



East Devon District Council

Final Auditor's Annual Report
Year ending 31 March 2025

11 February 2026



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

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for East Devon District Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National	Past	Present	Future
 Funding Not Meeting Need The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.	 Financial Sustainability Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.	 Funding Reform The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.	
 Workforce and Governance Challenges Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.	 External Audit Backlog Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.	 Reorganisation and Devolution Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.	

Local

East Devon District Council (the Council) is a district council with a population of around 148,000 residents. Recent data indicates that the population is expected to increase by 19,992 (13%) by 2031. East Devon is a largely rural area but also has market and coastal towns, including the new community of Cranbrook. The population of East Devon has an older age profile with an average age of 51.3 years compared to the national average of 40.4 years. This trend is set to grow with the 65+ age range forecast to increase more than any other age range, growing from 30.1% of the population in 2017 to 32.5% by 2027. An ageing population impacts on the provision of public services, health care, housing, the labour market and economic growth within the local area.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

In summary, our work has identified a continued positive direction of travel during 2024/25 with the Council making further progress since last year in strengthening VFM arrangements. Whilst stakeholders can take assurance from these improvements further work is required to develop fully effective arrangements.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness in relation to the financial health of the Housing Revenue Account (HRA). One key recommendation and three improvement recommendations raised.	One risk of significant weakness identified in relation to the financial health of the Housing Revenue Account.	R The HRA budget for 2024/25 was rebased in July 2024 due to unanticipated overspends in the prior year. This has resulted in further deterioration in reserves and balances at 31 March 2025. Whilst good progress has been made as confirmed in the 2024/25 outturn position, reserves are low, so this remains a significant weakness for 2024/25.
Governance	R Significant weakness identified in relation to accounts preparation and the audit process. One key recommendation and five improvement recommendations raised.	One risk of significant weakness identified in relation to accounts preparation and audit.	A The Draft 2024/25 financial statements were produced ahead of the end of June 2025 deadline. Our audit of the 2024/25 statements indicates a stepped change in the Council's commitment and ability to produce materially accurate statements and support the challenging audit process. Whilst a qualification remains and more work is required to regain full assurance this is an important first step.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified. Four improvement recommendations raised in relation to improving economy, efficiency and effectiveness.	One risk of significant weakness identified in relation to standards of service provision for housing.	A There has been no General Fund key performance indicator data shared with any committee since December 2023. A new key performance indicator reporting system is in the process of being upgraded. We raise one improvement recommendation around the introduction of the new system.

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council recorded a small underspend (£0.712 million) against budget on the General Fund for 2024/25 and has further strengthened General Fund balances in year.

The Council has proactively taken steps to return the Housing Revenue Account (HRA) to financial sustainability as 2024/25 progressed. This included rebasing the 2024/25 HRA budget in July 2024. Other actions include making changes to staffing; rolling out training; engaging for the preparation of an Asset Management Strategy; and preparing to move to a planned rolling programme of maintenance to reduce dependency on reactive repairs work.

Whilst the revised HRA budget was achieved, reserves have been further depleted during 2024/25 and this area remains a significant weakness.

The Council is currently restructuring to create a Project Office that can oversee savings delivery corporately.



Governance

Relationships between officers and members appear to be working well, facilitating decision making. For example, complaints that the Standards Committee received updates on fell from 33 in November 2023 to 9 in January 2025.

Our audit of the 2024/25 statements indicates a stepped change in the Council's commitment and ability to produce materially accurate statements and support the challenging audit process. Whilst a qualification remains and more work is required to regain full assurance this is an important first step.

There are other positive findings around governance: The Local Government Association carried out a review of progress with previous recommended actions in November 2024 and was able to report that 89% of all previous recommendations around governance, scrutiny and standards have now been implemented by the Council.

However, Management should be prompted to respond in a timely fashion to internal audit recommendations.



Improving economy, efficiency and effectiveness

There has been no General Fund key performance indicator data shared with any committee since December 2023. We are aware that progress against the Council's action plan has been shared instead; and that the key performance indicator reporting system is in the process of being upgraded. The new upgraded system will need time to be fully embedded.

