

Date: 12 September 2024

PRIVATE & CONFIDENTIAL

Members of the Audit and Governance Committee
Torridge District Council
Riverbank House
Bideford
EX39 2QG

Dear Sirs and Madams

Torridge District Council – Auditor's Annual Report 2023/24

We are pleased to attach our draft Auditor's Annual Report. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of the Directors and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Kind regards

Yours faithfully

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style. A large, light grey watermark with the word "DRAFT" is oriented diagonally across the page, partially overlapping the signature.

BISHOP FLEMING LLP

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DRAFT

1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Torridge District Council for the year ended 31 March 2024.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

We carried out our work in accordance with our External Audit Plan that we issued to the Council in April 2024.

2. Executive summary

Results from the audit of the financial statements

We completed our audit of the financial statements and issued our unmodified audit opinion on **DATE**. See section 3 for more details.

We will also be completing component auditor procedures, alongside our certification of the accounts in line with the National Audit Office group auditor instructions. In our final report we will confirm whether there are any matters to report from this work.

Results on our work on other matters




We completed our review of other matters in line with our issuing of the audit opinion on **DATE**.

See section 3 for more details.

Results from our work on VFM arrangements




Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Our conclusions are summarised below. See sections 4-8 for more details.

Financial sustainability		<p>We did not identify any significant weaknesses in the Council's arrangements for financial sustainability.</p> <p>We have identified not identified any recommendations in the Council's arrangements for financial sustainability.</p>
Governance		<p>We did not identify any significant weaknesses in the Council's arrangements for governance.</p> <p>We have identified two recommendations in the Council's arrangements for governance.</p>
Improving economy, efficiency and effectiveness		<p>We did not identify any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness.</p> <p>We have identified not identified any recommendations in the Council's arrangements for improving economy, efficiency and effectiveness.</p>

We have also reported a number of recommendations raised by the previous auditor as 'ongoing'. These are set out in section 8

Key:

	No significant weaknesses in arrangements identified and no recommendations made
	No significant weaknesses in arrangements identified but recommendations made
	Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the National Audit Office's Code of Audit Practice (The Code) and the International Standards on Auditing (ISAs) (UK). We are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014..

We gave an unqualified opinion on the Council's financial statements on **DATE**.

Key issues arising from the accounts audit

We identified material errors relating to the carrying value of land and buildings in the draft statement of accounts. These resulted from incorrect application of the depreciation charge on revalued assets and errors made in calculations performed by the external valuer. These errors were corrected by management and our Audit Completion Report contains further detail relating to these findings.

Other matters

We are required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit and Governance Committee on **DATE**.

4. Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Torridge District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness – how the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criteria for the auditor to assess those arrangements.

Our risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there are any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in sections 5, 6 and 7 of the report. Our recommendations for improvement are included in section 8.

5. Financial sustainability

We considered how Torridge District Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

- ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- plans to bridge its funding gaps and identifies achievable savings;
- plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- ensures that 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; and
- identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Overview and 2023/24 outturn

The Council's narrative performance report outlines a surplus of £1,371k for the 2023-24 financial year. This outturn was against a budgeted breakeven position and showed further improvements on the net saving of £251k that was forecast in the Quarter 3 Quarterly Business Report. The outturn position included some significant favourable variances in relation to bank interest (£987k), NNDR collection fund (£468k) and Government grants (£318k). There are also large adverse variances relating to staff costs of £460k. There are additional favourable variances totalling £1,295k and additional adverse variances totalling £1,237k.

Financial planning and monitoring

The Council keep their budget position under review throughout the year, presenting a Quarterly Business Report to the Internal Overview and Scrutiny Committee. This includes sections for income and salaries, summarising significant budget variances.

The Council's Strategic Plan for 2024-25 sets out the details of the Council's plans for the year, with links to their strategic objectives and ambitions. It includes the financial data, which agrees back to their Budget Book and the Medium-Term Financial Strategy (MTFS) presented to Council in February 2024. The actions set out in the Strategic Plan are regularly reported through the Quarterly Business Report.

For capital planning, officers work with members to produce a Project Initiation Document for each project which highlights the costs, funding requirements, risks and alignment with the Strategic Plan.

