

# Auditor's Annual Report North Devon District Council

For the year ended 31 March 2024



Ref: PLNO109780/AW  
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**PRIVATE & CONFIDENTIAL**

Members of the Governance Committee  
North Devon District Council  
PO Box 379  
Barnstaple  
EX32 2GR

Dear Sirs and Madams

**North Devon District Council ('the Council') – Auditor's Annual Report**

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

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

This report is intended to be solely for the information and use of the Council's officers and those charged with governance of the Council. It 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

A handwritten signature in black ink that reads "Bishop Fleming LLP". The signature is written in a cursive, flowing style.

**BISHOP FLEMING LLP**

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# 1. Introduction

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

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

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

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

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

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

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

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

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

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

## 2. Executive summary

### Results from the audit of the financial statements

We completed our audit of the financial statements and we expect to issue an unmodified audit opinion. See Section 3 for more details.

We also completed component auditor procedures, in line with the National Audit Office group auditor instructions. We had no matters to report from this work.




### Results on our work on other matters

We completed our review of other matters in line with our audit opinion. There were a number of minor areas that required updating and amending in the financial statements, which have been completed by management. See Section 3 for more details.

### Results from our work on VFM arrangements




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

Our conclusions are summarised below. See Sections 4 to 8 for more details.

<b>Financial sustainability</b>		No significant weaknesses in arrangements identified but recommendations for improvement made.
<b>Governance</b>		No significant weaknesses in arrangements identified but recommendations for improvement made.
<b>Improving economy, efficiency and effectiveness</b>		No significant weaknesses in arrangements identified but recommendations for improvement made.

Please note a number of the recommendations for improvement referred to above were made by the predecessor auditor in their 2022/23 Auditor's Annual Report. As this report was not issued until January 2024, the Council did not have a chance to address them fully by the end of the 2023/24 financial year and therefore the recommendations are still relevant to this report.

#### Key:

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

## 3. Audit of the financial statements

### Audit opinion on the financial statements

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

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

We expect to give an unqualified opinion on the Council's financial statements.

### Key issues arising from the accounts audit

Our testing and review of the financial statements have not identified any significant issues that need to be brought to the attention of the members. The draft accounts and working papers provided were of a good quality, supporting the appropriate progression of the review process and only a few amendments were required.

### Other matters

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

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

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

More detailed findings can be found in our Audit Completion Report which was reported to the Governance Committee on 12 November 2024.

## 4. Value for Money

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

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

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

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

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

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

Our commentary on the Council's arrangements in each of these three areas is set out in Sections 5, 6 and 7 of 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 2023/24 outturn

The Council reported a surplus of £0.6m in its 2023/24 Performance and Financial Management Q4 on the general fund. This was presented to the Strategy and Resources Committee on 1 July 2024. The Performance and Financial Management Quarter 4 report detailed both the favourable and adverse variances compared to what had been reported in the Quarter 3 report, such that it provides an update on what last reported. These were:

- a reduction in both Planning fee income and Parking Charge Notice income, as well as additional electricity costs throughout the Council's assets;
- offset by additional income, interest receivable, and Business Rates income, as well as less interest payable on borrowing.

### Financial planning and monitoring

The Council keeps its financial forecast position under review throughout the year via its Medium-Term Financial Plan ('MTFP') which is a live document and updated accordingly. The forecast is updated to reflect changing circumstances on a real time basis. The MTFP was presented to the Council on 21 February 2024 for the years 2024/25 to 2029/30, along with the Revenue Budget 2024/25 and Capital Programme. It identified a balanced position for 2024/25, and then deficits of £0.4m for 2025/26, £2.9m for 2026/27, £3.3m in 2027/28, £3.0m in 2028/29 and £3.3m in 2029/30. These deficits increase because of assumed funding reforms to take effect and how funding does not increase as costs continue to rise. Our review indicates that the assumptions and estimates included in the MTFP appear prudent. The MTFP also includes a sensitivity analysis, with several scenarios which we deem to be plausible upon review.

