

# Auditor's Annual Report on North Devon District Council

2022/23

23 January 2024



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

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



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

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# Executive summary



## Value for money arrangements and recommendations

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our final conclusions are summarised in the table below.

Criteria	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements	2021/22 Auditor judgement on arrangements	Direction of travel
Financial sustainability	No risks of significant weakness identified	A No significant weaknesses but improvement recommendations raised.	A No significant weaknesses but improvement recommendations raised.	↔
Governance	No risks of significant weakness identified	G No significant weaknesses identified and no areas in which we raise recommendations for improvement.	A No significant weaknesses but improvement recommendations raised.	↑
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	A No significant weaknesses but improvement recommendations raised.	A No significant weaknesses but improvement recommendations raised.	↔

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

# Executive summary (continued)



## Financial sustainability

During 2022/23 the Council, along with many others, faced significant financial challenges from the impact of inflation, staff pay, fuel and energy prices all increasing substantially ahead of its expectations. Despite this, the Council's outturn position was a surplus of £693,000. To achieve this the Council made a planned use of around £1m from its budget management reserve to mitigate the inflationary pressures the Council faced. In the event, however, it was able to substantially rebuild this reserve based on service underspends and a contribution from its collection fund reserve. In the context, this is a notable achievement. The Council's reserves have returned to pre-pandemic levels having been higher than normal for some years due to the effect of certain central Government grants received during the COVID-19 Pandemic. The Council does maintain lower level of reserves to meet the costs of unplanned events than most other District councils but has a good track record of delivering a balanced budget, clear budgeting and financial reporting, and a consistent approach to setting the minimum balance in its general reserve. The Council set a balanced 2023/24 budget in February 2023 and is on track to deliver it. The Council's medium-term financial forecasts remain challenging, however, particularly given ongoing uncertainties around local government funding and limited immediate support provided in the Chancellor's Autumn statement. The Council will need to keep a sharp focus on financial resilience going forward. **We did not identify any significant weaknesses in the Council's arrangements to secure financial sustainability, but raise a small number of improvement recommendations – see pages 14 to 16.**



## Governance

The Council maintained strong governance processes and policies to support standards and good governance, and continued to operate a sound system of internal control. As in prior years neither the Council nor internal audit identified significant internal control issues, and we note the Council has implemented our recommendation to formally document the key decisions taken at statutory officer meetings held between the Section 151 Officer, Chief Executive and Monitoring Officer. **We did not identify any significant weaknesses in the Council's governance arrangements.**



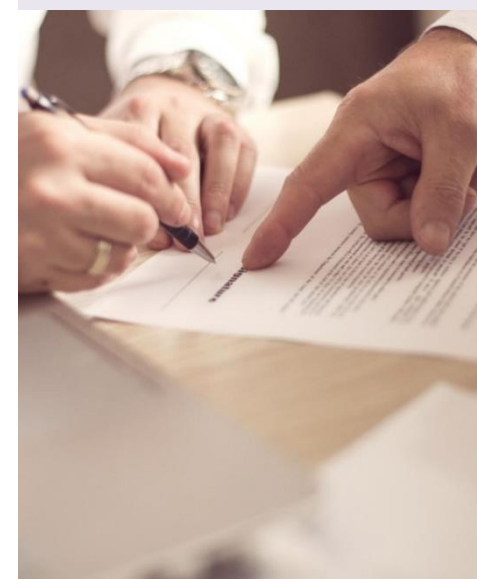
## Improving economy, efficiency and effectiveness

The Council kept up its recent track record of regular and relevant performance reporting to Members, and has now embedded a new style of performance reporting, which reports progress on key programmes underpinning the Council's objectives as well as more traditional key performance indicators. We consider this good practice. The Council also maintained its active engagement with key partnerships, including with neighbouring authorities. The Council is moving forward with establishing a housing management company in 2023/24, though at the time of our review work (covering the 2022/23 financial year) was at an early stage. The Council will be aware that some councils' experience with arm's length organisations has been difficult, however, and will need to navigate carefully the key risks in establishing and running such an organisation, for example by establishing very clear objectives, setting up proportionate governance that appropriately balances autonomy for the company with oversight by the Council, and closely monitoring performance. The Council wish to keep in view these risks and ensure Members are sighted on how they are being mitigated. The Council could improve the way it reports to Members on key contract performance and waiver activity. **We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness but raise an improvement recommendation related to procurement activity on page 22.**



## Financial Statements opinion

We have completed our audit of your financial statements and issued our unqualified audit opinion on 23 January 2024.



# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## Statutory recommendations

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

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## Public Interest Report

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

We did not issue a public interest report.

## Application to the Court

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

We did not make an application to the Court.

## Advisory notice

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

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

We did not issue any advisory notices.

## Judicial review

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

We did not make an application for judicial review.



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

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

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

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

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



## Financial sustainability

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



## Governance

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



## Improving economy, efficiency and effectiveness

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

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

- Review of Council and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Governance Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 22.

# The current Local Government landscape



## National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation has put pressure on councils' revenue and capital expenditure, and the associated cost of living crisis has affected local communities and businesses, leading to an increase in demand for council services, such as children with special education needs (with associated transport costs), debt advice, housing needs, and mental health. Other areas of council income such as car parking and the collection rates of council tax, business rates and rents have also been affected. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

# Financial sustainability



## We considered how the Council:

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

## Short and medium-term financial planning

### Financial performance in 2022/23

**North Devon District Council (the Council) set a balanced budget for 2022/23 in February 2022.** The Council's budget for was informed by a refreshed, 5-year Medium Term Financial Strategy (MTFS), also approved by Full Council in February 2022. Risks to maintaining a balanced budget were clearly identified and quantified in the MTFS narrative, and key assumptions clearly set out. The 2022/23 budget, as in the prior year, was also informed by service plans that were developed by Heads of Service, which were reviewed by the Policy Development Committee in January 2022.