Achieving efficiency savings

The Council monitors performance on a line-by-line basis against budget through the Quarterly Business Report. However, no specific savings targets are directly set or monitored by officers, therefore they do not feed into this reporting. This is in line with the prior year recommendations from the predecessor auditor, which has been followed-up in section 8 of our report.

The Section 151 Officer has confirmed that the Council are currently operating by making incremental savings and improvements as opposed to operating more significant or defined savings plans.

There is a Member Budget Working Group (MBWG) in place to monitor potential savings and generate new ideas to strengthen the financial position of the Council. Our review of meeting minutes has identified that the group carries out this function effectively and holds regular discussions in relation to the opportunities available in the context of the MTFS.

The financial context in which the Council operates is such that they have delivered underspends against budget in recent years and have presented a balanced MTFS through planned use of reserves set aside to cover funding gaps. It does not therefore feel the need to set out a formal and defined savings plan, however caution should be noted in relation to the ongoing use of a 'funding gap' reserve as this cannot be easily replenished.

2024-25 financial planning

The Council presented its 2024-25 Budget Book and MTFS at a meeting in February 2024. The 2024-25 Final Local Government Financial Settlement confirmed the Council's net revenue budget for the year as £12,194k. This is supported by a forecast reserves transfer from the Budget Stabilisation Reserve of £279k. The total forecast draw on reserves over the MTFS period is just under £2m. As noted above, the Council should remain cautious in relation to the ongoing use of reserves to close a funding gap.

Within the Council's MTFS, it includes the risks and sensitivities which impact the modelling for revenue budgets. These are appropriately captured to aid decision-making on financial matters. The Council also considers the wider Devon economic area and comparisons in relation to the financial decisions being made by other Local Government bodies.

The Council has undertaken financial modelling in relation to complex projects, upon which decisions to proceed are based. Modelling carried out includes sensitivity analysis and assumptions which do not appear to be overly optimistic. These projects are appropriately built into the MTFS once approved.

The recent Local Government Association Peer Challenge report issued to the Council recommended that the MTFS should be regularly reviewed alongside the Risk Register in open committee meetings. This is in line with our findings within this report.

There is a HR Strategy in place at the Council which acts as a framework for decisions in relation to people management. Our work has identified that there are clear links between the expectation set out in the HR Strategy and the financial plans presented to Council meetings.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have made recommendations for areas of improvement at section 8.

6. Governance

We considered how Torridge District Council ensures that it makes informed decisions and properly manages its risks, including how it:

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

Risk management

The Council have a Risk Management Strategy in place which was last updated in February 2022. This sets out the process of identifying and reporting risks, and the responses and monitoring process which will be put in place.

There is a Corporate Risk Management Group who meet quarterly to consider the Corporate Risk Register, which is also presented to the Audit & Governance Committee quarterly. Each risk is scored on the potential impacts and likelihood of occurrence, documented alongside the actions required and responsible individuals. From our review of the Council's risk reporting, we are content that there are adequate arrangements in place to monitor and raise risks, with new risks being identified throughout the year.

The Council's governance structure is made up of a full Council which is supported by several Committees who have delegated responsibility for their own portfolio areas, each of which is chaired by a Member of the Council.

Internal control

The Council's Internal Audit function is provided by Devon Audit Partnership, who have a representative at each of the Audit & Governance Committee meetings to present any findings. The Audit & Governance Committee received the annual Internal Audit Plan and is provided with a progress report on the delivery of the plan at each meeting.

From our review of the Audit & Governance Committee meeting on Tuesday 2 April 2024, we identified that the 2024-25 Internal Audit Plan was 'noted' by members, rather than approved and formally agreed. As this is a proposed plan, it should be formally approved by members of the Committee, with the decision minuted. Therefore, we have raised a recommendation in relation to the recording of decisions made at Committee meetings.

Through our review of the Internal Audit reports, along with the Audit & Governance Committee minutes and papers, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme.

The Council have adequate arrangements in place for the prevention and detection of fraud through the design and implementation of appropriate policies and procedures.

