Recommendation (continued)



Management responses to our statutory recommendation

Recommendation Part 1 - The council has commissioned the CFGS to conduct reviews and are currently working with them to review the constitution. Members of the administration have had workshops with officers to improve the working relationship and clarify roles. To date a small number of independent councillors who refuse to moderate their behaviour and their group leaders either refuse to or are unwilling to address the behaviour to which you refer.

Recommendation Part 2 - Agreed. Support and training is given to chairs and members but there is a lack of support from councillors across the chamber to address this behaviour in meetings.

Recommendation Part 3 - The Council has adopted the LGA model code and as stated above Chairs receive specific training.

Recommendation Part 4 - Members and officers are aware of the process to raise a standards complaint and are supported to do so.

Recommendation Part 5 - Agreed.

Recommendation Part 6 – Agreed.

**Opinion on the financial
statements and use of
auditor's powers**

Opinion on the financial statements



Audit opinion on the financial statements

Unfortunately, owing to the challenges of undertaking an audit where the previous audits were disclaimed due to the local authority backstop, this year we have been unable to regain full assurance, and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025.

We propose to issue a disclaimed opinion on the Council's financial statements in February 2025.

The full opinion is included in the Council's Annual Report for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts after the national deadline, but in line with agreed timescales.

As at the date of this report, we have not been able to conclude our work on the 2023/24 financial statements. The Audit Findings Report sets out our work undertaken and the closing status, along with details of the work undertaken and any audit findings and recommendations.

We have identified one adjustments to the financial statements that would have resulted in a £2.5m adjustment to the Council's Comprehensive Income and Expenditure Statement, this is in relation to SANGS however management have made the decision not amend the financial statements.

The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be a disclaimed opinion.

Our audit opinion will also include a qualification over PPE balances due to the disclaimed opinion from 2020/21 being carried forward and also a qualification of the SANGS balance, which will be explicitly mentioned in the audit opinion.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit Scrutiny Committee on 13 February 2025. Requests for this Audit Findings Report should be directed to the Council.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.</p>	<p>We make one statutory recommendation under Schedule 7 of the Local Audit and Accountability Act 2014. The statutory recommendation is shown on page 8 of this report.</p>
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	<p>We did not issue a public interest report. This may be considered in future years.</p>
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</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">• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or• is about to enter an item of account, the entry of which is unlawful.	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	<p>We did not make an application for judicial review.</p>

**Value for Money Commentary
on arrangements**

The current local government landscape

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



National context

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

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

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

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

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are still emerging at the time of producing this report.



Local context

Teignbridge is a district in South Devon, located between Exeter and Torbay and the south-eastern area of Dartmoor. The district was first formed on 1 April 1974 under the Local Government Act 1972. There are 24 wards in Teignbridge. The Council is based in the town of Newton Abbot. At the time of writing this report, the Council has forty-seven councillors. Twenty-five councillors are members of the Liberal Democratic party. Ten councillors are members of the Conservative party; nine councillors describe themselves as Independent; and three councillors describe themselves as Independent (Unaligned). Until November 2024, some of the independent councillors had been members of the South Devon Alliance.

LG Inform data published by the Council shows that the resident population of Teignbridge in 2021 was 134,803 people. The predominant age band in Teignbridge in 2023 was 55 – 59 years old. The largest ethnic group in Teignbridge in 2021 was “White” (97.7% of the district's population). The largest number of households in Teignbridge lives in “Owns Outright” accommodation. The geographical area includes beaches and nature reserves.

Governance

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	<p>The Nolan Principles include a principle of Leadership, which states that "Holders of public office..... should treat others with respect". The two previous Auditor's Annual Reports published in August 2023 and February 2024 identified significant weaknesses in the Council's arrangements for upholding good standards in member behaviour and in member-officer relationships. Both reports included a key recommendation stating that "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 ... 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".</p> <p>The Centre for Governance and Scrutiny highlighted weaknesses in relationships in 2022 and an LGA Peer Review visit from 9th to 11th January 2024 highlighted weaknesses again in January 2024. We note that the Council officers did finalise a new member/ officer protocol in July 2024; and did formally adopt an LGA Peer Review action plan in October 2024. However, officers inform us that the timescale for formally adopting the LGA action plan was in some measure slowed down by key members of the Council focusing on the 2024 national election. By the time that the action plan was formally adopted, some nine to ten months had passed since the LGA Peer Review report had been shared with the Council.</p> <p>Recent examples of poor behaviour since the start of 2023/24 include one member swearing at their fellow-member Chair of a Full Council meeting; members talking over one another, using condescending and aggressive language; members arguing about whether hands had been raised at the Overview and Scrutiny Committees in place until May 2024; and members muting one another's microphone and exiting the room early rather than stay in the new Overview and Scrutiny Committee meetings since May 2024. All groups have been involved to some extent or other and some incidents we observed have occurred even as late as July 2024 when the new member/ officer protocol was being agreed.</p> <p>Overall, behaviour and relationships were challenging in 2023/24 – regardless of the numerous recommendations that the Council has already received. We note that the Standards Committee has not met since July 2023, in part because there were behavioural issues on that Committee itself. A Procedures Committee has continued to meet, and officers have argued for the creation of a Governance Committee.</p> <p>We raised a new statutory recommendation, in six parts, on page 8 of this report, around behaviour and standards (SR1). In the event of our statutory recommendation not being acted on, additional audit powers may be considered in future years.</p> <p>Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. Because clarity, trust and confidence in one another will be important to actioning our statutory recommendation, we raised two new key recommendations on page 19 of this report (KR1 and KR2).</p> <p>It will be important that the Council does monitor progress against the action plan it adopted in October 2024. We raised an improvement recommendation to this effect on page 20 of this report (IR1).</p>	R

Governance (continued)