A new partnerships policy was adopted in November 2024.

Internal Audit have indicated that almost all recommendations on electrical safety in the housing stock have been actioned by the Council.

During a strategic review of leisure, the Council identified that break clause arrangements in one thirty-year contract needed clearer wording. An amendment was agreed with the contract partner to bring wording inline with best practice. We see this as an example of the Council being vigilant in its approach to contract management.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	The Council published its draft 2024/25 financial statements ahead of the 30 June 2025 deadline. Our audit of the 2024/25 statements indicates a stepped change in the Council’s commitment and ability to produce materially accurate statements and support the challenging audit process. The audit this year has not been without challenges but whilst our proposed opinion for 2024/25 remains qualified and the Property Plant and Equipment issues arising this year will be reflected in this qualification, Assurance can be taken that the Council is moving forward and is now much better placed to regain full audit assurance in future years. As a result of the prior years backstops we were unable to form an opinion on the financial statements for 2024/25 and issued a modified, disclaimer opinion on the 2024/25 financial statements on 11 February 2026.
Use of auditor’s powers	We did not exercise our statutory powers.



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

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Council published its draft 2024/25 financial statements ahead of the 30 June 2025 deadline. Our full post-statements audit commenced in late September 2025 and as at 19 January 2026 our in-year audit is well progressed.

Our audit of the 2024/25 statements indicates a stepped change in the Council's commitment and ability to produce materially accurate statements and support the challenging audit process.

Whilst lots of progress has been made in our Property Plant and Equipment (PPE) testing, our work this year continues to identify issues that individually and cumulatively are indicative of material error. The main areas of concern relate to the valuation of your leisure facilities, play areas and your depreciation charges. Given the backstop from prior year, it was never going to be possible to regain full assurance over PPE in 2024/25 but a key action for 2025/26 will be for the Council to prioritise these areas to ensure they are correctly valued going forward.

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We will conduct our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

Our findings are set out in our Audit Findings report that was presented to the Audit & Governance Committee at the end of January 2026. A final version of this report was issued alongside our auditor's opinion on 11 February 2026.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

Our work is now complete in this area and there are no issues that we have identified in respect of compliance with the Code.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

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

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council incurred a small underspend (£0.712 million) against budget on the General Fund for 2024/25 and has further strengthened General Fund balances in year. The General Fund Balance stood at £4.8 million at the end of 2024/25. This is at the upper end of the General Fund’s preferred minimum prudent amount. For the HRA, we reported a significant weakness in arrangements for financial sustainability in 2023/24 due to significant, unplanned overspends that adversely affected reserves and balances. Unplanned overspends on repairs and maintenance in 2023/24 involved commitments that had to be honoured in 2024/25 and as a result the Council proactively rebased the 2024/25 budget in July 2024. This impacted on the Council's ability to finance the HRA capital programme and resulted in an increase in HRA borrowings and a reduction in HRA reserves by the end of the year. The Council was proactive during 2024/25 in taking steps to return the HRA to financial sustainability as the year progressed. This included making changes to staffing; rolling out training; engaging for the preparation of an Asset Management Strategy; and preparing to move to a planned rolling programme of maintenance to reduce dependency on reactive repairs work. However, it will take time for these measures to take full effect. Whilst the revised HRA budget was achieved for 2024/25, the overall reduction in reserves and increase in borrowing still needs time to be addressed, as can be seen on page 16 of this report.	R

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

Financial sustainability – commentary on arrangements

We considered how the Council:

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

Commentary on arrangements

As the table below shows, HRA reserves fell in 2024/25 and HRA borrowings increased. We note that the Council had assessed the minimum prudent amount on the HRA reserve to be £3.1 million (or £2.1 million after allowing for headroom). By the end of 2024/25, the balance stood at £1.764 million – and had therefore fallen below the Council’s minimum prudent amount. We further note that it was only after the end of the year that an up-to-date Stock Condition Report for the HRA was available to officers to inform future budgeting for the HRA.