The Audit & Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately by adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

Budget setting and budgetary control

Budgets are developed with service managers throughout the Council, with these being discussed and reviewed by the management teams before being presented to the Community & Resources Committee and subsequently to Council's Internal Overview and Scrutiny Committee in public forum. Following this, the budget papers are then presented to a meeting of the full Council.

Sufficient evidence has been seen through our work to provide assurance that budget holders are regularly engaged with the Finance team and receive monitoring reports to review their financial performance.

The Council provides accurate and timely financial monitoring reports to budget holders, with a breakdown of total expenditure alongside appropriate variance analysis. Financial reporting is clear and includes sufficient qualitative detail to support decision making.

For capital expenditure, the Council keeps a schedule of project expenditure to monitor the ongoing costs of delivery. Projects are shown alongside their individual costs, budget calculations and projected expenditure and cash flow. This enables officers to have a detailed understanding of the capital budgets throughout the year.

Decision making

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before decisions are made and that arrangements are in place for scrutiny and challenge of any decisions before they are made.

The Council has partnership relationships in place across the Devon area, with one example being the Devon Audit Partnership. This is monitored through a Management Board made up of the Chief Finance Officers of each of the Councils which sets out how the partnership arrangements operates. The Devon Audit Partnership is hosted by Devon County Council and is made up of nine partners.

There is an appropriate culture set by senior officers at the Council, driven by the Constitution and Codes of Conduct. These set out the expectations for the behaviour of officers and promote best practice, including the requirements to follow Nolan's Seven Principles of Public Life.

Ensuring appropriate standards

We have been informed that there have been no instances of significant non-compliance with laws and regulations within the year. Throughout our review, we have not identified anything that has contradicted this.

There is no evidence which has come to light throughout our work indicating any non-compliance with capital or other statutory requirements.

The Council have a publicly available gifts and hospitality register for officers (kept anonymously), along with declarations of interest being listed for each member.

Prior to and during all meetings, there is an opportunity for members to declare an interest in the items on the agenda. Any declarations made at meetings are within the published minutes of each meeting.

From our communications with officers, we are not aware of any instances where declarations have not been made and subsequently been identified and had impacts to the Council, including reputational damage.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements. We have made recommendations for areas of improvement at section 8.

7. Improving efficiency, economy and effectiveness

We considered how Torridge District Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

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

Assessing performance and evaluating service delivery

The Council reports on its performance indicators to the Internal Overview and Scrutiny Committee, with an assessment of performance against actions raised in line with strategic priorities. From our review of the reports issued during 2023-24, we have noted that there is more detailed reporting than was presented in prior years. However, the Council should still seek to improve their reporting by using RAG ratings for all indicators and monitoring of performance trends. We have followed up on the prior year recommendation of the predecessor auditor in section 8 of this report.

The Council's quarterly Business Reports provide budget monitoring updates to the Committee enabling oversight of the financial position. These include the reporting of the cost-effectiveness of activities, with budget variances shown alongside reasoning for all key variances identified.

The Council have been part of the Local Government Association's 'Peer Challenge' scheme whereby a range of experienced Members and officers from the accredited pool of peers review the Council's corporate performance. The latest review was carried out in 2024 and has been followed up with recommendations and potential areas of concern which the Council are seeking to address.

Internal Audit recommendations are provided to the Audit & Governance Committee by Devon Audit Partnership. The Committee receive an 'Audit actions' report which tracks the recommendations from individual audit reports and the progress made to date. On review of the reports issued we have identified that there are a significant number of 'late' actions which are yet to be completed. We have raised a recommendation to identify that audit actions should be followed up as soon as possible to avoid a backlog of recommendations arising.

There is good evidence of the Council implementing external audit recommendations.

Partnership working

Torridge District Council have several partnership arrangements in place with other local authorities and community organisations. The External Overview and Scrutiny Committee is responsible for overseeing these arrangements, where reports are appraised on the work undertaken by the organisations who assist with the delivery of services in line with public and community objectives.

The Council have recently undertaken a consultation for their 2024-2028 Strategic Plan. This allowed them to listen to resident's views on the plans for the future direction of the authority which can directly impact their lives. There was a large amount of feedback gathered which was used to draft the final version of the plan for agreement of the full Council.