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Audit Scrutiny Committee did not receive any reports on the corporate risk register during 2023/24. The corporate risk register was shared with the Audit Scrutiny Committee on 26th June 2024 - but that was the first time the Committee had seen it since 6th January 2023, a gap of some seventeen months. This was despite the Committee having had three meetings between those two dates (29th August; 13th December; and 22nd March). Our understanding is that the Overview and Scrutiny Committee had requested the performance reporting to that committee which incorporates risks be such that only those areas with concern be summarised and presented. We understand that gaps in reviewing the risk register were also in part because of rescheduling of meetings and the oversight of omitting from one agenda; impacts of Covid on meetings; and changes in priorities. Officers inform us that circumstances are returning to normal and twice-yearly reviews of the register will now continue. We raise an improvement recommendation on page 20 confirming that this should be done (IR2). We will review risk reporting to committees during our audit for 2024/25.</p> <p>Looking more widely at audit and scrutiny functions across the Council, we note that there is a need for independent members on committees; and for clarification around the roles of the respective committees – where the Committee with an “Audit” brief focuses on governance, internal control and risk; and the Committee with a “Scrutiny” brief focuses on policies and decisions. CIPFA’s Position Statement on Audit Committees in 2022 stated that ‘Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements’. The Position Statement goes on to say that Audit Committees should be independent of both executive and of scrutiny functions and be able to provide objective oversight.</p> <p>Teignbridge District Council's Audit Scrutiny Committee has no independent members. Furthermore, both the Audit Scrutiny Committee and the Overview and Scrutiny Committee are chaired by members of the political party with overall control. There is a risk that this could undermine objectivity.</p> <p>Section 3 of the Council's constitution implies that the Audit Scrutiny Committee has a role to play in helping to develop policy, which is incompatible with being independent. Furthermore, the name "Audit Scrutiny Committee" implies that the audit and scrutiny functions are joined, which they are not.</p> <p>We note that during 2023/24, there was the further complexity of there being two Overview and Scrutiny Committees in operation (both chaired by members of the party with overall control). This was streamlined in May 2024 and there is now one Committee exercising this function. This reduces duplication, which is positive.</p> <p>We raised two improvement recommendations in respect of the committees on page 20 of this report (IR3 and IR4).</p>	A

Governance (continued)

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:	Commentary on arrangements	Assessment
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>On 31st October 2023, the Executive Committee decided to amend a cinema planning application (reducing the surface area it covered); spend £70,000 on exploring options around a new business model for the cinema site; and then determine the overall direction of the new cinema project.</p> <p>Officers have provided links that showed this was contrary to the evidence they had provided. Officers inform us that this was one of a series of continued attempts to reverse earlier decisions or slow down progress of the cinema project. They have made us aware of the creation of an Informal Advisory Group, but we could see no evidence of a mandate or Terms of Reference for this group, which causes concerns over transparency. That group, chaired by the Leader of the Council, sought to influence decisions contrary to those approved by Council. Our understanding is that that there were also continued attempts to promote an alternative proposal for the Alexandra cinema building, although we also understand that there were various reasons why the alternative proposal could not progress.</p> <p>The decision made on 31st October was called-in by Overview and Scrutiny Committee 2 on 2nd December 2023. Councillors on Overview and Scrutiny Committee 2 argued that the 31st October decision:</p> <ul style="list-style-type: none"> exceeded powers delegated to the Executive Committee; did not represent good value for money; had been made within too short a timescale to allow for proper evaluation; and was not supported by appropriate justification. <p>The decision was referred by Overview and Scrutiny Committee 2 to the Full Council meeting on 16th January 2024. At that Full Council meeting, it was decided that there would be a project adjustment for the Future High Streets Fund projects. The new cinema project was abandoned. A separate capital project (Bradley Lane) was put forward by the Council in July 2024 as a replacement project for the purposes of continuing to access the Future High Street Funds that would have been spent on the cinema.</p> <p>Weaknesses in decision making were highlighted by the Centre for Governance and Scrutiny in 2022 and again by the LGA Peer review in January 2024. They surrounded the lack of a Forward Plan; (although we understand that this is now being kept up to date); the need to involve a wider pool of people where decision making is strategically important; and the need to factor in more time for robust evaluation before a decision is made. Our Auditor's Annual Report for 2021/22 and 2022/23 stated that the Council needs to ensure that decisions are stuck to once made, to allow projects to proceed as required. The cancellation of the cinema project in January 2024 meant that £522,000 had to be written-off and changes were made at a very late stage to the wider Future High Streets Fund programme. In this respect, weaknesses around supporting decisions made impacted not only on governance, but on arrangements for financial sustainability and improving economy, efficiency and effectiveness as well.</p> <p>We raised a new key recommendation on page 19 of this report around not only the need to strengthen the ongoing arrangements for decision-making, but the need also to ensure that decisions are supported once made; and to ensure that if decisions do need to be revisited, this is done in line with the Constitution [KR3].</p>	R

Governance (continued)

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:	Commentary on arrangements	Assessment
approaches and carries out its annual budget setting process	The Council's budget setting and financial management systems run on a J base in-house system that is old and now has limited support available. In January 2024, the LGA recommended that these be urgently updated. A new income management system was rolled out by the Council in October 2024. The Council informs us that this needed to be prioritised first because the previous system was due to be discontinued. Work is now ongoing to introduce a new finance system - this is going to include discussing needs with service departments. The need for the new finance system was flagged as "urgent" in January 2024 but the work was still in early stages in November 2024. We are aware that the situation is being closely monitored. Progress is shared with the portfolio holder on a six-monthly basis, and is also covered in quarterly reports to the Executive Committee. This monitoring should continue. We will review progress again as part of our audit for 2024/25. We raised a new improvement recommendation on page 20 of this report (IR5).	A
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>2023/24 financial data (shared with members in public papers on a quarterly basis and at year end) was presented in a narrative rather than tabular form, with limited data on variances, savings and capital. However, a clearer budget monitoring report was shared with the Executive in September 2024, which is an improvement.</p> <p>Draft accounts for 2023/24 were published two weeks after the statutory deadline (31st May 2024). This did not impact our external audit process for 2023/24, but it will be important that the Council meets the statutory deadline for 2024/25 (30th June 2025). We do note that the Council has been ahead of many of its peers for 2023/24, but new backstop arrangements for external audit have been introduced, and the timescales for audit completion will move forward over the coming years.</p> <p>External audits for financial years 2023/24 and 2024/25 will need to be completed by the end of February 2025 and 2026, respectively. External audits for the financial year 2025/26 will need to be completed by the end of January 2027. External audits for 2026/27 and 2027/28 will need to be completed by 30th November 2027 and 2028, respectively. It will be essential that draft accounts are provided within the statutory deadline and are supported on a timely basis by a strong audit trail. Due to capacity constraints, loss of key officers and additional devolution agenda, we have been unable to conclude all areas of work in 2023/24. As a result, some 2023/24 closing balances will remain subject to a backstop-imposed disclaimer. Moving forward it will be important that the Council invests in capacity to support the audit process in to regain assurance over time. We raise a new improvement recommendation on page 20 of this report (IR6).</p>	A

Governance (continued)



Significant weakness(es) identified

Lack of trust seems to underpin some of the behavioural issues we observed. Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. There is also evidence to suggest that members are not always confident that interests have been declared by fellow members. We raised two new key recommendations around arrangements that may help rebuild trust.