	31 March 2024 £	31 March 2025 £	Direction of travel
HRA General Reserve	3,100,000	1,764,000	↓
HRA Earmarked Reserves	982,995	162,194	↓
Right to Buy/ Capital Receipts Reserve	6,096,493	5,703,470	↓
HRA Borrowing	87,212,823	92,515,479	↓

Rating

R

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: Unplanned overspends on repairs and maintenance in 2023/24 involved commitments that had to be honoured in 2024/25 and as a result HRA reserves and balances have fallen further during the year and HRA borrowings have increased. There are steps already underway to rebuild financial sustainability, but it will take time for these to embed into normal business practice and for full financial turnaround to be achieved. In the meantime, a new Stock Condition Report became available shortly after the end of 2024/25 and needs to be taken into account in future planning.

Evidence: HRA financial reports; discussion with officers.

Impact: Reduced financial sustainability in the HRA. The HRA General Reserve is currently lower than its assessed minimum prudent amount.

Key recommendation 1

KR1:

Steps taken so far to rebuild sustainability in the HRA should be advanced, reflecting the outcome of the recent Stock Condition Report and should be embedded into business practice. This should include planning into the medium term to ensure deemed minimum balances are reinstated. The Council estimates that it will take a number of years to recover the HRA financial position which should include reserves and balances back at prudent levels and in year expenditure not exceeding income.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council's plans for Transformation are contained within its Financial Sustainability Model. Savings have traditionally been driven by service reviews carried out by individual services. However, the Council is currently restructuring to create a Project Office that can oversee savings more corporately. In specific areas, for example around leisure, there have been workshops during the year to involve members in future decisions around efficiency. The latest ten-year medium term financial plan indicates that budget gaps after ten years could be met with service cuts. In the run up to potential re-organisation, it will be important that current opportunities for efficiency now continue to be actively explored and promoted. This is already occurring. For example, the Council has undertaken good work around increasing efficiency in the future leisure contract, regardless of the fact it will run after local government reorganisation is expected. This is proactive and a good example to follow in other areas of the Council's business as the wider changes to the political landscape of Devon are agreed.	G

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	Planned spend is consistent with the Council's corporate priorities. Prior year overspends on the Housing Revenue Account are being addressed through the budget process; changes to team members; and updated training for team members so that they are clear on which spend is or is not legally required.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Medium-Term Financial Plan is consistent with other corporate plans. On the capital programme, month 9 data showed that there had been significant slippage in the planned General Fund capital spend (from a budget of £35 million to a forecast of £22 million). Affected areas included spend through the Economy and Regeneration directorate (£4.7 million) and through Street Scene (£8 million). We note that within the Economy and Regeneration team, there were difficulties in identifying projects to proceed with that met the required funding criteria. Within Street Scene, there were examples of new part funding from other sources being identified in the year. Overall, the information provided to Cabinet was granular and oversight over the programme was good. The capital programme for 2025/26 anticipates the overall value of the capital programme increasing back to around £31 million.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Financial risks are monitored and shared with the Audit and Governance Committee via the corporate risk register. The most recent corporate risk register included two financial risks: One around sufficiency of resources to deliver corporate resources, and one around the Housing Revenue Account Balance. The Corporate Risk Register records planned mitigations. We note that the Council assessed the Housing Revenue Account Balance risk as RED both before and after mitigation. Given that by the end of 2024/25 the Housing Revenue Account Balance is forecast to stand at £1.776 million whereas the minimum prudent amount even without allowing for headroom stands at £2.1 million, the decision to record this risk as RED/ RED on the register seems reasonable.	G

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

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council used a SPAR.net system for collecting, assessing and managing risk during 2024/25. The Council's Risk Management Policy states that the risk register will be shared bi-annually with the Audit and Governance Committee. For 2024/25 it was only shared once - in January 2025. However, progress on a project to replace the current system was shared twice in the year (September 2024 and January 2025). There were risk training and workshop events through the year for directors, assistant directors and corporate managers. Furthermore, officers inform us that a new risk and performance management system went live on 3rd April 2025. As an interim, before the system went live, details were recorded on spreadsheets, with all data being held and monitored there. The Internal Audit service is provided by the South-West Audit Partnership, and the relationship works well. We note however that there have been some delays by the Council in implementing Internal Audit recommendations. For 2024/25, there were 123 open recommendations to address by the end of Quarter 3. There is work across the Council to introduce better dashboard reporting once a new risk and performance management system is introduced. Stronger prompting to management to action internal audit recommendations should be explored as part of this work. By year end, Internal Audit reported that 40% of their recommendations had been actioned.	A