**The Council experienced significant in-year, inflation-based cost pressures during 2022/23.** The rising rate of inflation in the UK during 2022 presented substantial risks and challenges to the Council, along with other local authorities. In a paper presented to the Strategy and Resources Committee on 4 July 2022, the Council identified a range of risks arising from in-year inflationary pressures, including upward pressure on staff pay, and fuel and energy prices. In total the Council estimated the additional costs attributable to inflation to be £711,000 at this point.

**Noting the urgency of the situation, Council Officers worked with Members over Summer 2022 to develop savings options ahead of the 2023/24 Budget.** Over the summer of 2022, the Council held cross-party workshops and developed a range of options for savings, and to generate additional income, though the immediate pressures still remained.

**By November 2022 it was clear that inflationary pressures had increased further.** The Council by this point estimated a £1 million increase due to the impact of the staff pay award, and additional fuel costs across the Council's vehicle fleet.

**A revised MTFS was put to Full Council on 23 November 2022, proposing funding the immediate £1 million budget gap in 2022/23 by using the budget management reserve to mitigate the inflationary pressures the Council faced.** The Council also proposed mitigating a £200,000 forecast increase in temporary accommodation costs utilising balances from the Homelessness earmarked reserve. The Council noted that moving forward to 2023/24 and beyond, the Council would no longer have the benefit of the same level of protection from these reserves. The Council also amended several key assumptions in its 2022/23 budget, including determining that the Fair Funding Review had been postponed, and the assumption of a cash freeze in funding (£528,000); and growth in sale of recycling materials income (£250,000). In addition, the Council proposed a number of options to both reduce costs and increase income to address the budget gap of around £2m forecast for 2023/24 (page 9).

**The Council's eventual outturn position for 2022/23 was a surplus of £693,000 against its original budget, after its planned use of reserves.** This was a net improvement of £674,000 from the last forecast position at quarter 3. As in prior years, the Council chose not to factor certain grants and other income into its forecast until the final quarter, creating a relatively large (albeit positive) movement in the final part of the year. The Council utilised fully its £936,000 budget management reserve, in line with the plans it made earlier in the year. However, due to favourable variances and a transfer in-year from the Collection Fund reserve, it substantially replenished this reserve to £815,000 for 2023/24. The Council did not need to use reserves to balance its 2023/24 budget (page 9).



# Financial sustainability (continued)

## Short and medium-term financial planning (continued)

### 2023/24 budget and medium-term financial planning

The Council set a balanced budget for 2023/24 based on assumptions in line with national guidance - and is on track to deliver this. The Council set a net budget for 2023/24 of £14.8m. The budget was based on the Council increasing Council tax by 2.99%, or £5.93 based on an average Band D property, with a Band D Council Tax level of £204.2. This is in line with national guidance and expectations. The Council also included a forecast £2 million business rate growth. However, we note this is only included as a near-term forecast and is not included as an assumption from 2025/26 in the MTFS, reflecting uncertainty around the government's Fair Funding review and any associated financial impact. This contributes to forecast budget gaps in later years of the strategy. As at 30 June 2023, the Council was projecting a budget surplus of £17,000 for 2023/24.

**Core fees and charges for service areas such as car parks were reviewed as part of the 2023/24 budget.** A further review of fees and charges has been incorporated within its medium-term forecasts and will require Member approval in advance of the 2026/27 year. The MTFS also assumes annual inflation of 3% on fees and charges (excluding car parks); with a further review of parking charges assumed in 2026-27.

**The Council's medium-term forecast budget gaps have narrowed since its November 2022 assessment but are still challenging, and will need to remain a key focus of the Council's financial planning.** As set out on page 8, the Council was able to bring forward plans to bridge its £2 million budget gap in 2023/24. Its assessment of its budget gaps, developed as part of the 2023/24 budget setting process, indicated that the cumulative and in-year gaps to the end of the strategy period may not be quite as large as it had feared in November 2022. As set out above, from 2025/26 the Council has assumed a loss of £2 million of core funding or business rate growth, reflecting ongoing uncertainty over the core funding regime in future years, which the Council considers a pessimistic scenario.

Figure 1: North Devon District Council forecast medium-term budget gaps.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
February 2021	0	2.270	2.785	2.890				
October 2021	0	0.554	2.215	2.352				
February 2022			2.070	2.286	2.595	3.220	3.141	
November 2022			2.001	2.235	4.054	4.670	4.591	
February 2023			0	0.499	3.027	3.488	3.548	3.455

**Note:** The Council's November 2022 refresh of the MTFS assumed 2022/23 additional inflationary pressures would continue into 2023/24 and beyond with minimal inflation reversal; an additional impact of further 2023/24 pay claim settlements (above 2% already factored into the original 2022/23 forecast): further National Living Wage implications, totalling an indicative amount of £450,000.