We have observed evidence that decisions, once made, are not always stuck to and are sometimes undermined. The Council changed its approach to a cinema project and Future High Street Funds projects during 2023/24. We raised a new key recommendation around the need to work collaboratively once decisions have been made and, where necessary, to revisit decisions constitutionally.

Key Recommendation 1 : Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. Members need to be clear about what they can and can not have access to. The Constitution outlines matters for meetings that members of the public are excluded from ("Part 2 meetings"). Where Part 2 meetings are used, all present should adhere to the legal confidentiality requirements of Part 2 meetings.

Key Recommendation 2 : The Council should review arrangements around declarations of interest and investigations. An internal audit of declarations of interest should be arranged to identify any areas for improvement.

Key Recommendation 3: Decision-making arrangements at Executive Committee and Full Council level should be reviewed and, where necessary, strengthened. A decision flowchart should be completed and used. If necessary, longer timescales for evaluation of the impact of decisions should be introduced.

As we recommended in our Auditor's Annual Report for 2021/22 and 2022/23, the Council needs to ensure that once decisions are made, they are stuck to - to allow projects to proceed as required. Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation. This will require wider relationships to be working well.

Over time, if there are reasons to revisit a decision, this should be done through main constitutional arrangements.

The events of 2023/24 show that financial loss and delayed project progress can result when decisions are undermined from outside the main constitutional process. Lack of trust between members and officers may be one of the underlying causes of member behaviour contravening standards set out in the constitution. The lack of trust and the poor relationships and behaviours ensuing from it may be undermining business as usual processes.

The Council wrote off £522,000 when it abandoned the cinema project. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them to ensure any delays and financial impacts are kept to a minimum.

Governance (continued)



Areas for improvement

We make six new improvement recommendations around arrangements for monitoring the Council's action plan; risk register review; committees; the finance system; and draft accounts. For the draft accounts and audit process, we note that deadlines for preparation and audit of accounts will be moving forward in the coming years. It will be essential that draft accounts are provided within their statutory deadlines and are supported on a timely basis by a strong audit trail.

Improvement Recommendation 1: An action plan was shared with Full Council on 29th October 2024 for improvements around relationships, the constitution, strategy and partnerships, and the functioning of the authority. Initial monitoring arrangements have been put in place. Reports regarding changes to the Constitution are due to be presented to the next full Council. Standards issues are due to be presented by Statutory Officers to Group Leaders; and a report on Governance issues is due to be presented to annual Council. It will be important not only that this initial monitoring does take place, but that continuous monitoring is then adopted on a permanent basis

Improvement Recommendation 2: The Council should continue with its return to Audit and Scrutiny Committee reviewing the risk register twice a year.

Improvement Recommendation 3: The Council should review and revise relevant sections of the constitution to bring the terms of reference of the Audit Scrutiny Committee into line with CIPFA recommended good practice, including the co-option of an external independent member and the election of a chair who is not a member of the administration. The Committee should be renamed to remove the term 'Scrutiny'.

Improvement Recommendation 4: The Council should recognise good practice and consider the election of an opposition or independent member as Chair of the Overview and Scrutiny Committee.

Improvement Recommendation 5 : The Council should continue to monitor progress with implementing a new finance system.

Improvement recommendation 6: Draft accounts for 2024/25 should be published in line with their statutory deadline and supported by a comprehensive set of working papers, and sufficient capacity to service an audit to completion. We note that in relative terms, the Council has performed well compared to many peers in timescales for preparing draft accounts. The Council has put itself in a good position to now comply with statutory deadlines going forward.

Financial sustainability

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:

Commentary on arrangements

Assessment

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	<p>2023/24 saw significant capital programme delays and rescheduling, including the cancellation of the high-profile Future High Street Funds cinema project. The Council originally planned for 2023/24 capital spend of £38.367 million. By the end of 2023/24, this plan had been restated to £24.065 million. Actual capital spend by the end of the year however was £15.328 million.</p> <p>Issues leading up to the cancellation of the Future High Street Funds cinema project included the pandemic; the operator pulling out; difficulty securing a new tenant; an inability to finalise a deal around smaller footprint; and a public declaration by the Leader at Council that the scheme would not be granted planning permission. We have already seen on page 17 of this report that attempts to reverse the earlier cinema decisions had involved the creation of an Informal Advisory Group that in the view of officers, lacked transparency and operated without a mandate from Council or a Terms of Reference. Capital spend of £522,000 was written off when the cinema project was abandoned, and we have raised a key recommendation on page 19 of this report (KR3).</p> <p>Although the precise combination of circumstances was unique for the cinema, the Council does undertake other high profile capital projects. Where decisions are made around those, it will be important again that they are either stuck to or, where necessary, challenged through constitutional means.</p> <p>We note that in other respects, the Council's operational planning supports the financial plan. There is a Treasury Management Strategy; the Council is developing a Workforce Strategy in line with previous Auditor's Annual Report recommendations; and recently the Council updated its Strategic Asset Plan. The Council has a Carbon Action Plan. This does not include any financial data, but it covers a list of planned projects. Financial data is provided in the Medium-Term Financial Plan where schemes are being developed and provisions made where appropriate.</p>	R
ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	<p>The Council generated a small surplus of £1.392 million for 2023/24 but was unable to prepare a balanced budget for 2024/25 without planning for the use of earmarked reserves (£3.6 million). Although latest forecasts are that the Council will underspend by £1 million in 2024/25 (meaning a lower value reserve transfer required), the Council's Medium-Term Financial Plan shows that a further £2.2 million will be needed in 2025/26 and £4.2 million will be needed in 2026/27. On 31 March 2024, the Council held £12 million in a Funding Reserve, which it intends to use to cover the budget gaps identified. We note that a recent LGA Peer Review commented that the Funding Reserve balance might be better used funding invest to save initiatives which might result in a sustainable solution for closing future budget gaps. We raised a new improvement recommendation around this point on page 23 (IR7).</p>	A

