



## For the year ended 31 March 2025



Date: 27 November 2025

Members of the Audit Committee  
Mid Devon District Council  
Phoenix House  
Phoenix Lane  
Tiverton  
EX16 6PP

Dear Sirs and Madams

**Mid Devon District Council – Auditor's Annual Report 2024/25**

We are pleased to attach our draft Auditor's Annual Report for the financial year 2024/25. 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 management 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.

Yours faithfully

**Bishop Fleming Audit Limited**

# Contents

1. Introduction.....	2
2. Executive summary.....	3
3. Audit of the financial statements.....	4
4. Value for Money.....	5
5. Financial sustainability.....	6
6. Governance.....	8
7. Improving economy, efficiency and effectiveness.....	11
8. Recommendations.....	13

# 1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Mid Devon District Council (the Council) for the year ended 31 March 2025.

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 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; and
- 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 its policies, aims and objectives whilst safeguarding and securing value for money from the public funds at its disposal.

The scope of our work is set in accordance with the National Audit Office's (NAO) 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 2024/25; 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 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 Audit Plan which we issued to the Council in March 2025.

## 2. Executive summary

### Results from the audit of the financial statements

We have substantially completed our audit of the financial statements and anticipate issuing an unmodified audit on finalisation of our completion procedures.

On finalisation of the external audit, we will also complete the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return.

We have issued this report as draft as these procedures have not been finalised. We will issue a final version to confirm when both of these matters have been resolved.

See section 3 for more details.







### Results on our work on other matters

We completed our review of other matters reported in the statement of accounts as part of our audit approach. There were no issues to report.




### Results from our work on VFM arrangements

Under 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 2025.

Our conclusions are summarised in the table below, which shows that good progress has been made in remediating the significant weaknesses from last year. We have raised some recommendations for improvement, which are outlined further in sections 4-8 for more details.

	2023/24	2024/25	
<b>Financial sustainability</b>			We did not identify any significant weaknesses in the Council's arrangements for financial sustainability.  Recommendations for improvement have been made.
<b>Governance</b>			We did not identify any significant weaknesses in the Council's governance arrangements.  Recommendations for improvement have been made.
<b>Improving economy, efficiency and effectiveness</b>			We did not identify any significant weaknesses in the Council's arrangements for improving efficiency, economy and effectiveness.  Recommendations for improvement have been made.

#### Key:

	Green - No significant weaknesses in arrangements identified and no recommendations made
	Amber - No significant weaknesses in arrangements identified but recommendations made
	Red - 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 Code and the International Standards on Auditing (ISAs) (UK). As stated in section 1 of this report, 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 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Our audit is largely complete, however, is subject to the resolution of certain outstanding queries. Subject to the satisfactory finalisation of these points, we anticipate issuing an unmodified audit report.

#### Key issues arising from the accounts audit

Our audit identified the following issues that have resulted in amendments to the draft financial statements:

- Understatement of HRA property valuations of £287k arising from variances between the independent valuation reports and the straight-line valuation approach adopted.
- Reclassification of Tiverton Work hub capital expenditure of £291k incorrectly accounted for as Revenue Expenditure Funded from Capital Under Statute (REFCUS) to fixed asset additions

#### Other matters

As stated in section 1 of this report, 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.

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

#### Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor’s responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue an audit certificate for Mid Devon District Council for the year ended 31 March 2025 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code until we have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

More detailed findings can be found in our Audit Completion Report which was reported to the Audit Committee on 9 December 2025.

## 4. Value for Money

Under 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 2025.

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 criterion for the auditor to assess those arrangements.

Our initial risk assessment identified the following risk of significant weakness:

Risk	Update
Our 2023/24 Auditor's Annual Report identified a significant weakness in the Council's governance arrangements due to the rent setting procedures not identifying that rents were not being set in accordance with the required formula rent.	We are satisfied that the Council has taken appropriate action during the year to resolve the issues identified. See section 6 for more details.

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 were any significant weaknesses in the 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 this report. Our recommendations for improvement are included in section 8.