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

Governance (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: For 2024/25, there were 123 open recommendations to address by the end of Quarter 3. There is work across the Council to introduce better dashboard reporting once a new risk and performance management system is introduced. Stronger prompting to management to action internal audit recommendations should be explored as part of this work.

Evidence: Internal audit progress reports and discussion with officers.

Impact: Slow implementation of internal audit recommendations increases risk of control weakness becoming significant.

Improvement Recommendation 1

IR1: Management should be prompted to respond in a timely fashion to internal audit recommendations.



Governance – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

approaches and carries out its annual budget setting process	Notwithstanding the overall budget underspend by year end on the General Fund, we note that there were some areas of variance through the year. For example, at the end of month 9, areas reporting variances against budget of between 10% and 35% included corporate business services; economy and regeneration; strategic development and partnerships; sustainable homes; and finance. At year end , two areas were reporting variances of 20% against budget – finance; and sustainable homes and communities. The Council has asked Internal Audit to carry out a review of variances causes, with a view to strengthening budget setting arrangements in the future. We note that for the Housing Revenue Account, a new Stock Condition Report and thirty-year business plan will be available for the 2026/27 budget setting process.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council has not had an audited set of financial statements since 2020/21 and production of the draft accounts was often late, this resulted in a significant weakness in this area in the prior year. The Council published its draft 2024/25 financial statements ahead of the 30 June 2025 deadline. Our audit of the 2024/25 statements indicated a stepped change in the Council’s commitment and ability to produce materially accurate statements and support the challenging audit process. Whilst lots of progress has been made in our Property Plant and Equipment (PPE) testing, our work this year continues to identify issues that individually and cumulatively are indicative of material error. The main areas of concern relate to the valuation of your leisure facilities, play areas and your depreciation charges. Given the backstop from prior year, it was never going to be possible to regain full assurance over PPE in 2024/25 but a key action for 2025/26 will be for the Council to prioritise these areas to ensure they are correctly valued going forward. We note that Cabinet received regular budget and treasury monitoring data throughout 2024/25. We note that by the end of 2024/25, the General Fund had made total loans of some £15.8 million to the Housing Revenue Account to minimise the need for new external borrowing at a time of raised interest rates.	A

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

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	There are positive findings around governance: - The Local Government Association carried out a review of progress with previous recommended actions in November 2024 and was able to report that 89% of all previous recommendations around governance, scrutiny and standards have now been implemented by the Council; - A new Chief Executive Officer was appointed to the Council in May 2024 (the role previously having been shared by three key officers). Senior officers and members have worked well together on exploring budget improvements; - East Devon District Council (EDDC) is one of eight councils in Devon to have submitted a joint proposal to the government for reorganisation. The EDDC leader and senior officers played a key role in co-ordinating the work for this proposal with the other Councils involved; and - The Audit and Governance Committee meets regularly; has access to appropriate training; and has approved the recruitment of two new independent members (the first of whom took up post at the end of 2024/25).	G

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

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	There are arrangements for compliance with legislative and regulatory standards rest on the Constitution; the Monitoring Officer; and Contract Procedure rules. There are arrangements in place for complaints to be made against members where necessary. However, we are pleased to note that the number of complaints being dealt with by the Standards Committee is much lower now (9 updated in January 2025) than was the case in previous years (33 updated in November 2023), which suggests that most relationships are working well. We note that the Constitution was in the process of being updated at the time we completed our work.	G