To address this funding gap, the Council is aware of the need to become more efficient within the services it provides and becoming commercial in the way it delivers services into the future. In order to agree some parameters around this approach, the Council approved a Commercialisation Strategy in November 2020. This strategy set out the context of the financial parameters the Council is working within and how it should move forwards to enable it to become a more efficient, business like operation and increase revenue generation to bridge the future predicted budget gaps.

However, due to the uncertainty around the Council's future funding, like many local authorities, the Council will need to make some difficult decisions to identify income generating and savings options to bridge the budget gap. This is planned and ongoing in the autumn of 2024.

However, the Council has a track record of being able to meet its budget year on year. Currently, the Council has sufficient reserves to address any potential future deficits, and it will continue to closely monitor this.

### Achieving efficiency savings

On an annual basis, the Council creates an annual budget and savings spreadsheet. Performance against the budget and savings targets is carried out through the year and incorporated into the quarterly Performance and Financial Management reports received by the Strategy and Resources Committee.

Service plans have been approved and any net savings factored into the 2024/25 budget. To achieve the full financial benefit of any savings identified will require negotiation with supplier, partners and other organisations therefore there is a risk that the full benefit may not be achieved, or achieved within 2024/25 financial year.



All potential savings identified are collated through the MTFP. This is populated with ideas for the next financial year and the future. These are managed through the Council's Senior Management Team with regular updates on progress including within the budget. There is a legal duty to consult the public on any matters which may affect them financially and formal consultations are factored into the timeline for the savings.

## **2024/25 financial planning**

The budget setting process starts with the budget holders reviewing their performance in the previous financial year. Budget holders work closely with the finance department to create the budgets. A balanced 2024/25 budget was presented at the Council meeting on 21 February 2024.

The financial planning assumptions feeding into the 2024/25 budget are based on assumptions captured by the MTFP and the risk register which is reviewed on a quarterly basis and reported to the Governance Committee meetings. Considerations of these risks appear to be appropriately scrutinised as they are monitored through the appropriate forums and are captured within the financial planning process.

We also noted that the Council closely aligns its financial plan with other internal plans such as its workforce, capital and investment plans. We are satisfied that the Council has appropriate arrangements in regard to its financial planning for 2024/25 and beyond.

## **Prior year external audit recommendations**

As we have mentioned in Section 2 of this report, three recommendations for improvement in the Council's financial sustainability arrangements were made by the predecessor auditor in their 2022/23 Auditor's Annual Report. As this report was not issued until January 2024, the Council did not have a chance to address them fully by the end of the 2023/24 financial year and therefore these recommendations are still relevant. These are:

- the Council should set out clearly the anticipated cost of meeting its climate commitments in its budget and MTFP;
- the Council should develop 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; and
- the Council should continue to monitor closely the overall adequacy of its revenue reserve position and include in future statements on the adequacy of its reserves an explicit risk-based calculation that incorporates its assessment of the sensitivity of the budget to variations in key assumptions and the extent to which these are mitigated by its forecast level of reserves

Progress on addressing the recommendations and management's comments is set out in Section 8.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements.***

## 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 the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance; 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 has a Risk Management Framework and accompanying policy in place, which outlines who is responsible for reporting risks, recording risks and maintaining the risk register. 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. This Framework is reviewed by the Governance Committee to determine whether it is still relevant and appropriate.

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 risk register is updated throughout the year and is provided to the Governance Committee meetings where the full report details risk scoring and monitoring updates. For each risk identified, a variety of metrics are included. Each risk owner also has the opportunity to provide a comment alongside the risk before it is presented to the Governance Committee.

However, within the corporate risk register, the Council does not include its corporate objectives alongside the reporting of strategic risks. We have therefore raised a recommendation for improvement in Section 8 in respect of this.

In line with the Council's Constitution, all committees report to the Full Council on a regular basis. Each Committee is chaired by an elected member, which rotates in line with the provisions of the Constitution. As expected, the full Council receive details of key risks in relation to decision making.

### Internal control

The Council's Internal Audit is provided by Devon Assurance Partnership, who have a representative at each of the Governance Committee meetings to present any findings. The Governance Committee approves the Annual Internal Audit Plan and is provided with a progress report against the plan at each meeting. The Governance Committee also 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.