## 5. Financial sustainability

We considered how the 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 2024/25 outturn

The Council reported a surplus to the Cabinet on 17 June 2025 of £1,547k on the general fund in its 2024/25 outturn report. This surplus was transferred to earmarked reserves.

The reported position on the Housing Revenue Account was a deficit of £1,727k. This overspend was driven by year-end adjustments of £1,115k to clear the capital financing balance relating to the Post Hill development and £455k of sunk costs on unviable development projects going from capital to revenue expenditure. The overspend was offset by a transfer from the Housing Revenue Accounts Housing Maintenance Earmarked Reserve.

### Financial planning and monitoring

The Council keeps its financial forecast position under review throughout the year with quarterly monitoring reports to the Cabinet covering general fund and HRA revenue and capital performance. The monitoring focusses on significant budget variances and sets out any remedial actions where necessary.

The Medium-Term Financial Plan (MTFP) was presented to the Cabinet on 17 September 2024 and identified deficits of £1,196k for 2025/26, £1,633k for 2026/27, £655k in 2027/28 and £511k in 2028/29. The cumulative budget gap over the four years is £4.0m. These deficits increased because of assumed funding reforms to take effect, with funding not increasing as costs continue to rise. Our review indicated that the assumptions and estimates included in the MTFP appear prudent.

When the 2025/26 budget was set in February 2025, a balanced 2025/26 position was approved with the updated MTFP budget gaps being £813k in 2026/27, £944k in 2027/28, £756k in 2028/29, £505k in 2029/30 and £312k in 2030/31, a cumulative budget gap of £3.3m.

Currently, the Council has sufficient reserves to address any potential future deficits, and they continue to develop options for closing the future budget gaps.

### Achieving efficiency savings

The Council's 2024/25 and 2025/26 Budget reports do not set out a specific plan for savings schemes to be achieved by the Council. Individual savings are identified as part of the budget setting and MTFP process, but they are then included in the service budgets with savings plans not specifically monitored by the Council in the year. As in 2023/24, the quarterly monitoring reports refer to savings that are being achieved during the year but there is no tracking of savings against a target for the year.

We recommended in 2023/24 that Council's arrangements could be improved by setting out a savings plan, with specific schemes, which it can then monitor its performance against throughout the year to identify whether the savings it identified are being delivered or whether budgets are being achieved by other unplanned efficiencies and savings.



## 2025/26 financial planning

The budget setting process starts with the budget holders at service level reviewing their performance in the previous financial year. Budget holders work closely with the finance team to create the budgets. A balanced 2025/26 budget was presented to the Cabinet on 4 February 2025 and approved by the Council on 19 February 2025.

The financial planning assumptions feeding into the 2025/26 budget are based on assumptions captured by the MTFP. Considerations of these risks appear to be appropriately scrutinised as they are monitored through the Policy Development Groups and are captured within the financial planning process.

We also noted that the Council aligns its financial plans with other internal plans such as its workforce (establishment reporting) and capital plans.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. Unresolved prior years' recommendations for areas of improvement are shown at section 8.***

## 6. Governance

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

- monitors and assesses risk and how it 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 is subject to an annual review by the Audit Committee. This sets out the process of identifying and reporting risks, and the responses and monitoring processes which will be put in place.

The Audit Committee receives corporate risk update reports quarterly where the full reporting details risk scoring and monitoring updates. Each risk is scored on the potential impacts and likelihood of occurrence and placed on the risk matrix where it is given a RAG rating, documented alongside the mitigations 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 does not include its corporate objectives or key performance indicators alongside the reporting of risks. As a result, it cannot be identified when specific service delivery is impacted by individual risks. We raised a recommendation in 2023/24 for the Council to clearly identify links between risk management and service delivery so that there is awareness of the implications on each risk area. This point was also raised in the 2024/25 internal audit report on risk management.

The Council's governance structure is made up of a full Council which is supported by a Cabinet and a number of 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 Audit Committee meetings to present any findings. The Audit Committee approves the annual Internal Audit Plan and is provided with a progress report on the delivery of the plan at each meeting.