Financial sustainability (continued)

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:	Commentary on arrangements	Assessment
plans to bridge its funding gaps and identifies achievable savings	<p>The Council has a long-term transformation plan in place, named Modern 25. Modern 25 was developed with a view to securing recurring savings of £2.6 million by April 2026. An Executive update in October 2024 shows that the target recurring saving has now been increased to £3 million, but the overall target delivery date has moved back to 2027. Notwithstanding that the overall delivery date has moved back to 2027, progress within the programme had been good at the time we completed our work.</p> <p>Planning and development milestones were not expected to be reached in 2023/24. Financial benefits were expected to be incurred from 2024/25 onwards. However, some savings have been achieved sooner than expected. By the end of 2023/24, recurring savings of some £650,000 had already been secured, as well as non-recurring savings of a further £675,000. This performance is ahead of target.</p> <p>Progress with Modern 25 has been shared with members in briefings. Progress with Modern 25 savings was included within other budget variances in the reports during 2023/24. Additional data has since been added to the September 2024 budget monitoring report.</p>	G
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Revenue and capital spend plans are consistent with corporate objectives. The Council has a good understanding of the make-up of its costs and is actively engaged in programmes to reduce discretionary areas of spend. Budget reports include helpful unit costs analysis.	G
identifies and manages risks to financial resilience	The Council has appropriate arrangements in place for identifying and mitigating risk in the budget. The most recent budget setting report shared with members in February 2024 included data on sensitivity and risk (including income risk, interest rates risk, new homes bonus risk and business rates risk). Finance is assessed as an "Amber" risk by the Council and reported on to members as such. This is consistent with our own assessment.	G

Financial sustainability (continued)



Significant weakness identified

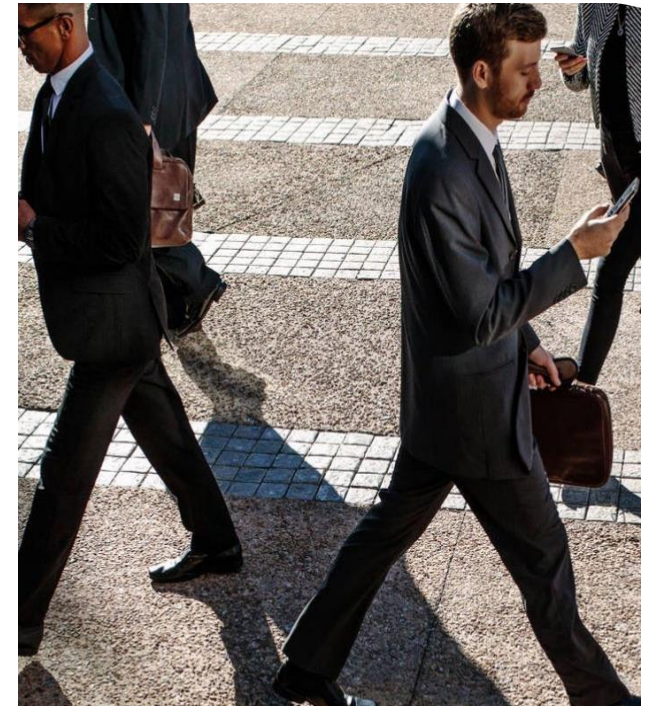
Capital spend of £522,000 was written off when the cinema project was abandoned, and we raised a key recommendation on page 19 of this report **(KR3)**. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them.



Areas for improvement

The Council's Medium Term Financial Plan prepared in February 2024 included some dependency on reserves to balance the budget in future years. For 2025/26, the Plan anticipated using reserves of £2.2 million. For 2026/27, it anticipated using reserves of £4.2 million. The Council held a Funding Reserve of £12 million on 31 March 2024, and we do not consider the planned use of reserves to pose a risk of significant weakness at this stage. However, use of reserves in the long term would not be sustainable, and this is something the Council should seek to move away from.

Improvement recommendation 7: The Council should seek to reduce its dependency on the Funding Reserve to close budget gaps. The Council should then aim to stabilise its reserves over the medium-term.



Improving economy, efficiency and effectiveness

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and statutory or key recommendations made.

We considered how the Audited Body:	Commentary on arrangements	Assessment
commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council's procurement function supports not only Teignbridge District Council and its jointly owned subsidiary, but another Council in the region as well.</p> <p>The Council has introduced risk registers for individual capital projects. At a Full Council meeting on 16th January 2024, it was decided that there would be a project adjustment for the Future High Streets Fund projects. The new cinema project was abandoned. A separate capital project (Bradley Lane) was put forward by the Council in July 2024 as a replacement project for the purposes of continuing to access the Future High Street Funds that would have been spent on the cinema. We have seen on page 17 that there had been weaknesses in the support for the cinema project decision. At one stage, delegated authorities for the project had been removed, which made project progress difficult. We raised a key recommendation on Page 19 around the need to collaborate with decisions once they have been made so that projects can proceed as intended (KR3).</p>	R
evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council's Planning service was under threat of being placed in special measures by the Department for Homes, Communities and Local Government in December 2023 due to poor performance in processing non major planning applications. The Council's compliance rate was 67% against a government target of 70%. The Council commissioned a review from the Planning Advisory Service and brought in a planning performance specialist. An action plan was agreed and implemented, and using funding secured from the planning skills delivery fund, additional support was commissioned. This resulted in an improved application processing time of above 70% in quarter one 2024/2025, increasing to 73% at the end of June 2024. The Council was able to evidence in August 2024 that improvement had been sustained. MHCLG has confirmed that the Council is no longer at threat of special measures. It will be important that the new arrangements are sustained so that performance standards do not decline again. We raised an improvement recommendation on page 25 (IR8).</p>	A
uses information about its costs and performance	<p>Non-financial performance information is comprehensive and timely. The Overview and Scrutiny Committee receives quarterly RAG rated data on ten programmes, 45 projects and 67 individual key performance indicators. Relevant lead contacts and executive members are named in the reports and there are appropriate narrative explanations for key trends. The Council's performance reports did not contain benchmarking data against other Councils during 2023/24, but the January 2024 LGA Peer Review highlighted that the Council is developing a suite of Power BI corporate and service level dashboards summarising performance with key tasks - designed to help with monitoring and benchmarking performance indicators in future.</p>	G
ensures it delivers its role within significant partnerships	<p>Officers inform us the Council's two biggest partnerships are with a local building control partnership (between Teignbridge District Council and two other Councils) and with the Council's shared IT company (Strata - owned jointly by Teignbridge District Council and two other Councils). Teignbridge's internal audit team include the building control partnership within their programme of work on a cyclical basis. The most recent report was in July 2023 and provided GOOD overall assurance. For the services solution company, an external review by consultants in 2022 provided assurance that the arrangement was meeting business objectives and generating a positive financial return, but that it could benefit from a new target operating model. The company then developed a new business plan to enable transformation options at the three councils the company serves from 2024/25.</p>	G