**Source:** Grant Thornton 2020/21 and 2021/22 AAR for North Devon District Council and analysis of Council's Medium Term Financial Strategy

### Meeting the cost of carbon reduction

The Council has a Carbon, Environment and Biodiversity Plan dated June 2022, which confirms that in July 2019 North Devon Council declared a 'Climate Emergency' which committed it to reach net carbon neutrality by 2030. The Council's plan sets out the key actions and workstreams it is undertaking both on its own and in partnership with others including Devon County Council. The Council notes that it has allocated project funding within its capital programme where business cases have come forward, such as for LED lighting within Council owned assets and has recently submitted capital funding bids for Salix Grant funding for Ilfracombe Pool and the Landmark Theatre, Ilfracombe for carbon reduction projects. The Plan does not, however, identify a specific budgets or financial commitments aligned to achieving the plan overall. It is also not clear that there is a budget for carbon reduction associated with the plan. In tabling the plan, officers reported that: "At this point we are unable to provide details of the funding that will be needed in the future." There does not appear to be any specific funding associated with this target in the MTFS. Failure to identify funding to meet this commitment is recognised as a risk in the Council's corporate risk register. **We recommend the Council set out clearly the anticipated cost of meeting its climate commitments in its budget and MTFS. This could, of course, include the costs of not hitting its targets in any instance where non-delivery would result in be adverse consequences (such as failure to reduce energy use).**

**The Council is not significantly reliant on commercial income.** Unlike some other Councils, North Devon District Council does not rely significantly on income from commercial property. The Council's made a significant regeneration and commercial investment in the Green Lanes shopping centre in 2021/22, which again delivered a net-positive revenue return in 2023/23. The Council completed the £11 million purchase of the Centre in November 2021. We reported on this transaction in detail in our Auditor's Annual Report in 2021/22 and, while we noted some scope for improvement in the assessment of non-financial objectives and outcomes, we also noted that Council's business case considered the revenue implications of its purchase on its finances on a year-by-year basis and that the Centre provided a net positive revenue return to the Council in 2021/22 of £243,600. The 2022/23 financial outturn for the Centre was a net return of £291,000, which was again in line with the financial forecasts the Council made at the time of purchase. We set out further commentary on the Council's commercial strategy on page 21.



# Financial sustainability (continued)

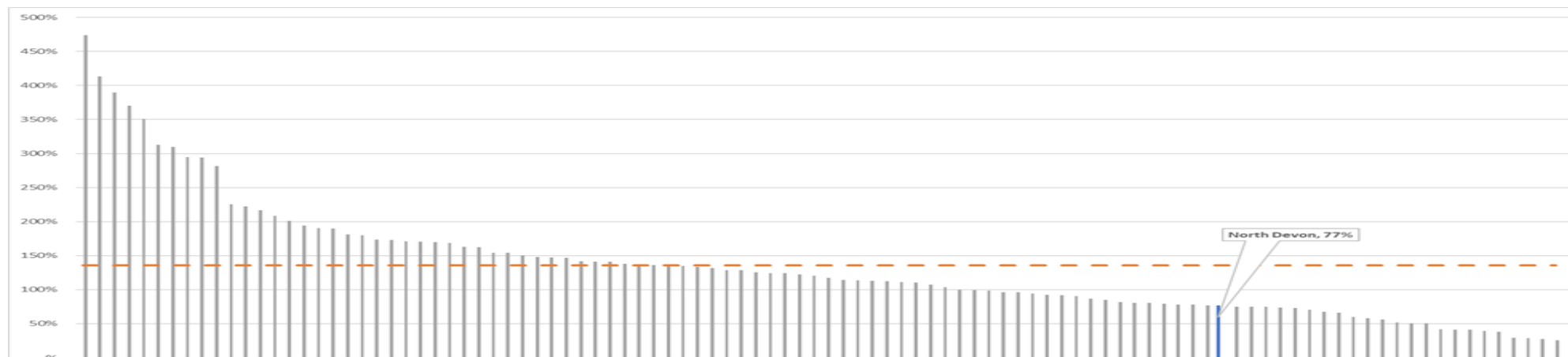
## Managing risks to financial resilience – use of reserves

The Council maintained appropriate arrangements to analyse the adequacy of its reserves in 2022/23, in line with statutory requirements. As usual, the Council produced the required statutory statement on adequacy of reserves and robustness of budget estimates. The Section 151 Officer considered that the level of reserves were adequate for the forthcoming year, and that the estimates the budget is based upon were realistic, though we note they do remain lower than the majority of District councils.

The Council's reserve level is likely to reduce further in the short term but the Council is aware of the need to maintain reserves in the longer term. The council notes an opening position of earmarked and general fund reserves of £16.4m including a General Fund Balance of £1.2m at March 2022. The general fund balance represented 8.9% of the council's net revenue budget. The overall level of earmarked reserves reduced during 2022/23 to £11.1m, while the General Fund Balance remained at £1.2m. At the time of setting its budget the Council forecast a reserve balances at 31 March 2024 of £5.7m, with the General Fund Balance remaining at £1.2m. While reserve levels have decreased over the last 2-3 years, this principally reflects the effect of additional grants (received from Government to reimburse the Council for business rate relief applied over the COVID-19 Pandemic) dropping out from an accounting perspective. We noted also an updated forecast as at the end of Quarter 2 that reserves would remain at £6.7m by year-end. The Council's reserves in March 2023 should therefore remain higher than at the same point in April 2020.

We recommended in our 2021/22 Auditors Annual Report that the Council explore the adequacy of its reserve levels consulting with other councils that are maintaining higher levels, and stress-testing its minimum reserve levels against a range of scenarios, to identify the levels that would lead to the draw to reserves becoming unsustainable. The results of such an analysis are not presented in the budget or supporting statement on the adequacy of reserves. **We recommend that the Council continues 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.**

Figure 2: General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure [%] – 2022/23; District Councils for which 2022/23 available at time of this report.]



**Note:** Data sourced directly from local authority draft Statements of Accounts for 2022/23 published on council websites as at September 2023. As this data is taken from third parties, we cannot verify the accuracy of completeness of such information. Data is not available for all local authorities due to some delays in publications.