Through our review of the Internal Audit reports along with the Audit Committee minutes and papers, we have not identified any significant gaps in the assurance the Council receives over matters in the work programme. The Head of Internal Audit opinion for 2024/25 was one of reasonable assurance on the adequacy and effectiveness of the Council's internal control framework.

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 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.

### **Social rent issue**

Our audit procedures in 2023/24 identified that the Council had not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This was an historic issue, going back a number of years, but the Council's arrangements for setting the rent each year had not identified this issue. The Council made a provision of £1.545m in the 2023/24 financial statements, which was rolled forward and increased to £1.777m at 31 March 2025.

The Council self-referred themselves to the Regulator for Social Housing (RSH), which resulted in a judgement setting out the Council's significant failure to deliver the required outcomes of the rent standard. The Council have had ongoing meetings with the RSH, Department for Work and Pensions (DWP), internal and external audit and the Valuation Office Agency. In addition the Council obtained a King's Counsel (KC) opinion on this matter. Internal reporting on this issue has been through the Housing Policy Development Group.

The formula rent has been corrected in the 2024/25 financial year, with the Council having engaged external consultants to provide third-party assurance that the recalculated formula rents are accurate and compliant with the Rent Standard 2020 and policy guidance on rents for social housing.

The Council's work to rectify the issue is progressing in 2025/26, with the value of refunds due to tenants that are not in receipt of housing benefit having been quantified with refunds being processed for these tenants. The Council remains in discussions with the DWP over the rectification of this issue for tenants in receipt of housing benefit and Universal Credit.

### **Budget setting and budgetary control**

The Council's budget is prepared at service level with the finance team working with service managers. The output from this process is then considered by the Leadership Team meetings, in consultation with budget holders and the wider finance team.

Policy Development Groups are in place throughout the Council in order to monitor and approve budget proposals in their areas of responsibility. When they meet, medium term financial planning is regularly on the agenda to ensure that they are monitoring progress within their areas. Final budget proposals are considered by the full Council meetings each year where they are voted on accordingly.

The Council monitors trends and factors these appropriately into their strategy. They also appropriately consider a number of different proposals throughout the lifetime of the Medium-Term Financial Plan to reduce cost pressures.

The Council provides accurate and timely financial monitoring reports to budget holders, with a breakdown of total expenditure alongside appropriate variance analysis focussing on significant budget variances (+/- £20k), including any remedial action where necessary. Financial monitoring reports are considered quarterly by the Cabinet. Financial reporting is clear and includes sufficient qualitative detail to support decision making.

### **Decision making**

All reports to Council, Cabinet and committees are subject to sign off checks by the Section 151 officer, Monitoring Officer, Chief Executive and Performance and Risk. 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 challenge of any decisions before they are made.

The Council has a partnership arrangement in place with the North Devon District Council to deliver building control services, discussed further within the 'Improving efficiency, economy and effectiveness' section of this report. This is monitored through a Joint Committee arrangement with membership from both Council's officers and members. There are documented agreements in place which provide a strong governance framework for the Joint Committee to perform its functions.

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

Attendance at the Audit Committee meetings, as well as reviews of meeting minutes, have confirmed that the Committee actively holds officers and the Cabinet to account. The Committee provides robust and effective challenge, thereby reinforcing governance and strengthening accountability within the Council.

#### *Modular social housing*

The Council's Housing Strategy includes a priority for the supply of new homes and sustainability, including piloting MMC (Modern Methods of Construction), design quality and climate change. The piloting of MMC was one element of the Council's Strategy alongside other traditional methods. The Council initially looked to procure the MMC contracts through the South-West Procurement Alliance MMC New Homes NH2 framework, with two firms having been identified as the two suppliers of the "adaptive pod" section of the NH2 framework. Ultimately, Zed Pods Ltd were directly appointed after the other firm went into liquidation.