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

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	There has been no General Fund key performance indicator data shared with any committee since December 2023. We are aware that progress against the Council's action plan has been shared instead; and that the key performance indicator reporting system is in the process of being upgraded. The new upgraded system will need time to be fully embedded.	A
evaluates the services it provides to assess performance and identify areas for improvement	The Council has responded well and at pace to recommendations made by Centre for Governance and Scrutiny and the LGA Peer Review. Internal Audit reported in July 2025 that almost all issues raised by the Regulator for Social Housing on electrical safety have now been addressed.	G
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	The Council has effective arrangements for partnership working in place. A new Partnerships Policy was introduced in November 2024, and this includes defined arrangements for monitoring and review of partnership working. The Council is proactive in making sure that strategic partnerships remain fit for purpose. For example, it commissioned a strategic review of the Science Park partnership in 2024/25 and is now engaged in reviewing best future arrangements for waste and leisure partnerships.	G
commissions or procures services, assessing whether it is realising the expected benefits	Budgetary approval has been granted for the recruitment of a new in-house procurement officer. Updating and streamlining arrangements will be part of the new officer's remit. During a strategic review of leisure, the Council identified that break clause arrangements in one thirty-year contract needed clearer wording. An amendment was agreed with the contract partner to bring wording inline with best practice. We see this as an example of the Council being vigilant in its approach to contract management.	G

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

Improving economy, efficiency and effectiveness (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: There has been no General Fund key performance indicator data shared with any committee since December 2023. However, we are aware that the key performance indicator reporting system is being upgraded.

Evidence: Reports to committees; discussion with officers.

Impact: Gap in performance reporting to members.

Improvement Recommendation 2

IR2: The new upgraded key performance indicator system needs to be embedded within the business and used in 2025/26.



05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendation raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	Steps taken so far to rebuild sustainability in the HRA should be advanced, reflecting the outcome of the recent Stock Condition Report and should be embedded into business practice. This should include planning into the medium term to ensure deemed minimum balances are reinstated. The Council estimates that it will take a number of years to recover the HRA financial position which should include reserves and balances back at prudent levels and in year expenditure not exceeding income.	Financial sustainability (page 17)	Actions: Good progress has been made, and a suite of regular reports are presented to the Housing Review Board to evidence progress against the financial position, stock condition updates, and the business plan which includes financial sustainability measures and evidence. Responsible Officer: Director for Housing and Health; and Director for Finance. Due Date: Ongoing, latest position reported 1st July 2025.

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	Management should be prompted to respond in a timely fashion to internal audit recommendations.	Governance (page 22)	Actions: Actions already taken with improved organisational awareness, reporting and responsibility. Latest report to Audit and Governance Committee 24th July 2025 showed a continuing improved position with 49 actions closed since last reported. This will be kept under review by SLT. Responsible Officer: SLT Due Date: Ongoing, with quarterly reporting to the Audit and Governance Committee.
IR2	The new upgraded key performance indicator system needs to be embedded within the business and used in 2025/26.	EEE (page 27)	Actions: There is currently a live project being implemented. There have been difficulties with the supplier which has delayed progress and the Council is currently reviewing its options moving forward. Responsible Officer: Director for Governance. Due Date: March 2026.

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council needs to review all assumptions and models used in developing the 2024/25 budget to ensure it has an accurate and robust base budget. The Council also needs to update and agree a sustainable HRA business plan as a matter of urgency and ensure that prudent levels of HRA reserves are maintained over the medium term by mitigating the impact of annual deficits on reserves. That plan should reflect the maintenance requirements of the housing stock condition survey, decarbonisation programme and other financial pressures.	2023/24	Unplanned overspends on repairs and maintenance in 2023/24 involved commitments that had to be honoured in 2024/25 and as a result HRA reserves have fallen in value and HRA borrowings have increased in value. There are steps already underway to rebuild financial sustainability, but it will take time for these to embed into normal business practice and achieve the financial turnaround hoped for. We raise a new key recommendation for 2024/25.	Superseded	N/A. We raise a new key recommendation on page 17 of this report.
KR2	The Council should ensure that the annual draft accounts together with associated working papers are published in accordance with the national timetable.	2023/24	Accounts for 2021/22, 2022/23 and 2023/24 were all backstopped. There had been issues with the timelines of accounts preparation. The Council created a new post to support faster closing on draft accounts preparation for 2024/25. Recruitment to that post is ongoing. A draft statement of accounts for 2024-25 has been published. We will conclude our judgements on whether the Council is able to fully support the audit process later in the year, once the post-statements audit is in progress.	Please see page 9.	Assurance can be taken that the Council is moving forward and is now much better placed to regain full audit assurance in future years. Further work will be required in 2025/26 to continue this recovery.