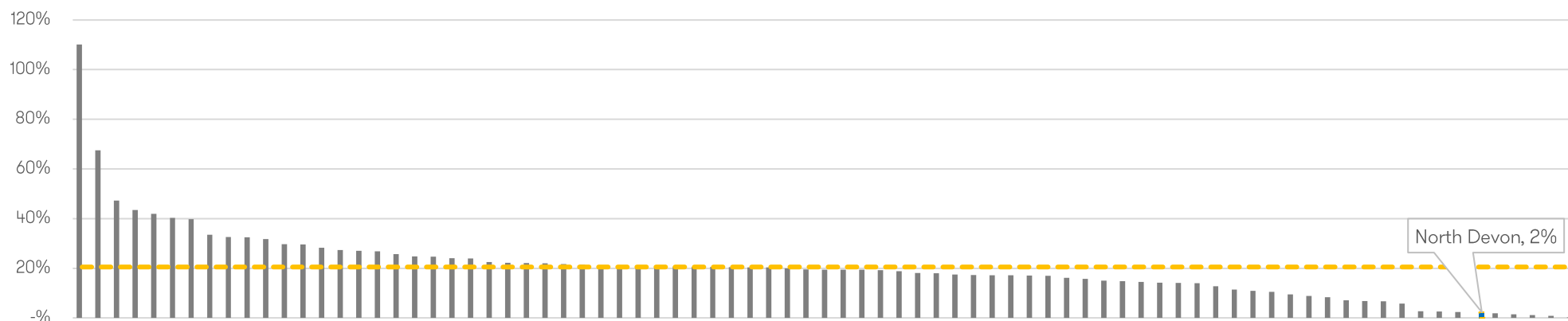
# Financial sustainability (continued)

## Capital strategy and borrowing

As part of its 2022/23 budget setting process, the Council set out plans for a final Capital Programme of £9.5m. The Council actually spent £7.6m, giving a variance against budget of £1.9m, largely reflecting slippage against plans rather than cancellations, and which was largely carried over to 2023/24. At the time of setting its 2023/24 budget in February 2023, The Council identified overall investment needs of £36.2m through to 2025/26, primarily related to its planned capital programme, and which it expected to be funded from capital receipts and borrowing (£16.1m), external grants and contributions (£16.9m) and reserves (£3.1m). Within its programme, the Council has a large capital project relating to its Future High Street Fund projects, with a budget of around £9m. This reflects borrowing to supplement the Council's successful bid to this central government Future High Streets Fund during 2021 and relates to the strategic regeneration of high streets, particularly in Barnstaple (which in turn which links to the Council's investment in the Green Lanes shopping centre).

As set out in the chart below, the Council has relatively low long-term borrowings, relative to its long-term assets, compared to other District councils. In our 2020/21 AAR, we reported that the Council anticipated a sharp increase in external borrowing to around £14m in 2021/22, moving away from its existing strategy of borrowing internally, which we had considered prudent. As at 31st March 2022, however, the Council still only had total external borrowing of £3m, against its capital financing requirement (CFR) of £21.7m; internal borrowing covered the remaining £17.7m. The Council's outturn CFR for the 2022/23 year was set out in its Treasury Management annual report at £23.9m, with external borrowing remaining low at £3m. Accordingly, forecast minimum revenue provision for 2023/24 remains stable at around £0.7m, a similar level to 2022/23. As a result of the lower than planned capital spend and taking on less external borrowing than expected in 2022/23, the Council paid relatively little interest: £0.06m. This resulted in a forecast £0.275m reduction in loan interest payments in 2022-23 which the Council placed in a new Treasury Management reserve to mitigate against higher interest rates in future years. Conversely, interest earned was higher than expected: the Council maintained an average balance of circa £19m of internally managed funds which earned around £0.29m interest at an average rate of return of 1.5%, against an assumption of £0.035m.

Figure 3: Long-term borrowing as a proportion of long-term assets [%]; 2022/23, District Councils for which 2022/23 available at time of this report.



**Note:** Data sourced directly from local authority draft Statements of Accounts published on council websites. As this data is taken from third parties, we cannot verify the accuracy or completeness of such information. Data is not available for all local authorities due to some delays in publications.

# Financial governance

## Annual budget setting

The Council has a well-established process in place for agreeing its budget, with the final budget was considered and approved by full Council in February each year. The budget and MTFS for 2023/24 and beyond were considered and approved at the same time during February 2023 as usual. The Council's MTFS is incorporated into the budget report and considers a "current year plus-five-year" time horizon, which is appropriate.

**The Council's annual budget setting clearly involves consideration of trends, subjects forecasts to risk and sensitivity analysis, involves consideration of options and is well linked with the MTFS and other aspects of financial and business planning.** The Council undertook an iterative and consultative approach to budgeting in 2022/23, developing options with Members from all parties to identify ways to bridge the forecast budget gap. The Council also participated in a government consultation on the finance settlement and the Council included its response with the main budget report in February 2023 for Members to consider alongside the budget. The response outlined that an increase in spending power of around 5% lies a long way behind current and projected future levels of inflation and gave no recognition to the impact of high inflation in 2022-23. The Council highlighted some sensitivity analysis in its budget report in February 2023 to indicate highlights how figures can change both upwards and downwards:

- A 1% movement on pay awards has an impact of £0.170m; the council has assumed 4% within the 2023-24 budget; the MTFS has factored in 2% each year from 2024-25 onwards therefore any variance to this will change the forecast
- No Council Tax rise would be a cost impact of £0.208m each year in lost income on the base budget
- For every £1m extra borrowed (over a 10-year period) would be an additional annual cost to revenue budget of £0.143m.