The Council's MMC net-zero schemes have attracted grant funding under the Affordable Housing Programme (AHP), which has supported the viability of the schemes. Each grant funded scheme is subject to viability and value for money assessments and any schemes that fall outside of the parameters are ineligible for funding. The Council attracting the maximum available funding for these schemes demonstrates that the criteria is being met.

Our work has not identified any evidence to suggest that the decision to build MMC housing using Zed Pods Ltd was not an informed decision with all of the relevant information available to councillors.

The Council have reviewed and confirmed its continuing commitment to its MMC approach. In July 2025 the Cabinet considered and approved a report on Value for Money and best practice in Mid Devon housing modular social housing delivery, previously considered by the Housing Policy Development Group. The report set out the strategic and policy context supporting the delivery of modular (MMC) social housing in the district, as well as providing information on value for money, benchmarking and the wider context and benefits of the programme. The resolution was that the Council continues to adopt an HRA development programme with a focus on delivering MMC, modular net-zero social housing where possible.

#### **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.

The Council's review of the Treasury Management Strategy evidenced that they were compliant with the CIPFA Treasury Management Code and MHCLG Guidance on Local Government Investments. There is no evidence from our work indicating any non-compliance with capital or other statutory requirements.

The Officer Code of Conduct sets out the required processes for compliance and reporting any gifts and hospitality to the Council's Monitoring Officer. The Council do not hold a central register for officers or members declarations. They are received on individual forms, rather than documented centrally. A recommendation for improvement was raised in 2023/24 in relation to the Council's procedures for reviewing compliance with the policy.

Elected Members declarations of interest are publicly available on the page with each member's contact details. The declarations of interest published are made in line with the relevant regulations and the LGA model Code of Conduct expectations.

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. The Officer Code of Conduct clearly identifies that officers are required to make formal declarations where they have pecuniary interest. All declarations are to be made to the Monitoring Officer.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements. Unresolved prior years' recommendations for areas of improvement are shown at section 8.***

## 7. Improving economy, efficiency and effectiveness

We considered how the 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 produces quarterly performance monitoring reports to the Cabinet meetings with a detailed assessment of performance against key indicators. The reporting monitors the current position and performance trends across the year. However, the performance reporting is not presented through a single report for the whole Council. We raised an improvement recommendation in 2023/24 for the Council to develop reporting mechanisms which provide members with a clear overview of all performance indicators.

The Council utilises Local Government Association (LGA) tools such as LG Inform to undertake benchmarking across similar authorities. It is also a member of the LGA 'Peer Challenge' scheme whereby a range of independent experienced Members and officers from the accredited pool of peers review the Council's corporate performance, with the most recent review being in 2022. Additionally, the Council use CIPFA to provide key benchmarking information alongside their own information such as the Resident's Survey 2024 – 'Let's Talk Mid Devon'.

There is evidence that the Council reviews its existing services to consider cost effectiveness, with a recent example being the review of the Waste and Recycling scheme 'Bin It 123' that was introduced in 2022. This considered the effectiveness and progress of the scheme, along with proposed next steps to improve effectiveness further.

The Audit Committee receive recommendations from Internal Audit, which is provided by the Devon Audit Partnership. This reporting includes tracking of the recommendations made by Internal Audit, whether the recommendations have been implemented or whether the actions are overdue. For overdue recommendations rated medium or higher, detailed reporting is provided to the Committee with comments from the relevant manager to understand the status of the recommendation.

### Partnership working

The Council have a formal partnership arrangement in place with North Devon District Council in relation to building control. This provides a service to residents to make sure that projects are getting building regulations approval where planning permission is not required.

There is a Building Control Joint Committee which has been formed between the Councils and has membership from across both Council's officers and members. There are documented agreements in place in relation to the Joint Committee between the two Councils.

The Council use a public facing portal, 'Let's Talk Mid Devon' to consult with members of the community on issues which arise throughout the year and their annual resident's survey.

### Commissioning and procuring services

The Council have a procurement strategy in place covering 2023/24 to 2027/28, which has been prepared using national guidance from the Local Government Association (LGA). The procurement strategy clearly identifies the responsibilities of

individual officers to uphold the principles set out within the LGA guidance. There is clear guidance set out on the Council's website on the changes resulting from the Procurement Act 2023, which came into effect from 24 February 2025.