Commissioning and procuring services

Torrige District Council have implemented the Devon Districts Procurement Strategy 2023-2027, which has been prepared in line with national guidance from the Local Government Association (LGA). The Council has embedded this Strategy in line with their own strategic priorities through a Social Value Policy, which aligns the Procurement Strategy to their priorities.

We have not identified, and have not been made aware, of any instances of the Council failing to operate a fair procurement exercise on significant contracts.

The Council have a robust process for monitoring large contracts and projects, with monthly performance meetings and progress reports feeding into a working group. Where required, this reporting is also shared with other bodies to evidence progress in line with monitoring requirements for funding.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made recommendations for areas of improvement at section 8.

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8. Recommendations

KEY:





Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Recording of meeting decisions	
	
<p>At the Audit & Governance Committee meeting on Tuesday 2 April 2024, we identified that the 2024-25 Internal Audit Plan was 'noted' by members, rather than approved and formally agreed. As this is a proposed plan, it should be approved by members of the Committee, with the decision minuted.</p>	<p><u>Recommendation</u></p> <p>Where appropriate, the Council should formally record decisions on papers presented to meetings.</p> <p><u>Management comment</u></p> <p>Agreed</p>
Follow-Up of audit actions	
	
<p>The Audit & Governance Committee receive an 'Audit actions' report, tracking the recommendations from individual audit reports and the progress made. We have identified that there are a significant number of 'late' actions which are yet to be completed.</p>	<p><u>Recommendation</u></p> <p>The Council should follow up all audit actions as soon as possible to avoid a backlog of recommendations arising.</p> <p><u>Management comment</u></p> <p>Agreed</p>

Prior Year Issues reported by the predecessor auditor

The below issues for follow-up were raised by the Council’s predecessor auditor (Grant Thornton) in the Auditor’s Annual Report for 2022-23. We have split these between those that have been ‘resolved’ and those which are still ‘ongoing’.

Resolved

Risks to planning assumptions	
<p>The Council’s 2023-24 budget includes a risks and sensitivities section which sets out some of the sensitivities around some key budget assumptions. However, it is not clear that a full range of realistic scenarios have been considered in this analysis. The budget does not include any analysis of the risks and sensitivities around some key assumptions such as temporary accommodation costs, which is a significant budget pressure for the Council having risen dramatically in recent years.</p>	<p><u>Recommendation</u></p> <p>The Council should improve how it assesses and presents the risks to financial planning assumptions by systematically setting out an explicit, quantified assessment of risk and the associated financial impact when presenting key budget assumptions. This should include realistic scenario planning where appropriate.</p> <p><u>2022-23 Management comment</u></p> <p>We could look to include Temporary Accommodation within Risks and Sensitivity next year although we believe that the risks and volatility of this area is well covered in the report and in regular briefings with members and staff.</p> <p><u>2023-24 status update</u></p> <p>The budget set for 2023/24 fully covered the financial risks related to the cost of delivering Temporary Accommodation.</p>

Temporary accommodation costs	
<p>The Council has taken significant steps to alleviate the budgetary pressures caused by the increased costs of providing temporary accommodation costs remain a key budget pressure for the Council.</p>	<p><u>Recommendation</u></p> <p>The Council should continue to monitor temporary accommodation costs closely and continue to pursue opportunities to reduce these costs as far as possible.</p> <p><u>2022-23 Management comment</u></p> <p>We will continue to monitor the costs of Temporary Accommodation closely.</p> <p><u>2023-24 status update</u></p> <p>Temporary Accommodation costs continue to be monitored. SMT receives reports every three weeks and they are included within the QBR reports.</p>