## Annual budget monitoring

There is evidence that financial performance is a key objective for senior managers (including those in non-financial roles). Key budget holders are accountable for their financial performance, including through directorate level monitoring and the listing of adverse variances in budget monitoring reports. Service Plans (submitted as part of annual budget setting, are submitted by Heads of Service to the Council's Policy Development Committees (PDCs) and include the financial implications of service plan actions, such as savings plans. The Council's s151 officer attends all relevant PDC and Council meetings so there is high level engagement between finance and other senior managers as a matter of course.


The Strategy & Resources Committee (and from there, Policy Development Committee and Full Council) receive quarterly Performance and Financial Management Reports. These include clear financial monitoring of the revenue budget, capital programme, reserves and performance by directorate. The Council reports its treasury management position quarterly as part of this routine financial monitoring. This includes commentary on the return on the Council's investments against a range of benchmarks, and information on investment interest earned against budget, total borrowing, and interest paid against budget.

The Corporate Risk Register which is considered by the Council's senior management team prior to consideration by Governance Committee, includes financial risks such as financial control and clear direction in relation to budgetary challenges.

The 2023/24 budget report to Full Council was accompanied by a detailed budget book. For each service directorate there is a detailed breakdown of individual service budget lines. There is also a detailed breakdown of the capital programme. Key elements of the budget, for example, MRP and Interest are clearly identifiable. In-year quarterly budget monitoring reports highlights slippage against capital schemes to be approved for carry-forward.




# Improvement recommendations

<b>Improvement Recommendation 1</b>	We recommend the Council set out clearly the anticipated cost of meeting its climate commitments in its budget and MTFS.
<b>Improvement opportunity identified</b>	Specific budgeting could clarify the costs associated with meeting this specific commitment and, of course, any costs of not hitting relevant targets (such as failure to reduce energy use).
<b>Summary findings</b>	The Council does not explicitly identify budgets associated with meeting its carbon reduction targets, within its financial plans.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Management comments</b>	<p>There is approved project funding within the Capital Programme where business cases have come forwards for funding, namely LED lighting within Council owned assets. The Council has also submitted capital funding bids for Salix Grant funding for Ilfracombe Pool and the Landmark Theatre, Ilfracombe for carbon reduction projects.</p> <p>It is acknowledged that financial savings from the implementation of carbon reduction measures are finite; there comes a point where carbon and biodiversity improvements come at a financial cost. The financial constraints on Local Authorities mean that Members are faced with increasingly difficult decisions when it comes to budget allocations and in the face of this, carbon reduction or biodiversity enhancement has to be balanced alongside all other Council wide priorities and business cases considered accordingly.</p>


Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

<b>Improvement Recommendation 2</b>	We recommend that, as the Council develops its plans to bridge medium term funding gaps, it develop its financial reporting to identify separately and systematically the key savings and income generation schemes it is pursuing, and report on progress regularly.
<b>Improvement opportunity identified</b>	Explicit reporting on savings schemes allows robust scrutiny of delivery against those plans distinct from overall budget monitoring. Some councils also choose to report within this (as the Council already does) significant income generation schemes and targets, and the extent to which savings are recurrent (such as enduring efficiency savings) or one-off measures.
<b>Summary findings</b>	The Council tends not to identify a dedicated savings target within its routine financial monitoring.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Management comments</b>	Members receive a quarterly Performance and Financial Management report which contains information around performance against the budget and Council programmes. We will continue to evolve this reporting to capture areas of budget savings identified, together with income generation schemes it is progressing.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Improvement recommendations

<b>Improvement Recommendation 3</b>	We recommend that the Council continues 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.
<b>Improvement opportunity identified</b>	The Council needs to continually review its assessment of risk to ensure it has sufficient reserves to meet the costs of unplanned events and make clear how much of the cost of that risk it can cover from its reserves.
<b>Summary findings</b>	The Council's overall reserve position available to meet unplanned expenditure has returned to pre-pandemic levels. The Council has a good track record of delivering a balanced budget, but recent events such as the inflation experienced in 2022/23 show that unplanned events can have a significant impact on the Council's reserves in a short space of time.
<b>Criteria impacted</b>	 Financial sustainability
<b>Auditor judgement</b>	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
<b>Management comments</b>	Every local authority holds reserves for a variety of different reasons, the Section 151 Officer will continue to monitor our level of reserves to ensure he remains confident that they remain adequate for this authority. It is worth noting, that the forecast level of earmarked reserves at 31 March 2024 of £6.7m, is in fact higher than at the same point in April 2020, prior to the pandemic.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Governance



## We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process (page 13, above).
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships (page 13, above)
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Risk management

**We remain satisfied that the Council had robust arrangements in place to identify and manage strategic risks.** The Council has a risk management framework in place, which was reviewed by the Governance Committee in June 2023. The framework sets out the Council's process for identifying, assessing and addressing risks. It also set out the council's commitment statement, roles and responsibilities and the risk appetite. The Council maintains a corporate risk register which makes use of a standard risk matrix (likelihood x impact), where the regularity of the review depend on level of current risk exposure. The higher the risk exposure the more regularly it needs to be reviewed. The Governance Committee received the corporate risk register four times during the 2022/23 financial year in June, September 2022 and January and March 2023.

## Internal control and internal audit

**The Council maintained an adequate Internal Audit function to monitor and assess the effective operation of internal controls during 2022/23.** The Council's internal audit service is delivered by the Devon Audit Partnership, a shared service arrangement with participating Councils. An external assessment on Devon Audit Partnership (DAP) against Public Sector Internal Audit Standards (PSIAS) was conducted at the end of 2021 and DAP was found to "generally conform with the Standards and the Code of Ethics". This external assessment is required every five years. The Council's Governance Committee receives Audit Recommendation Trackers at each meeting that cover internal and external audit recommendations and progress on the Action Plan set out in the Council's Annual Governance Statement.