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 Cabinet receive specific reporting on tendering of major contracts for approval, with recent examples being housing revenue account drainage works and internal painting contracts being reported to the March 2025 meeting.

***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. Unresolved prior years' recommendations for areas of improvement are shown at section 8.***

## 8. Recommendations

### KEY:



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




Amber - 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


Member training policy	
<b><u>Governance</u></b>  The Member Learning and Development Policy on the Council's website is dated 2017/18.	<b><u>Recommendation</u></b>  The Council should ensure that the Member Learning and Development Policy is reviewed and updated as necessary. Policies should be subject to regular review to ensure they remain up to date.  <b><u>Management comment</u></b>  The Council agrees the recommendation that the Member Learning and Development Policy should be reviewed and updated regularly. Keeping policies current ensures they remain relevant, reflect best practice, and meet the evolving needs of members and the Council.




## Prior Year Issues – Ongoing


Savings plans	
	
<p><b><u>Financial sustainability</u></b></p> <p>The Council does not set specific savings plans as part of the budget process. The Council needs to achieve savings to bridge the future budget projected in the Medium-Term Financial Plan and having agreed savings plans would help to support this process.</p>	<p><b><u>2023/24 recommendation</u></b></p> <p>The Council should agree a savings plan as part of the budget setting, with specific schemes. This will enable it to track performance against the savings target throughout the year.</p> <p><b><u>2023/24 Management comment</u></b></p> <p>The Council has produced a savings plan for the 2025/26 budget setting process and will look to continue this approach in future years.</p> <p><b><u>2024/25 update</u></b></p> <p>The Council set out savings plans as part of the 2025/26 MTFP update and budget setting process. However, when the budget was set the savings have been incorporated into base budgets. Monitoring is then carried out against these budgets with explanations for variances reported. The savings agreed are not separately tracked or reported, so it is not clear whether the planned savings are being achieved or whether budgets have been met by other unplanned efficiencies or savings.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>The quarterly recording of why there is any variance from budget would capture and identify whether the specific saving is not being achieved.</p>

Mapping Risks to Corporate Objectives	
	
<p><b><u>Governance</u></b></p> <p>The strategic risk register does not map the individual risks to specific corporate objectives or KPIs of the Council.</p>	<p><b><u>2023/24 recommendation</u></b></p> <p>The Council should seek to map its risks to its corporate objectives so that it can be identified which areas of service delivery are impacted by each risk.</p> <p><b><u>2023/24 Management comment</u></b></p> <p>This recommendation will be considered.</p> <p><b><u>2024/25 update</u></b></p> <p>The 2024/25 internal audit report on risk management also raised this issue. Risks are not mapped to corporate objectives.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>The Council agrees the recommendation and will map risks to the corporate objectives.</p>

Gifts and Hospitality Register	
	
<p><b><u>Governance</u></b></p> <p>The Council does not hold a central register of gifts and hospitality. This means that all declarations are received and monitored through individual forms. As a result, this could risk the teams missing certain declarations and not reporting correctly.</p>	<p><b><u>2023/24 recommendation</u></b></p> <p>The Council should implement a central gifts and hospitality register for all officers and members, made available to the public where required.</p> <p><b><u>2023/24 Management comment</u></b></p> <p>This recommendation will be considered.</p> <p><b><u>2024/25 update</u></b></p> <p>Recommendation remains unchanged.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>From January 2026, the Council will begin publishing a list of Gifts and Hospitality received by members. This information will be made available on our website in the Library section, ensuring transparency and accessibility for the public where required.</p>