Robustness of savings plans	
<p>The Council's 2023-24 to 2027-28 MTFS projects cumulative use of reserves to balance the budget of £1.2m. The Council has developed savings plans but savings are not monitored separately from the overall budget. Proposed savings have been included in the MTFS without sufficient allowance for optimism bias.</p>	<p><u>Recommendation</u></p> <p>The Council should improve the robustness of its savings plans and develop further plans to bridge the medium-term financial gap and reduce reliance on the TGFR to balance the annual position. This should include appropriate governance and monitoring arrangements and regular and detailed reporting to members, including:</p> <ul style="list-style-type: none"> • developing financial reporting to identify separately and systematically the key savings and income generation schemes the Council is pursuing, and reporting progress on delivery of savings separately and regularly. • accounting for optimism bias and potential slippage in savings schemes when reflecting savings plans in the budget and MTFS. • reviewing savings plans to ensure it is realistic to deliver the savings needed without reducing services. <p><u>2022-23 Management comment</u></p> <p>We can appreciate that for Councils facing existential financial threats and with major savings plans being implemented, specific monitoring of the delivery of savings would make sense. In the case of Torridge, we are comfortable with savings being monitored alongside all other revenue budgets. Discrepancies are quickly spotted and acted upon, but savings do not need to be monitored separately from all other budgets.</p> <p><u>2023-24 status update</u></p> <p>The MBWG receive regular reports on the latest financial position and progress being made in delivering savings. Full Council is due to receive a report in November that details the work of the group and the latest financial situation. All of the savings that were agreed for 2024/25 are monitored on the face of the QBR reports.</p>

Risk Management review	
<p>The current corporate risk register does not reflect the items suggested for improvement. The corporate risk register is only presented to members as an item in Part 2 of the A&GC Committee and is not included on Part 1 of the public agenda.</p>	<p><u>Recommendation</u></p> <p>We recommend the Council strengthen its risk management review as follows:</p> <ul style="list-style-type: none"> • The corporate risk register should show the direction of travel against last quarter for each risk to show the movement in the risk score for a more visual interpretation. This can be either increasing, static or reducing. • Mitigating actions should be reviewed to ensure they are SMART. • Risks should be linked to the themes that are outlined in the Council's corporate plan. • Target scores should be provided as an indication of what level risk is tolerable and to show how far the existing arrangements are from achieving a tolerable level. <p>The Council should also consider presenting the corporate risk register as a standing item on Part 1 of the A&GC agenda either on a quarterly or annual basis. If there are sensitive items on the register, these could be redacted from the Part 1 session.</p> <p><u>2022-23 Management comment</u></p>

Risk Management review	
	<p>We will insert a new column into the Corporate Risk register to show linkage with the Strategic Plan. We will begin to present a summarised version of the CRR as a part 1 item on the A&G agenda.</p> <p><u>2023-24 status update</u></p> <p>The Corporate Risk Register has been updated in line with the management comment above.</p>


Gifts and Hospitality Registers	
<p>The gifts and hospitality register does not state the name of the individual receiving the gift or the value of the gift/hospitality. The Council's process for reporting gifts and hospitality is through a standard form which staff can either print off or submit online. However, it was confirmed that on occasions staff will email the information instead.</p>	<p><u>Recommendation</u></p> <p>We recommend that the gifts and hospitality register should include the name of the employee, estimated value of the gift, Monitoring Officer initials as evidence of approval, and the date of approval. The standard corporate forms should be used for declaring gifts and hospitality rather than email notification to ensure there is appropriate evidence in place. Gifts and offers of hospitality that are declined should also be included in any declarations.</p> <p><u>2022-23 Management comment</u></p> <p>The full gifts and hospitality register does include the name of the employee, and states what the gift is. It is generally low value such as a bottle of wine, or chocolates. The register available to the public omits individual employees name. If an email is received by the Monitoring Officer, this is added to the form for uploading to the register.</p> <p><u>2023-24 status update</u></p> <p>Management have indicated that staff will be reminded of existing procedures.</p>


Liaising with Regulators and Ombudsman	
<p>The Ombudsman's annual letter for 2022/23 reported that the Council took on average 30.6 days to respond against the permitted timescale of 20 days.</p>	<p><u>Recommendation</u></p> <p>We recommend that the Council should review its arrangements for liaising with the Local Government and Social Care Ombudsman to ensure responses are within set timescales.</p> <p><u>2022-23 Management comment</u></p> <p>The time taken to respond to complaints is being monitored currently. We will soon begin the process of reporting to senior management the time that staff have taken to respond to complaints. Staff will be reminded of the need to respond swiftly.</p> <p><u>2023-24 status update</u></p> <p>Management have indicated that This point has been rebuffed previously. Officers contested the original findings and a replacement letter was sent.</p>