Improving economy, efficiency and effectiveness (continued)



Significant weakness identified

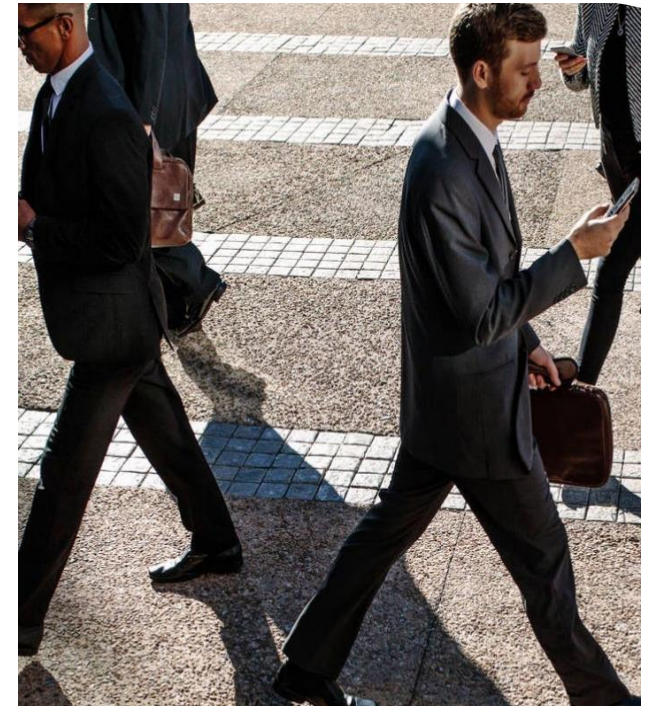
A Future High Streets Fund-ed new cinema project was cancelled in January 2024, with an alternative project put forward at a late stage to avoid losing Future High Streets Funding. Some members had difficulty supporting the new cinema project and attempts to reverse the decision or slow its progress included, at one stage, the removal of delegated authority. We raised a key recommendation around supporting decisions and working through the constitution on page 19 of this report **(KR3)**. It is important that the Council considers whether there are implications for relationship and project performance on similar capital projects.



Areas for improvement

We note that at one stage in the year 2023/24, the Council's Planning Service was under threat of being placed in special measures. Performance has since improved, but this needs to be sustained.

Improvement Recommendation 8: The Council should maintain the arrangements now in place so that performance on non-major planning applications remains above the government's minimum target