**Our review did not identify evidence of significant and pervasive breaches of internal controls.** The Governance Committee received the Internal Audit Annual Report for 2022/23 in June 2023. The Head of internal Audit gave an overall opinion of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework. Out of the 24 internal audit reviews carried out, 20 received substantial or reasonable assurance opinions while 4 received a limited assurance opinion. These related to:

- Debtors – reflecting the value of debt that NDC is attempting to reduce.
- Equality and Diversity – provision of annual equality information, and update to HR policies.
- Cyber Security, and Information Governance – the assurance provided reflected the inherent level of risk present in this area but also the need for more effective system controls.

Internal Audit committed to follow-up work in 2023/24 to confirm that these have been addressed.

# Governance (continued)



## Informed Decision Making

The Council's constitution sets out clearly how it makes decisions. Currently the Council operates a committee structure of governance and Full Council delegates some of its functions to these committees. For example, the Strategy and Resources committee has delegated responsibility for the development of the annual budget and the policy framework with recommendations made to Full Council, and for performance of the Council including service plans. The Council also publishes on its website all committee meetings including Full Council meetings, prior to meetings taking place in a standard format including agendas, minutes, and a record of key decisions taken.

## Information Governance

The Council did not identify any serious data security breaches or significant cyber-attacks within the 2022/23 year. As set out on page 17, internal audit carried a cyber security review during the year and assigned a limited assurance opinion. The report was considered by the Governance Committee in June 2023 and it was noted the limited assurance opinion was due to the scale of the world-wide issue, and therefore not specifically an identification of a particular significant weakness in the Council's own cyber security arrangements. More widely, Internal Audit noted that the Council has a good information governance framework that helps maintain a healthy 'top down' message that is necessary to a good information governance culture. This is a positive example of a good "tone from the top".

## Standards and behaviours

The Council generally maintained clear and up-to-date policies to promote high standards of governance and ethical behaviour. The Council has Codes of Conduct in place for both Officers and Members, which are set out in the Constitution which was itself reviewed in May 2023. The Codes both refer to the 7 'Nolan' principles of public life. The Code of Conduct for employees makes appropriate reference to other key policies, such as the Whistleblowing policy.

We did not identify evidence of significant and pervasive breaches of the Council's standards framework. As part of our 2021/22 review of the Council's VFM arrangements we noted some of the information on the Council's website did not reflect the status of key policies. For example, an old version of the Anti-fraud, bribery and corruption policy was linked, dated December 2018, when the Governance Committee approved an updated policy in June 2021. This appears to have been rectified with recent updates to several key policies, such as the Council's policy on gifts and hospitality which was also updated in May 2023.

During our 2020/21 audit we noted that the Monitoring Officer was not a part of the senior management team. The Monitoring Officer confirmed, as part of our 2021/22 review, however, that they attended regular 'statutory officer' meetings with the Chief Executive, Deputy Chief Executive, and Head of Governance. The Council has implemented our recommendation that more formal records were kept of the key actions arising from these meetings.

## Conclusion

Overall, we remain satisfied that the Council maintained its commitment to good governance arrangements to gain assurance over its system of internal control and had adequate arrangements in place to monitor its adherence to relevance standards during 2022/23. We found no significant weaknesses in the Council's governance arrangements within the scope of our review.





# Improving economy, efficiency and effectiveness



## We considered how the Council:

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

## Use of financial and performance information

**The Council has developed and improved its framework for reporting performance against its key objectives.** Under the previous performance regime, in place during 2021-22 and some of 2022-23, the Council reported key performance indicators (KPIs) mainly as part of a detailed annex to its regular quarterly reporting cycle. This included narrative on service plan actions that have been cancelled, completed, revisions to target date, and progress on outstanding actions. At the time of our 2021/22 VFM review, which we carried out in January 2023, however, the Council was developing a new KPI suite, as part of a fundamental refresh of its performance management approach. Under this new approach, which is now embedded, performance reporting is aligned to five key cross-cutting programmes:

- Housing and Community Safety;
- Organisational Development;
- Regeneration and Economic Growth;
- Cherish and Protect our Environment (including Net Zero, and waste management); and
- Customer focus.

**The Council's new approach significantly improves the usefulness of routine performance reporting.** The benefit of this approach is that it allows reporting to focus not only on traditional performance indicators but also on the key practical activities, projects and services that underpin the Council's objectives. It ensures that relevant projects are reported under the aim to which they relate, rather than the service area in which they are administered. Including activities as well as results allows more 'real time' reporting and consideration of whether activities are on track to deliver the intended results in the future. The Council presented its outturn performance report for 2022/23 is presented in the new format in the autumn of 2023. The report included a map of projects lined up under the five programmes, a scorecard showing the number of projects aligned to each corporate priority, and KPI information.

**The Council designed its new performance framework iteratively, in consultation with Members.** In December 2021, all Members were invited to a virtual workshop, where the Senior Management Team presented the emerging programmes. In January 2023, a new Corporate Plan Delivery highlight report was taken to the Strategy and Resources Committee to provide an overview of the five programmes and associated projects put in place to support the delivery of the corporate plan priorities. Members requested that a similar report be amalgamated with the Financial Performance Reporting to give a wider picture of organisational health and delivery – which was actioned in the outturn report.