Data Quality Review	
<p>The Council has data quality guidelines, which are available on its intranet, however these have not been updated since 2014. Since 2014, there have been significant changes to the legislative landscape following the introduction of GDPR in 2016 and the Data Protection Act 2018.</p>	<p><u>Recommendation</u></p> <p>We recommend that the Council review its data quality guidelines and update them as needed.</p> <p><u>2022-23 Management comment</u></p> <p>We are committed to reviewing and updating the Data Quality Policy in the near future.</p> <p><u>2023-24 status update</u></p> <p>The GDPR section on the intranet largely covers the areas noted in the recommendation.</p>

Partnership governance arrangements	
<p>The Council has several key partnerships and demonstrates extensive working with local partners. However, it does not have a partnership governance policy and its partnerships register only includes the Council's named representative(s) and contact details for the relevant partnership.</p>	<p><u>Recommendation</u></p> <p>The Council should consider enhancing its partnership governance arrangements by:</p> <ul style="list-style-type: none"> • updating its partnership register to provide a more complete overview of partnerships. For each partnership, this could include: aims and objectives; expected outcomes; links to the Council's strategic objectives; commitment of resources; governance arrangements (terms of reference/service level agreement); financial reporting arrangements; and performance monitoring arrangements. The register should be reviewed on a regular basis to ensure it remains up to date. • implementing a partnership governance policy, providing information on: what partnership working is; how to enter into and set up a new partnership; how to maintain governance and monitoring arrangements for existing partnerships; and how to exit from a partnership. <p><u>2022-23 Management comment</u></p> <p>We will look to introduce more formal governance arrangements where a specific partnership requires a more formal, dictated terms or reference.</p> <p><u>2023-24 status update</u></p> <p>Extensive and robust governance arrangements are in place for existing partnerships. An example of which is the Torridge Place Board Terms of reference.</p>


Ongoing

Cost of climate commitments	
	
<p>The Council does not explicitly identify budgets associated with meeting its carbon reduction targets, within its financial plans.</p>	<p><u>Recommendation</u></p> <p>The Council should clearly set out the anticipated cost of meeting its climate commitments in its budget and MTFS.</p> <p><u>2022-23 Management comment</u></p> <p>It is very difficult to put a cost on the transition to net zero when a great deal is based upon funding bids not yet announced, funding bids submitted but not yet declared and technologies not yet developed.</p> <p><u>2023-24 status update</u></p> <p>Management have indicated that they believe it is still very difficult to put a price on the cost of the transition to net zero. The Council has been awarded a £1m+ grant to decarbonise one of its swimming pools.</p>

Adequacy of Revenue Reserves	
	
<p>Whilst the Council recognises that its finances can take a dramatic downturn if some key assumptions prove to be erroneous, it has not attempted to systematically quantify this risk to assess whether its reserves provide adequate cover should risks materialise. The 2023-24 to 2027-28 MTFS does include some potential proposals which seek to reduce the planned use of reserves, but the Council does not have a formal reserves strategy.</p>	<p><u>Recommendation</u></p> <p>The Council should continue to monitor closely the overall adequacy of its revenue reserve position and include in future statements on the adequacy of its reserves an explicit risk-based calculation that incorporates its assessment of the sensitivity of the budget to variations in key assumptions and the extent to which these are mitigated by its forecast level of reserves. Furthermore, we recommend that the Council develop and report to members a formal reserves strategy, which details its planned approach to replenish its reserves.</p> <p><u>2022-23 Management comment</u></p> <p>The Internal Overview & Scrutiny Committee recently voted to recommend to Full Council that a reserves Policy be considered. This will be undertaken in the near future. We continually state to councillors the impact on reserves of alternative financial decisions.</p> <p><u>2023-24 status update</u></p> <p>Reserves are £1.3m higher going in to 2024/25 than management had initially forecast. These will support financial resilience and the ability to deliver member priorities. A Reserves Policy/Strategy report is planned to be presented to FC in advance of the budget setting for 2025/26.</p>