Performance Reporting Overview	
	
<p><b><u>Improving economy, efficiency and effectiveness</u></b></p> <p>The Council issue quarterly performance reporting to the Cabinet.</p> <p>There are five separate detailed performance reports provided with an overview provided.</p> <p>There is no summary of all performance metrics in one document. Members are required to review each report individually to have a clear picture of the status across all performance indicators.</p>	<p><b><u>2023/24 recommendation</u></b></p> <p>The Council should improve its performance reporting to the Cabinet meetings to provide a clear overview report of all performance indicators which align to the Council's Plan.</p> <p><b><u>2023/24 Management comment</u></b></p> <p>Cabinet receive a quarterly performance report. This includes all performance indicators that form part of the Corporate Plan. This report is also reviewed twice per year by Scrutiny, and Corporate Plan indicators are further reviewed quarterly by the relevant Policy Development Group.</p> <p><b><u>2024/25 update</u></b></p> <p>Recommendation remains unchanged.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>Cabinet receives a quarterly performance report. This includes all performance indicators that form part of the Corporate Plan and additional operational performance and financial metrics, with risks aligned to policy areas. The performance of Corporate Plan indicators are further discussed in the body of the report. This report is also reviewed twice per year by Scrutiny, and Corporate Plan indicators are further reviewed quarterly by the relevant Policy Development Group.</p> <p>In respect of the dashboard, Corporate Plan indicators are highlighted in yellow on the dashboard, and a full set of the dashboards is included within the quarterly report.</p>

Medium term financial planning	
<div data-bbox="132 192 225 246" data-label="Image"> </div> <p><b><u>Financial sustainability</u></b></p> <p>We have previously recommended that the Council develop a more strategic approach to developing and reporting on savings proposals. More systematic monitoring of savings proposals, targets and progress would enable members to routinely track progress on key savings proposals. Some Councils set out such plans on a multi-year basis, recognising that invest-to-save activities, for example, may take more than one year to deliver a net saving.</p>	<p><b><u>2022/23 recommendation</u></b></p> <p>To support medium term financial planning the Council should:</p> <ul style="list-style-type: none"> <li>• set out a medium-term programme showing how it will close its forecast medium-term gaps in its financial plans, including the contribution of savings plans and related activities, such as income generation.</li> <li>• revisit the sensitivity analysis it uses to illustrate divergence from key assumptions, as a 1% variance may not adequately capture the level of volatility or the Council's view of the degree of error possible in its estimates.</li> </ul> <p><b><u>2022/23 Management comment</u></b></p> <p>The Council will review best practice and consider any changes required for the 2025/26 budget process. However, it is worth reflecting how the council has successfully balanced budgets and increased its reserves set against a backdrop of government funding cuts.</p> <p><b><u>2023/24 Follow up</u></b></p> <p>Due to the timing of the 2022/23 recommendation the Council has not had the opportunity to implement any changes. We have raised a linked improvement recommendation in respect of the development and monitoring of savings plans. We will follow up on this recommendation in 2024/25.</p> <p><b><u>2024/25 update</u></b></p> <p>The sensitivity analysis carried out by the Council is still limited to a 1% change and does not include wider scenario planning. Issue is unresolved.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>Budget options covering a three-year timeframe are collected during the data collection process, but the focus is firmly on the upcoming year. These proposals are captured and rolled forward into the relevant year's budget process.</p> <p>The need for wider scenario planning has been limited given the limited relatively stable funding arising from the recent roll-forward funding settlements. For 2026/27 wider overall scenario planning was included given the significant uncertainty over the future of local government funding.</p>