# Improving economy, efficiency and effectiveness (continued)

## Cost-effective delivery

Our benchmarking data on the Council's spend per relevant head of population indicates that it has a relatively low rate of spend in most areas, with the exception of environmental and regulatory services. As we reported in our 2021/22 AAR, the Council's waste and recycling service has historically been an area of challenge in terms of performance and cost. During 2022 a long-running trial of 3-weekly residual waste collection was brought to a close without a clear resolution. Alongside vehicle and staffing costs, the Council identified ageing equipment at its materials recovery facility as negatively impacting the efficiency of the service. In November 2022, Full Council approved a £2,659,000 increase to the £741,000 already in the capital programme forecast to undertake a range of process hall and site infrastructure improvements and replace baler equipment at the site. The Council has now prepared a specification for the stand alone purchase of the new baler. The tender opportunity was advertised in September 2023. The tender includes lease and purchase options, as the Council's research has indicated a significant increase in the cost of balers, this could be up to 100% of forecast budget of £1m. The Council needs to keep this in view and is reporting progress in this area through its performance management framework.

## Commissioning and procurement

The Council's Constitution includes its Contract Procedure Rules which act as a policy for procurement activity across the council, setting out how contracts for goods, works, services and utilities should be put in place and managed, and detailing the record keeping and reporting requirements related to procurement activity. The Council adopted the Devon Districts procurement strategy though this covered the period 2019-2022. The strategy sets out the Council vision and priorities for the next four years to 2022 incorporating the latest government procurement legislation and initiatives, and the Council should clarify the status of its procurement strategy at this time.

**Internal audit returned a rating of "reasonable assurance" on the Council's contract management in 2022-23.**

They found however that the Council did not have a defined contract management strategy or policies and guidelines as a framework for officers to follow when managing contracts. The absence of an overall contract management framework reduced assurance that individual contracts are being managed effectively, though internal audit noted recent work to put this in place. We recommend the Council considers ways to ensure reporting on contract performance forms part of its business-as-usual performance reporting, for example, by integrating contract reporting into its wider reporting processes on key programmes (set out on page 19).

**Waiver activity and other exceptional activities such as the use of voluntary ex-ante tender notices (VEATs) are not routinely reported to the Council's Governance Committee.** The Council confirmed to us that that all delegated decisions (including waivers) are published on its website. However, regular reporting of waiver activity would provide Members with assurance over the scale of such activity, and the ability to challenge management on the robustness of procurement arrangements.

Service area	Relative position in 2022/23 (outturn)
Housing Services	LOW
Environmental & regulatory	VERY HIGH
Planning & development	VERY LOW
Highways & transport	VERY LOW
Cultural & related	LOW
Central services	AVERAGE

# Improving economy, efficiency and effectiveness (continued)

## Partnership working

We reported a number of positive findings in relation to the Council's approach to partnership working in 2020/21 and 2021/22. As we reported in 2021/22, the Council participates in a wide range of local partnerships and has a track record of working with working with strategic partners to develop strategies and translate those into actions for the Council to deliver. Its partnerships cover, for example: regeneration and economic development, planning, procurement, and leisure: The Council's new Tarka Leisure Centre, operated on a design, build, maintain and operation contract with Parkwood Leisure, opened to the public in June 2022.

The Council demonstrates partnership in planning, place and regeneration activities with neighbouring Torridge. It has a joint local plan with Torridge District Council to guide and control development and encourage housing growth and supporting infrastructure. The local plan has its own website. In March 2022, the councils "soft launched" a review of the local plan referred to as the "people and places" project. This includes a public consultation via a community survey. The two councils also have a regeneration company, NorthDevon+ which provides support services such as Programme and project management; Bid writing and Business support (see further link opposite).

## Commercial strategy

The Council has in place a high-level commercial strategy which provides a framework for developing and delivering service models that go beyond traditional council delivery. The Council's first major project under this strategy was the purchase of the Green Lanes shopping centre in 2021 (page 10). We are aware that the Council is currently in the process of establishing a Housing Company. Unlike companies set up by some other Councils, however, the council is proposing a management company, rather than a development company. The Council's rationale for establishing a company is primarily the additional flexibility it would offer to manage housing to provide for a variety of needs, such as housing for Key Workers.

The Council's decision to setting up of the company was made in 2023/24 and its work in this area is at an early stage. The scope of our work in this review is the Council's arrangements in 2022/23 and as we have not identified any evidence of significant weaknesses in this area, we do not make any assessment of the Council's activity in regard to setting up the company. We do however provide some observations opposite based on our insight from other Councils' experiences with arm's length companies, some of which have been difficult.

We note the Council obtained detailed legal advice, prior to recommending the establishment of this company to its Strategy and Resources Committee. The advice's general conclusion is that the Council has the legal authority to establish such a company and that there may be "good logistical reasons" for doing so, including key worker housing provision. The advice also highlights a number of potential risks that the Council will need to manage carefully, such as:

- Clarifying that the purpose of the company is not solely to avoid the right to buy. Such a rationale could be unlawful.
- The need to obtain specific permissions from the Secretary of State in relation to any transfer of properties to the company, including the need to ensure the best consideration reasonably attainable for the properties has been achieved.
- The need to ensure that the plans do not constitute an investment primarily for yield - this could affect the Council's ability to access Public Works Loan Board funding. Reference is made to obtaining advice from the Council's auditors.


The Council will wish to keep in view these risks and ensure Members are sighted on how they are being mitigated. The Council will also need to navigate carefully other key risks in establishing and running such an organisation, for example by establishing very clear objectives, setting up proportionate governance that appropriate balances autonomy for the company with oversight by the Council, and closely monitoring performance.

More widely we note the Council has not formally refreshed its Commercial strategy since its launch. Given the Council has since then made the purchase of the Green Lanes Shopping Centre, and is now considering a further commercial venture, it may wish to consider revisiting its strategy to set out more formally its commercial risk appetite, and the associated key governance mechanisms, such as the key performance indicators and how these are for reported as part of its new performance management framework.