**Value for Money
Recommendations raised in 2023/24**

Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Comments and Actions agreed by Management
<p>SR1 The Council should:</p> <ol style="list-style-type: none"> Commission a suitably qualified expert to investigate the underlying causes of member behaviours which contravene the standards set out in the Council's constitution under the Members' Code of Conduct and the member/officer protocol; and which have impacted the Council's reputation and working culture. The Council should then develop an action plan to enable members and officers to address those issues. Adopt a consistent zero-tolerance approach to any swearing; lack of respect for other people attending meetings; or other abusive behaviour towards other members or officers in meetings. This should be done by making full use of the procedural rules set out in the Council's constitution by: Immediately adjourning the meeting; moving a motion that the member concerned be not heard; or moving a motion that the member concerned should leave the meeting. Consider amendments to its constitution to extend those procedural rules to all meetings of committees of the Council and amend the Member Code of Conduct to include an obligation for all members to reinforce standards of behaviour and to support the Chair of the Council and chairs of committees of the Council in their use of procedural rules to ensure proper conduct. Group Leaders should model good behaviour and discipline members of their groups whose behaviour breaches the Code of Conduct and the member/officer protocol. Continue to provide information and support to ensure that members and officers who are subjected to aggressive and abusive behaviour from individual members can, if they wish, submit a written complaint to the Monitoring Officer immediately, so that it can be dealt with under the Council's Standards procedures. Ensure that Group Leaders take responsibility for their members working collaboratively with officers and for their members improving behaviours and relationships. Review membership of the Standards Committee, with only members who have an excellent behavioural track record being eligible to join it. Meetings should then resume. A Governance Committee should be introduced to reinforce the work of the Standards Committee. As with the Standards Committee, members on the Governance Committee must have an unblemished behavioural track record. <p>Securing good standards and behaviour amongst members will help to strengthen corporate governance and working culture. This in turn should help to create a positive environment from which the Council can build better relationships and address the other issues it faces, such as transacting business as usual and maintaining respect and co-operation around decisions once they have been taken.</p>	Statutory	Governance	<p>Management comments</p> <p>Shown on page 9 of this report.</p> <p>Management actions</p> <p>Actions:</p> <p>As per details on page 9.</p> <p>Responsible Officer:</p> <p>Paul Woodhead (MO)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 12 months</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation		Status*	Criteria	Actions agreed by Management
KR1	<p>Recommendation:</p> <p>Matters were identified over the course of our audit that suggested members do not always understand which aspects of Council business they do or do not have access to by law. Members need to be clear about what they can and can not have access to. The Constitution outlines matters for meetings that members of the public are excluded from (“Part 2 meetings”). Where Part 2 meetings are used, all present should adhere to the legal confidentiality requirements of Part 2 meetings</p> <p>Management comments:</p> <p>Noted and agreed. Officers will continue to work with Members to reiterate the importance of aspects of confidentiality and Part 2 matters.</p>	Key	Governance	<p>Actions:</p> <p>As per details in management comments.</p> <p>Responsible Officer:</p> <p>Paul Woodhead (MO)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 12 months</p>
KR2	<p>Recommendation:</p> <p>The Council should review arrangements around declarations of interest and investigations. An internal audit of declarations of interest should be arranged.</p> <p>Management comments:</p> <p>Noted – We will review and audit as part of our annual audit plan.</p>	Key	Governance	<p>Actions:</p> <p>We will review and audit as part of our annual plan.</p> <p>Responsible Officer:</p> <p>Sue Heath (Audit and Information Governance Manager)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 12 months</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Actions agreed by Management
<p>KR3 Recommendation:</p> <p>Decision-making arrangements at Executive Committee and Full Council level should be reviewed and, where necessary, strengthened. The planned decision flowchart should be completed. If necessary, longer timescales for evaluation of the impact of decisions should be introduced.</p> <p>As we recommended in our Auditor's Annual Report for 2021/22 and 2022/23, the Council needs to ensure that once decisions are made, they are stuck to - in order to allow projects to proceed as required. Once decisions are made, they should be treated with trust and respect by members and officers, and they should be acted on in a spirit of mutual co-operation. This will require wider relationships to be working well.</p> <p>Over time, if there are reasons to revisit a decision, this should be done through main constitutional arrangements.</p> <p>The events of 2023/24 show that financial loss and delayed project progress can result when decisions are undermined from outside the main constitutional process. Lack of trust between members and officers may be one of the underlying causes of member behaviour contravening standards set out in the constitution. The lack of trust and the poor relationships and behaviours ensuing from it may be undermining business as usual processes.</p> <p>The Council wrote off £522,000 when it abandoned the cinema project. The Council has other high profile capital projects, and it will be important that decision-making is applied carefully around them.</p> <p>Management comments:</p> <p>Agreed – we are currently progressing a decision flow chart.</p>	Key	<p>Governance</p> <p>Financial sustainability</p> <p>Improving economy, efficiency and effectiveness</p>	<p>Actions:</p> <p>Decision flowchart to be progressed.</p> <p>Responsible Officer:</p> <p>Paul Woodhead (MO)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 6 months</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Management Response
<p>IR1 Recommendation:</p> <p>An action plan was shared with Full Council on 29th October 2024 for improvements around relationships, the constitution, strategy and partnerships, and the functioning of the authority. Initial monitoring arrangements have been put in place. Reports regarding changes to the Constitution are due to be presented to the next full Council. Standards issues are due to be presented by Statutory Officers to Group Leaders; and a report on Governance issues is due to be presented to annual Council. It will be important not only that this initial monitoring does take place, but that continuous monitoring is then adopted on a permanent basis</p> <p>Management comments:</p> <p>Noted. This work is being revisited as part of the CFGS Working Groups agreed work programme.</p>	Improvement	Governance	<p>Actions:</p> <p>This work is being revisited as part of the CFGS Working Groups agreed work programme.</p> <p>Responsible Officer:</p> <p>Paul Woodhead (MO)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 6 months</p>
<p>IR2 Recommendation:</p> <p>The Council should continue with its return to Audit and Scrutiny Committee reviewing the risk register twice a year.</p> <p>Management comments:</p> <p>Agreed. This is being implemented within the Audit Scrutiny Committee work programme.</p>	Improvement	Governance	<p>Actions:</p> <p>This is being implemented within the Audit Scrutiny Committee work programme</p> <p>Responsible Officer:</p> <p>Sue Heath (Audit and Information Governance Manager)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Bi-annually</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

	Recommendation	Status*	Criteria	Management Response
IR3	<p>Recommendation:</p> <p>The Council should review and revise relevant sections of the constitution to bring the terms of reference of the Audit Scrutiny Committee into line with CIPFA recommended good practice, including the co-option of an external independent member and the election of a chair who is not a member of the administration. The Committee should be renamed to remove the term ‘Scrutiny’.</p> <p>Management comments:</p> <p>The Constitution is being reviewed as part of the work with the CFGS including use of external independent members.</p> <p>The Constitution was comprehensively reviewed 3 years ago. The resultant recommendations were supported by the Centre for Governance and Scrutiny which included changes to the Audit Scrutiny Committee. The recommendations were presented to the relevant committee numerous times over a period of 18 months but were opposed or blocked by previous leaders. This work is being revisited as part of the Centre for Governance and Scrutiny Working Group’s agreed work programme.</p> <p>Independent person – We have agreed the remuneration for such a person, the job description and job advertisement are ready to go.</p>	Improvement	Governance	<p>Actions:</p> <p>A review is taking place as part of the work with the CFGS including use of independent members.</p> <p>Responsible Officer:</p> <p>Paul Woodhead (MO)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 6 months</p>
IR4	<p>Recommendation:</p> <p>The Council should recognise good practice and consider the election of an opposition or independent member as Chair of the Overview and Scrutiny Committee.</p> <p>Management comments:</p> <p>Agreed. The Council recognises what is generally considered to be best practice whereby an opposition member or independent is appointed as chair of Overview and Scrutiny and consideration has been given to that. However, it also recognises that it is guidance and the importance of having the right person in that role.</p>	Improvement	Governance	<p>Actions:</p> <p>Suggestions to be put to Members for future appointments.</p> <p>Responsible Officer:</p> <p>Paul Woodhead (MO)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Next 6 months</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Status*	Criteria	Management Response
<p>IR5 Recommendation:</p> <p>The Council should continue to monitor progress with implementing a new finance system.</p> <p>Management comments:</p> <p>Agreed.</p>	Improvement	Governance	<p>Actions:</p> <p>Updates will be provided as part of the quarterly financial updates provided to Members.</p> <p>Responsible Officer:</p> <p>Martin Flitcroft (s151)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>Dates will be profiled to financial update reporting dates.</p>
<p>IR6 Recommendation:</p> <p>Draft accounts for 2024/25 should be published in line with their statutory deadline and supported by a comprehensive set of working papers, and sufficient capacity to service an audit to completion. We note that in relative terms, the Council has performed well compared to many peers in timescales for preparing draft accounts. The Council has put itself in a good position to now comply with statutory deadlines going forward.</p> <p>Management comments:</p> <p>Noted – our timetable for year end 24/25 closedown works towards these revised dates.</p> <p>We are progressing sufficient staffing resources and will look to negotiate an external audit that takes place in a timely manner that doesn't clash with other key work or priorities. We note that in the prior year, timing clashing with other key work e.g. budget setting and implementation of the IMS system.</p>	Improvement	Governance	<p>Actions:</p> <p>Year end timetable to meet 30 June 25 deadline for draft accounts.</p> <p>Responsible Officer:</p> <p>Martin Flitcroft (s151)</p> <p>Executive Lead:</p> <p>Martin Flitcroft (s151)</p> <p>Due Date:</p> <p>30 June 25 for draft accounts and final accounts in line with back stop dates.</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation		Status*	Criteria	Management Response
IR7	<p>Recommendation:</p> <p>The Council should seek to reduce its dependency on the Funding Reserve to close budget gaps. The Council should then aim to stabilise its reserves over the medium-term.</p> <p>Management comments:</p> <p>Agreed.</p>	Improvement	Financial sustainability	<p>Actions:</p> <p>Pursue savings plans through the Modern 25 agenda, business plans and other savings ideas to reduce use of reserves over the medium term.</p> <p>Responsible Officer:</p> <p>Martin Flitcroft/ Amanda Pujol</p> <p>Executive Lead:</p> <p>Martin Flitcroft/ Amanda Pujol</p> <p>Due Date:</p> <p>Next 12 months and ongoing</p>
IR8	<p>Recommendation:</p> <p>The Council should maintain the arrangements now in place so that performance on non-major planning applications remains above the government's minimum target</p> <p>Management comments:</p> <p>Agreed. The Council has implemented processes to maintain the current high level of performance. These arrangements are currently working well.</p>	Improvement	Improving economy, efficiency and effectiveness	<p>Actions:</p> <p>Continue with current arrangements and monitor.</p> <p>Responsible Officer:</p> <p>Neil Blaney, Director of Place</p> <p>Executive Lead:</p> <p>Neil Blaney, Director of Place</p> <p>Due Date:</p> <p>Ongoing</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A:

Responsibilities of the Council

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

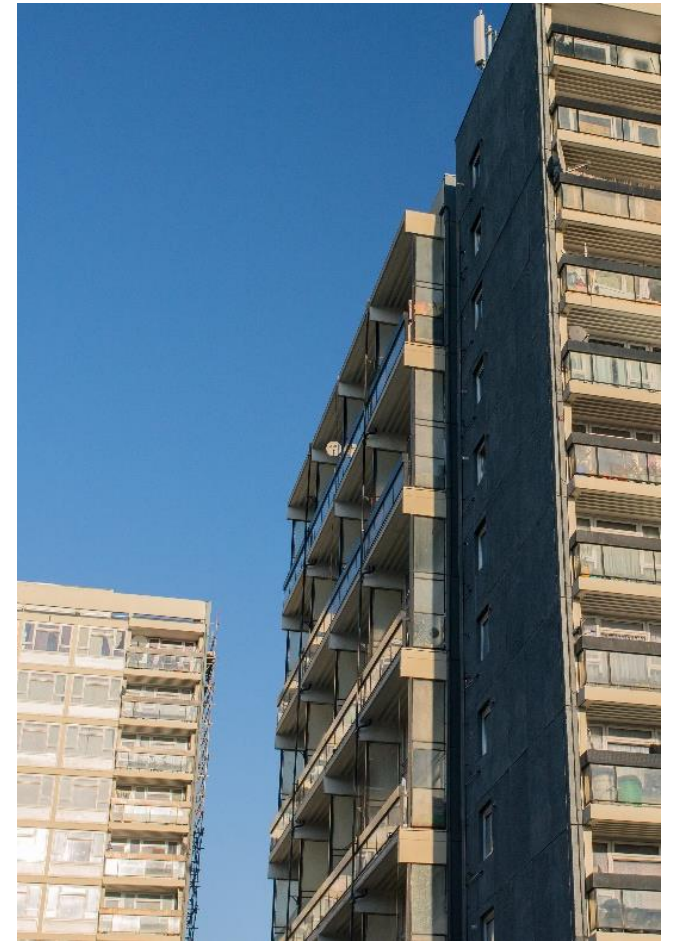
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

Value for Money Auditor responsibilities



Value for Money arrangements work

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 audited body'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 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- Key recommendations – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- Improvement recommendations – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C:

Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Key	21/22 and 22/23	Ongoing.	Yes Draft accounts for 2023/24 were published two weeks after their statutory deadline. Draft accounts for 2024/25 will need to be published in line with their statutory deadline.
2	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	21/22 and 22/23 (also raised for 2020/21)	Not yet fully addressed.	Yes Behavioural and relationship issues have persisted. A new member/officer protocol was adopted in July 2024, but we have still observed instances of unruliness and poor co-operation. In this report, we raised one new statutory recommendation and two new key recommendations in respect of ongoing relationship issues.
3	In order to enhance public reporting of the annual budget the Council should include all the key assumptions used. For example, inflation rates.	Improvement	21/22 and 22/23	Closed. Data and narrative on assumptions around pay rises, inflation, investment returns and income from Council Tax was shared with Full Council in budget papers presented on 27th February 2024.	No

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

Appendix C:

Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
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 projects over a five-year period.	Improvement	21/22 and 22/23	Closed. A Medium-Term Financial Plan was shared with Full Council on 27th February 2024.	No
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.	Improvement	21/22 and 22/23	In progress.	Ongoing We note that progress with the Modern 25 savings scheme has been positive. By the end of 2023/24, recurring savings of some £650,000 had already been secured, as well as non-recurring savings.
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.	Improvement	21/22 and 22/23	Not yet fully addressed.	Yes Behavioural and relationship issues have persisted despite there being a new member/ officer protocol in July 2024. New issues around decision-making have also emerged and are now the subject of a new key recommendation in this report.
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 to achieving the full saving, and any corrective action being taken.	Improvement	21/22 and 22/23 (a similar recommendation was raised for 2020/21)	In progress. Progress with the Modern 25 savings scheme has been positive. New reporting was introduced in September 2024. It will be important that this continues.	No specific new action over and above work already underway.