Compliance with policies	
	
<p><b><u>Governance</u></b></p> <p>The Council could increase the level of assurance it has that officers and members have reviewed, and complied with, the terms of key policies such as those governing the receipt of gifts and hospitality.</p>	<p><b><u>2022/23 recommendation</u></b></p> <p>The Council should put in place a mechanism to provide positive assurance that officers and members have complied with the Council's policies on receipt of gifts and hospitality during the year. This could be achieved through a periodic declaration, for example. The Council may wish to include in such a declaration confirmation that other key parts of the Code of Conduct had been read and complied with.</p> <p><b><u>Management comment</u></b></p> <p>The Council will consider this recommendation and assess what mechanisms could be put in place that provide more positive assurance of compliance with such policies.</p> <p><b><u>2023/24 Follow up</u></b></p> <p>Due to the timing of the 2022/23 recommendation the Council has not had the opportunity to implement any changes. We will follow up on this recommendation in 2024/25.</p> <p><b><u>2024/25 update</u></b></p> <p>There has been no update to the Council's arrangements. Issue is unresolved.</p> <p><b><u>2024/25 Management comment</u></b></p> <p>The Council agrees that having a mechanism to provide positive assurance on compliance with the Council's policies regarding gifts and hospitality is important for transparency and accountability. Introducing a periodic declaration would be a practical approach to achieve this. Including confirmation that members and officers have read and complied with other key elements of the Code of Conduct would further strengthen governance and ethical standards. Members and Officer should declare a gift and hospitality within 28 days notify the Monitoring officer.</p>

3 Rivers – Shareholder role	
<div data-bbox="132 264 212 311" data-label="Image"> </div> <p><b><u>Improving economy, efficiency and effectiveness</u></b></p> <p>The Council did not exercise its shareholder role effectively, contributing to the failure of its arm's length company and a significant financial loss. At the time of compiling this report, however, the exact scale of this loss is not yet clear but it was expected to be significant.</p>	<p><b><u>2022/23 recommendation</u></b></p> <p>The Council needs to ensure it follows an action plan with a clear timeline and allocation of responsibilities due the Company's closure, and to work effectively to ensure the closure is conducted in a way that minimises its financial loss. The Council should also ensure its decisions are based on high quality expert advice as necessary.</p> <p>When working through this or any other significant partnerships, the Council should ensure both members and officers uphold effective political and management oversight of key partnerships and commercial entities. It must ensure it maintains a clear focus on the Council's objectives, ensures high quality reporting on performance and risk to inform key decisions, and acts promptly on information and significant changes of circumstances, that challenge the basis for establishing the partnership, supported by a clear exit strategy where necessary.</p> <p><b><u>2022/23 Management comment</u></b></p> <p>Excluding 3Rivers, the council has no other significant partnerships. In respect of 3Rivers, a clear plan is in place and being followed that will ensure the soft closure of the company.</p> <p>3Rivers financial losses clearly need to be reconciled against a backdrop of:</p> <ul style="list-style-type: none"> <li>Cost of Living Crisis</li> <li>Covid-19 (material and contract availability and prices)</li> <li>A challenging political environment</li> <li>Planning Committee decisions</li> <li>Major contractor failure</li> <li>Government geographical restrictions</li> </ul> <p><b><u>2023/24 Follow up</u></b></p> <p>Due to the timing of the 2022/23 recommendation and the action being taken by the Council in closing down the Company we consider that there remained a significant weakness during the 2023/24 year. However, the Council has taken appropriate actions during the year to resolve this issue as the Company has now been struck off and the Council has no similar arrangements.</p> <p><b><u>2024/25 update</u></b></p> <p>This issue has been resolved for 2024/25 due to the actions taken during 2023/24.</p>

Social rents	
	
<p><b><u>Governance</u></b></p> <p>Our audit procedures identified that the Council has not been setting the rents for its housing tenants in line with the formula rent requirements set out by the Government. This is an historic issue, going back a number of years, but the Council's arrangements for setting the rent each year had not identified this issue.</p>	<p><b><u>2023/24 recommendation</u></b></p> <p>The Council must complete its work to identify and agree the scope of the issue and take the necessary rectification actions.</p> <p><b><u>2023/24 Management comment</u></b></p> <p>The Council recognise the importance of this work and are actively addressing the issue as swiftly as possible in conjunction with the Regulator, auditor and legal advisors</p> <p><b><u>2024/25 update</u></b></p> <p>The Council has taken appropriate action in respect of this issue, including self-referral to the Regulator for Social Housing and ongoing consultant with the RSH, Department for Work and Pensions and other stakeholders. The formula rent has been corrected and the Council are working through the process of quantifying refund amounts and making starting making refunds to tenants, initially those not in receipt of benefits.</p>