## Conclusion

We did not identify any significant weaknesses in relation to the Council's arrangements to provide economy, efficiency and effectiveness during 2022-23. We raise an improvement recommendation on page 22.

# Improvement recommendations

Improvement Recommendation 4	<p>We recommend that the Council look to increase the level of assurance it provides to members over contract management and procurement activity, by</p> <ul style="list-style-type: none"> <li>• considering ways to integrate reporting on contract performance into its new performance reporting regime;</li> <li>• implementing regular reporting to the Governance committee on the use of waivers and other contract exceptions; and</li> <li>• clarifying the status of its procurement strategy and, if necessary, refreshing it.</li> </ul>
Improvement opportunity identified	We did not identify any significant weaknesses in relation to procurement and contract management arrangements, but the Council could increase the level of assurance it is able to provide to Members over the robustness of its arrangements.
Summary findings	It is not clear that there is an extant procurement strategy in place, and reporting on contract performance and waiver activity could be enhanced.
Criteria impacted	 Improving Economy, Efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Governance Service Plan for 2024 includes a review and update of the Procurement Strategy, early in 2024. This piece of work will also include a review of how we integrate and report on procurement activity within the organisation and to Members.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Governance Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should engage the public and wider stakeholders earlier in developing future budgets and medium-term savings plans, and collaborate with the local partners and stakeholders to co-design sustainable savings plans.	Improvement	February 2023	With the Election in May 2023 establishing a new Council, there is an opportunity to establish a clear medium term savings plan and ensure this is monitored closely, in line with our recommendation on page 15	No	Yes – see improvement recommendation no. 2
2 We recommend the Council explore the adequacy of its reserve levels consulting with other councils that are maintaining higher levels, and stress-testing its minimum reserve levels against a range of scenarios, to identify the levels that would lead to the draw to reserves becoming unsustainable, and consider the range of events that might lead to this happening.	Improvement	February 2023	The Council considers that use of the budget management reserve was prudently set up for the purpose of mitigating inflationary pressures and reductions in revenue income and was a one off use within the 2022/23 year. We note that the Council was able to substantially rebuild this reserve.	Partly	We have re-raised a recommendation to ensure that the Council maintains focused on this area. See improvement recommendation No. 3
3 The Council should make clear how it will measure progress towards the wider strategic and regeneration objectives discussed in its business case. As it does so, it should develop a its business case setting out a fuller analysis of value for money, risks and opportunities including: • a full lifecycle view of costs and benefits, making clear any key uncertainties or assumptions underpinning its analysis, • consideration of the capital asset (or liability) created by the centre's purchase, and • the economic impact of decisions on other stakeholders and the wider local economy.	Improvement	February 2023	We note that the Centre again realised a net financial surplus in 2022/23.	Partly	This is an area the Council needs to keep in view and this recommendation remains live as the Council's strategic regeneration plans develop



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	The Council should refresh its website with the current versions of the anti-fraud, bribery and corruption, and Whistleblowing policies and ensure these are regularly updated.	Improvement	February 2023	Based on our review of arrangements in place during in 2022/23, this has been implemented.	Yes	No
5	The Council should establish terms of reference and keep minutes or action notes from its Statutory Officers meetings.	Improvement	February 2023	Based on our review of arrangements in place during in 2022/23, this has been implemented.	Yes	No
6	In developing its new performance framework and KPI suite, the Council should: • review the quality assurance processes in place underpinning the data systems and calculations underpinning key performance reports, and • identify opportunities for performance, as well as cost benchmarking with comparable local authorities.	Improvement	February 2023	The Council's new approach is now embedded. We note opportunities to use the framework to enhance reporting on contract management activity.	Partly	Yes – see improvement recommendation 4.

# Opinion on the financial statements



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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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.

## Audit opinion on the financial statements

We have completed our audit of your financial statements and issued our unqualified audit opinion on 23 January 2024.

Our detailed findings will be set out in our Audit Findings Report.



# Other reporting requirements



## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. This work will be undertaken as part of the closing steps of the opinion audit detailed above.



# Appendices

# Appendix A: Responsibilities of the Council

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

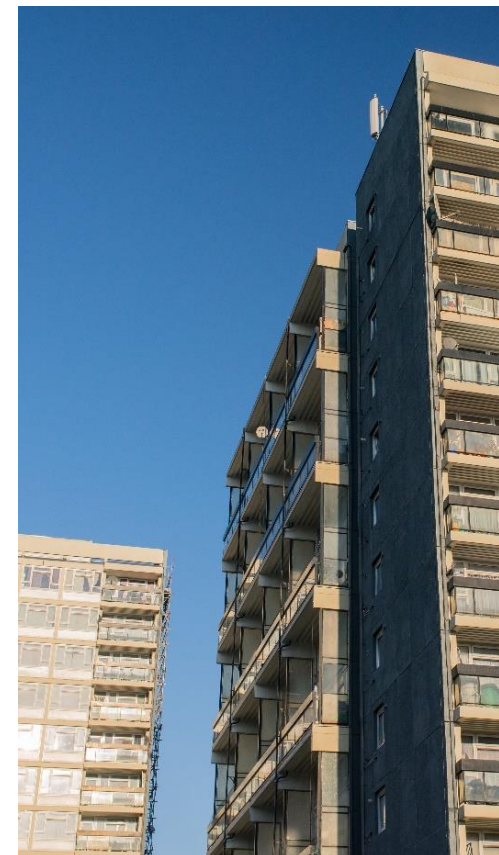
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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





# Appendix B:

## An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	n/a
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 14-16 and 22