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

The Governance Committee received the Internal Audit Annual Report for 2023/24 in June 2024. The Head of internal Audit gave an overall opinion of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal control framework. Out of the 25 internal audit reviews carried out, 24 received substantial or reasonable assurance opinions while one received a limited assurance opinion. The limited assurance opinion related to the NMD Building Control, which is a partnership between the Council and Mid Devon District Council. The report noted capacity issues from loss of key staff and recruitment problems of Building Control Officers, insufficient governance, and increased cost to the partners. The recommendations arising have been agreed by both parties to address the matters noted. We understand that a number of core posts have now been recruited into, with two vacancies remaining to be covered by agency staff.

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

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

The budget setting process involves the finance team working with service managers to determine a realistic budget based on current trends and future pressures. Managers complete a first draft of their budgets then their accountant will review this and amend where needed based on analytical review or other workings. In addition to this, the Council adopts a strategy for Capital, Investment, Treasury Management and Minimum Revenue Provision.

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

The delivery of the Council's annual budget is monitored on a monthly basis. 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 Committee ('PDC') and include the financial implications of service plan actions, such as savings plans. The Council's Section 151 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.

Financial performance is reported formally to the Strategy and Resources Committee on a quarterly basis. This provides detail on the budget variances which are occurring throughout the year. The reporting includes detail as to why the variances have arisen and how any assumptions have been made. The reporting also informs a list of actions which are then approved to be factored into the following year's budget.

Our review of the Performance and Financial Management reports received at the Strategy and Resources Committee meetings confirms that there is relevant non-financial information included, which helps to support the variances that are reported. The reporting to the Strategy and Resources Committee includes appropriate detail which aids elected members in effective decision making.

The Council has a good record for only including in the budget income estimates that are deliverable. The Council's core expenditure requirements are well understood, budgeted for accordingly and delivered in accordance with the estimates.

### **Decision making**

We are satisfied that arrangements are in place to ensure that decision makers are provided with all relevant information prior to making major decisions. Additionally, there are mechanisms to challenge such decisions before they are finalised.

Where the Council engages in complex activities, we have verified that appropriate arrangements are in place to seek expert advice to support informed decision making.

The Council has well-established arrangements for partnership working. Specific partnership arrangements are reported to the relevant Committees, ensuring proper oversight and governance.

We note that the Council has been considering setting up a new wholly owned subsidiary to specifically focus on housing management. This followed a discussion at the Strategy and Resources Committee meeting on 5 June 2023. However, following the June 2023 resolution by members, this has not progressed any further in terms of specific detail on the company structure route as further work remains ongoing on potential set up and structure.

Management are considering other options about their housing set-up, ranging from a new company, but also as housing delivery through existing Local Authority powers (delivering housing through either the general fund or housing revenue account depending on the number of units), or as a Registered Provider. We have raised a recommendation in Section 8 to ensure the Council carefully considers and appraises the pros and cons of each option seeking appropriate legal and financial advice as necessary.

### **Ensuring appropriate standards**

We have been informed that there have been no instances of significant non-compliance within the year. Throughout our review, we have not identified anything that has contradicted this. The Council's Monitoring Officer monitors issues that may have an impact on non-compliance throughout the Council.

The Council has Codes of Conduct in place for both Officers and Members, The Codes model the behaviour expected, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against an Officer or Member. It clearly states definitions of terms so they are communicated properly and are clear and not open for interpretation. The Codes both refer to the 7 'Nolan' principles of public life.

There are several roles within the Council with responsibility for ensuring compliance. The Council has other appropriate policies and procedures in place to ensure appropriate standards are maintained. These include the Anti-Fraud, Bribery and Corruption policy and the Codes of Conduct which were devised with the Devon Assurance Partnership.

Declarations of interests are completed on an annual basis by the Full council, with the Register of Interests being on the Council's website. Arrangements for making a declaration of interest are in place at the beginning of all Full Council and Committee meetings.

We are satisfied that the Council has appropriate arrangements in place to monitor compliance with legislation and regulatory requirements.

***Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's governance arrangements.***

## 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 reports on its Key Performance Indicators to the Strategy and Resources Committee quarterly in its Performance and Financial Management reports, with an assessment of performance against the indicators. The reporting monitors each indicator, with detailed reporting of the current position, performance trends and an explanation for the performance within the reporting period. Under its approach, the Council's 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 makes use of third parties to review different service areas and to identify improvements. This enables it to make comparisons with other similar organisations and demonstrates its proactiveness in commissioning reviews in areas that the Council is aware improvements need to be made. In addition to this, the Council undertakes reviews of its services which are discussed at Executive level to allow them to consider the delivery of efficiencies and the ability to reduce costs through the delivery of its work.

The Council engages with the Local Government Association 'Peer Challenge' scheme whereby a range of independent experienced councillors and officers from the accredited pool of peers review the Council's performance and thereby assist the Council to improve the way it works. The last report came in 2021, with it recommended one occurs at least once every five years. We are aware that the Council plans to undertake one in March 2025.

The Council consistently reviews its service delivery methods to identify potential alternative, cost-effective options. This ongoing evaluation process includes a thorough assessment of existing contracts to ensure that they deliver optimal value for money. Through these reviews, the Council aims to enhance efficiency and ensure that public funds are utilised in the most effective manner possible.

As stated in the Governance section of this report, Internal Audit monitoring reports are provided to the Governance Committee. This reporting includes tracking of the recommendations made by Internal Audit, whether the recommendations have been implemented, partially implemented or not implemented. For those which are in progress and have a high priority, there is additional information given to support the Committee members with their understanding of how actions are being implemented.

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

### Partnership working

The Council participates in a wide range of local partnerships and has a track record of 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 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. In addition, it has a joint operation with Torridge District Council with regards the North Devon & Torridge Crematorium.

## **Commissioning and procuring services**

The Council has a Procurement Strategy in place covering the period 2023 to 2027. The strategy sets out the Council's vision and priorities to 2027 incorporating the latest government procurement legislation and initiatives.

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 monitors the performance of service providers by holding regular meetings and takes action to resolve issue when they arise.

There is no evidence that suggests the Council is failing to operate a fair procurement exercise for significant contracts.

## **Prior year external audit recommendations**

As we have mentioned in Section 2 of this report, one recommendation for improvement in the Council's improving economy, efficiency and effectiveness arrangements were made by the predecessor auditor in their 2022/23 Auditor's Annual Report. As this report was not issued until January 2024, the Council did not have a chance to address them fully by the end of the 2023/24 financial year and therefore these recommendations are still relevant. This is:

- the Council should look to increase the level of assurance it provides to members over contract management and procurement activity.

Progress on addressing the recommendation and management's comments is set out in Section 8.

***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.***

## 8. Recommendations

### KEY:





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




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

### Current Year Issues

Housing Provision Setup	
	
<p><b>Governance</b></p> <p>The Council is in the process of considering its housing provision. This follows a decision by Members in June 2023 at the Strategy and Resources Committee for Council officers to consider options available, ranging from existing Local Authority powers, or setting up a new company, or registering to become a Registered Provider.</p>	<p><b>Recommendation</b></p> <p>We are aware that Council officers intend to report back on the work undertaken since the decision of the Strategy and Resource Committee in June 2023. This would detail the work undertaken since then as well as the potential routes available.</p> <p>We agree with this as it is important a full consideration is undertaken in order to allow Members to come to an informed decision, particularly ensuring provisions are in place for oversight and risk. Management should seek appropriate legal and financial advice as necessary to inform the update report.</p> <p><b>Management Comment</b></p> <p>Following the 2023 report, we have taken further external legal and tax advice around company structures and also the alternative option of becoming a Registered Provider (RP) under our existing powers and run this through the General Fund as we can hold up to 200 properties before we are required to hold a Housing Revenue Account (HRA). We have engaged further legal, tax and specialist housing advice and currently are drafting a Housing Strategy which will be consulted upon and go to Members in early 2025. Following this a report on the recommended housing structure moving forwards for the Council will be presented to Members for approval.</p>
Corporate Risk Register	
	