Reporting of variances to budgets	
	
<p>The Council monitors performance against budget throughout the year via quarterly business reports, which are presented to the Internal Overview and Scrutiny committee and to Full Council. These include a summary of the in-year position, reasons for key variances to planned budget and a clear forecast for the year end outturn. Key revenue budget variances are explained but details of actions being taken to offset or mitigate these variances are not usually provided. Limited detail is given on capital budget variances and outturn against budget is not separately presented.</p>	<p><u>Recommendation</u></p> <p>The Council should enhance its level of reporting on variances against budget, particularly in regard to its capital programme. This should include clear reporting on outturn against budget reported regularly throughout the year with sufficient explanation of any variances and the actions being taken to mitigate them to inform decision-making.</p> <p><u>2022-23 Management comment</u></p> <p>The QBR process currently reports on the capital spend against budget but on a summarised level. Also, the larger projects have extremely close monitoring of capital spend including the employment of specialist cost analysts. We will look to increase the public monitoring of capital spend against budget in the context of a much larger capital programme.</p> <p><u>2023-24 status update</u></p> <p>The capital financial information shown in the QBR report for the first quarter is currently being reviewed with the aim of focusing members' attention on the key issues.</p>

Improving governance arrangements	
	
<p>The A&GC does not have an independent member as part of its membership as stipulated by the Council's Constitution. A&GC did not produce an annual report in 2021/22 or 2022/23 as stipulated by its terms of reference. Although all A&GC meetings were quorate, member attendance could be enhanced.</p>	<p><u>Recommendation</u></p> <p>The Council should consider improving its governance arrangements as follows:</p> <ul style="list-style-type: none"> • Appoint an independent member to form part of the A&GC membership as stipulated by the Constitution • Review current membership and attendance statistics to ensure the A&GC is fully represented. • Produce an A&GC annual report summarising the contribution the A&GC made during the financial year to the achievement of good governance, effective internal control and strong public financial management within the Council. <p><u>2022-23 Management comment</u></p> <p>We are in the process of considering how best to appoint and support independent members of the A&GC. The A&G will also soon begin undertaking annual self-assessments. The only obligation to produce an annual report is by Internal Overview & Scrutiny Committee currently.</p> <p><u>2023-24 status update</u></p> <p>Management have indicated that this is something they are still exploring, but have not yet progressed due to the complications of remunerating independent members.</p>

Appropriate standards	
 <p>Members attendance at training sessions on standards and the Council's code of conduct was poor in both 2021/22 and 2022/23. At the time of our review, 38% (14/36) of Councillors had completed Disclosure and Barring Services (DBS) checks.</p>	<p><u>Recommendation</u></p> <p>We recommend that the Council ensure appropriate standards training and safeguarding measures are in place by:</p> <ul style="list-style-type: none"> • exploring ways to foster greater engagement and attendance for member training sessions with particular emphasis on standards and the members code of conduct. • considering means to ensure that Councillors have evidence of completed Disclosure and Barring Service (DBS) checks on their profile, in line with the requirements of the Constitution. <p><u>2022-23 Management comment</u></p> <p>Agreed that it would be good to encourage greater attendance. The Monitoring Officer will speak to the Chair of Standards regarding placing this on the next Standards Committee Agenda.</p> <p><u>2023-24 status update</u></p> <p>A Member Development Working Group is in the process of being established.</p>

Leisure services delivery	
 <p>The external options appraisal report commissioned by the Council prior to the establishment of Active Torridge concluded that under normal circumstances, procurement of the leisure contract would offer the most favourable outcome for the Council. However, given there was insufficient time for a procurement exercise and significant uncertainty in the market following the pandemic, SLC recommended the LATC as most beneficial option. The Active Torridge Board of Directors includes two senior Officers of the Council and the Chair of the Community and Resources Committee, which is responsible for Active Torridge funding decisions.</p>	<p><u>Recommendation</u></p> <p>The Council should review both the leisure services delivery model and the composition of the Active Torridge Board of Directors to determine if these remain appropriate. The Council should also continue work to address the issues related to internal controls identified by Internal Audit.</p> <p><u>2022-23 Management comment</u></p> <p>2024/25 is the third year of Active Torridge being brought back inhouse and the end of the initial period. This is the natural point to reconsider existing arrangements.</p> <p><u>2023-24 status update</u></p> <p>The external review of governance has been commissioned and is in the process of being delivered.</p>



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