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

Appendix C:

Follow-up of prior year recommendations

Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Improvement	21/22 and 22/23	Closed. We reviewed capital programme data shared with the Executive in February 2024 and September 2024. Appropriate sub totals were included in both sets of data.	No
9 When setting its revenue budget, the Council should clearly demonstrate how investments in services will support delivery of its objectives.	Improvement	21/22 and 22/23	Closed. From our audit testing for 2023/24, we have not identified any spend of a nature that was inconsistent with corporate objectives.	No
10 To ensure it has the right staff at the right time the Council is developing a Workforce Plan which will support it as it seeks to implement its transformation plan.	Improvement	21/22 and 22/23	In progress. There is a Workforce Strategy in draft and the Council plans to take it to the Council's Management Team in November.	No new action required to in addition to work already ongoing.
11 The Council should enhance reporting of its capital programme and expenditure by: <ul style="list-style-type: none"> Improving the accuracy of forecast expenditure; and Including progress, slippage or cost overruns on major projects. This should include any remedial action taken to bring projects back on track. 	Improvement	21/22 and 22/23	Closed. Capital outturn data has been included in the budget monitoring report shared with the Executive in September 2024.	No
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.	Improvement	21/22 and 22/23	Closed. Reports to the Executive Committee in September each year include links to the draft accounts - meaning that members can read across from budget data to financial statements data.	No

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

Appendix C:

Follow-up of prior year recommendations

Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Improvement	21/22 and 22/23 (observations around risk were also raised for 2020/21).	In progress	Twice yearly reviews are being re-introduced in 2024/25. We will review these as part of our audit of 2024/25.
14 The Council needs to ensure that each major capital project has its own risk register and that this is kept up to date.	Improvement	21/22 and 22/23	Closed. Schemes have risk registers.	No
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.	Improvement	21/22 and 22/23	Closed. Internal audit reports were shared with the Audit Scrutiny Committee regularly in 2023/24.	No
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.	Improvement	21/22 and 22/23	Not yet fully addressed.	We raised a new key recommendation on page 19 of this report around supporting decisions (on capital projects); and around the need for constitutional channels to be used if challenge does become necessary.

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

Appendix C:

Follow-up of prior year recommendations

Recommendation	Type of recommendation	AAR	Current status	Further action required
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.	Improvement	21/22 and 22/23	Closed. Action plans for low performing key performance indicators are reviewed and updated through the departmental business planning process.	No
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.	Improvement	21/22 and 22/23	In progress. The LGA Peer Review highlights that the Council is developing a suite of Power BI corporate and service level dashboards summarising performance with key tasks - designed to help with monitoring performance indicators.	No new action required to in addition to work already ongoing.

Our Auditor's Annual Report for 2021/22 and 2022/23 raised two key recommendation and sixteen improvement recommendations in its report on arrangements in place until 31 March 2023.

Appendix C:

Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
19	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	2020/21* (this was also raised for 2021/22 and 2022/23)	Not yet addressed.	Yes Behavioural and relationship issues have persisted. A new member/officer protocol was adopted in July 2024, but we have still observed instances of unruliness and poor co-operation. We raised one statutory recommendation and two new key recommendations in respect of ongoing relationship issues.
20	The Council should ensure members fully understand their obligations with regard to conflicts of interest. This should include mandatory training.	Improvement	2020/21*	Not yet fully addressed.	There seems to be distrust around declarations of interest. We raised a new key recommendation within this report.
21	The Council should review its record retention policy and ensure that it reflects the need to retain key evidence that may be needed to investigate complaints.	Improvement	2020/21*	Closed. However, we note that record retention remains relevant.	No specific new action required. However, as we raised a new key recommendation highlighting that challenges to decisions should be through constitutional means, record retention will remain relevant.

Our Auditor's Annual Report for 2020/21 raised three key recommendation and thirteen improvement recommendations. Of these, by February 2024, our Auditor's Annual Report for 2021/22 and 2022/23 reported that one key recommendation was still open; six improvement recommendations were still open; and one improvement recommendation was in effect open because it had been updated.

Appendix C:

Follow-up of prior year recommendations

	Recommendation	Type of recommendation	AAR	Current status	Further action required
22	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	2020/21* (there were also observations around risk for 2021/22 and 2022/23).	Closed. The risk report includes the risk description, mitigation actions, date of last risk review, previous risk score. Also, major projects have a risk register implemented before the project starts.	No
23	The Council should ensure that there is a process by which savings reported by budgets heads under the BETTER 2022 program are validated for accuracy on a regular basis.	Improvement	2020/21*	Superseded. BETTER 2022 has now been replaced by the Modern 25 savings plan. Management consultants supported the planning process. We have no observations around inputs into that process.	No
24	The Council should initiate an external Peer Review through the Local Government Association.	Improvement	2020/21*	Ongoing. An LGA Peer Review reported in January 2024. After some delay, as action plan was formally adopted by the Council at the end of October 2024.	Yes. We raised a new improvement recommendation that the action plan is now implemented and monitored.
25	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	2020/21*	Closed. Internal audit arrangements are in place for the partnership.	No

Our Auditor's Annual Report for 2020/21 raised three key recommendation and thirteen improvement recommendations. Of these, by February 2024, our Auditor's Annual Report for 2021/22 and 2022/23 reported that one key recommendation was still open; six improvement recommendations were still open; and one improvement recommendation was in effect open because it had been updated.

Appendix C:

Follow-up of prior year recommendations

Recommendation	Type of recommendation	AAR	Current status	Further action required
26 The savings to be delivered through the BETTER 2022 programme should be clearly set out, reported and monitored at a strategic level.	Improvement	2020/21* (a similar recommendation was raised for 2020/21)	Closed. BETTER 2022 has now been replaced by the Modern 25 savings plan. New reporting has been introduced.	No specific new actions other than those already underway.

Our Auditor's Annual Report for 2020/21 raised three key recommendation and thirteen improvement recommendations. Of these, by February 2024, our Auditor's Annual Report for 2021/22 and 2022/23 reported that one key recommendation was still open; six improvement recommendations were still open; and one improvement recommendation was in effect open because it had been updated.