<p><b>Governance</b></p> <p>Risks are not mapped against the corporate objectives of the Council.</p>	<p><b>Recommendation</b></p> <p>The Corporate Risk Register should clearly map against the corporate objectives of the Council.</p> <p><b>Management Comment</b></p> <p>Not all risks highlighted on our Corporate Risk Register relate to one of our Corporate Priorities as they may well be corporate wide, however where they do relate this will be made clearer on the risk item.</p>

## Prior Year Issues reported by the predecessor auditor – Ongoing

The below issues for follow-up were raised by the Council's predecessor auditor (Grant Thornton) in the Auditor's Annual Report for 2022/23. As this report was not issued until January 2024, the Council did not have a chance to address them fully by the end of the 2023/24 financial year and therefore the recommendations are still relevant to this report.

Climate Commitments	
	
<p><b>Financial Sustainability</b></p> <p><b>Original Finding</b> The Council does not explicitly identify budgets associated with meeting its carbon reduction targets, within its financial plans.</p> <p>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).</p>	<p><b>Original Recommendation</b> The predecessor auditor recommended the Council set out clearly the anticipated cost of meeting its climate commitments in its budget and MTFP.</p> <p><b>Original Management Comment</b> 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> <p><b>2024 Update</b> We consider this matter ongoing.</p> <p><b>2024 Management Comment</b> As per our previous year management comment it is clear that implementation of carbon reduction measures to meet the target of 2030 is a significant challenge and financial cost. Members need to balance these challenges against delivery of all council corporate priorities and ensure that the council remains financially viable in doing so. There are carbon reduction projects already approved within the existing capital programme and members need to be sighted of future business cases to make informed decisions on each project before committing to capital funding of schemes and balance this against other priorities they want to deliver upon. Our Sustainability and Climate Officer reports regularly to Strategy and Resources Committee on the current carbon reduction position, work that is currently and planned to be undertaken and associated costs in delivery of this and future work.</p>



## Contract Management and Procurement Activity



### ***Improving Economy, Efficiency and Effectiveness***

#### **Original Finding**

It is not clear that there is an extant procurement strategy in place, and reporting on contract performance and waiver activity could be enhanced.

The predecessor auditor 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.

#### **Original Recommendation**

The predecessor auditor recommend that the Council look to increase the level of assurance it provides to members over contract management and procurement activity, by:

- considering ways to integrate reporting on contract performance into its new performance reporting regime;
- implementing regular reporting to the Governance committee on the use of waivers and other contract exceptions; and
- clarifying the status of its procurement strategy and, if necessary, refreshing it.

#### **Original Management Comment**

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.

#### **2024 Update**

We consider this matter ongoing in relation to 2023/24. We are aware though matters have progressed since year-end, which we will be able to confirm in relation to 2024//25.

#### **2024 Management Comment**

Procurement Strategy was approved in July 2024 and the Council is now working in partnership with Devon County Council's Procurement Services team for the provision of procurement support using a new set of guidance and template documentation. The monitoring officer also reports to Governance Committee on any exceptions to contract procedure rules.

## Prior Year Issues reported by the predecessor auditor – Resolved

The below issues for follow-up were raised by the Council's predecessor auditor (Grant Thornton) in the Auditor's Annual Report for 2022/23.

Financial Reporting	
	
<p><b>Financial Sustainability</b></p> <p><b>Original Finding</b> The Council tends not to identify a dedicated savings target within its routine financial monitoring.</p> <p>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.</p>	<p><b>Original Recommendation</b> The predecessor auditor recommended 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.</p> <p><b>Original Management Comment</b> Members receive a quarterly Performance and Financial Management report which contains information around performance against the budget Management comments 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.</p> <p><b>2024 Update</b> We consider this matter closed.</p>
Revenue Reserves Position	
	
<p><b>Financial Sustainability</b></p> <p><b>Original Finding</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.</p> <p>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.</p>	<p><b>Original Recommendation</b> The predecessor auditor recommended 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.</p> <p><b>Original Management Comment</b> Every local authority holds reserves for a variety of different reasons, the Section 1561 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.</p> <p><b>2024 Update</b> We consider this matter closed.</p>



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