07 Appendices

Appendix A: Responsibilities of the Council

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

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

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

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

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

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should take corrective action to avoid the significant in-year cost of service variations against budget experienced in 2023/24. Where such variations are identified the Council should set out more clearly the longer-term impacts of those variances including its reasoning for how those impacts have been assessed.	2023/24	Internal Audit has been engaged to review budget setting arrangements with a view to reducing future variances.	Closed	N/A
IR2	The Council’s financial planning arrangements should be further strengthened by ensuring that the newly emerging financial risks associated with the new waste and recycling contract and payments to the Leisure Services contractor LED are managed appropriately.	2023/24	Proposals for new service delivery models for the waste contract are ongoing, and members are sited on developments. For the leisure contract, the Council is in discussion with its contract partner.	Closed	N/A

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council should ensure that the new Asset Management Plan is in place prior to the 2025/26 budget planning round.	2023/24	Work is ongoing to develop General Fund and Housing Revenue Account Asset Management Strategies.	Closed	N/A
IR5	The Council should fully implement the recommendations from the LGA Peer Challenge and the CFGS governance review.	2023/24	LGA Peer Reviewers concluded in November 2024 that 89% of recommended Actions had been implemented. This included recommendations around the Scrutiny Function which had been made by the Centre for Governance and Scrutiny.	Closed	N/A
IR5	The Council should consider changes to further enhance its risk management arrangements	2023/24	A project has been ongoing throughout 2024/25 to introduce a new risk management system from April 2025. Officers inform us that the new system is now live.	Closed	N/A

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	An annual Counter Fraud Plan should be presented to Audit and Governance Committee annually for approval and an annual counter fraud report should be presented to Audit and Governance Committee to provide detail of the activities and outcomes of counter fraud work.	2023/24	A Counter Fraud Plan and Delivery Report was shared with the Audit and Governance Committee in November 2024. An arrangement has been agreed for annual presentation thereafter.	Closed	N/A
IR7	The Council should consider including the following mandated sections into committee reports - equalities, public health, safeguarding, climate change, HR, property , crime and disorder, procurement and risk.	2023/24	Current templates include equalities and climate impacts and some limited information around financial and legal impacts. A new template has been developed and is about to go live.	Closed	N/A

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should ensure the continued effectiveness of the Audit and Governance Committee by conducting a self-assessment exercise, in line with the Chartered Institute of Public Finance and Accounting’s (CIPFA) methodology.	2023/24	The Audit and Governance Committee shared the results of a self assessment exercise they had undertaken in November 2024. Arrangements are now being implemented for an annual report; annual evaluation; the recruitment of independent members; and introducing independent meetings with the auditors.	Closed	N/A
IR9	The Council need to embed the improvements in performance management recommended in our 2022/23 Auditors Annual Report and the 2023/24 internal audit report on performance management . The Council should endeavour to report performance information to members in a timely fashion	2023/24	A new key performance indicator system is being developed. Action plan progress has ben shared with committee in the meantime.	Superseded. We raise a new improvement recommendation for 2024/25.	N/A. We raise a new improvement recommendation on page 27 of this report.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR10	An update report is presented to Housing Review Board to update them on progress against agreed improvements in complaint handling in the Housing department	2023/24	Quarterly key performance indicator data shared with the Housing Review Board includes data on overall satisfaction with complaints handling.	Closed	N/A
IR11	The Council should embed the recommendation of the internal audit report on strategic partnerships issued during 2023/24.	2023/24	A new partnerships policy was adopted in November 2024. The Council is taking a proactive and strategic approach towards partnerships in the science park, waste and leisure areas.	Closed	N/A

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR12	We would recommend that the Council should place a focus on the following: ensure that any enhancements to procurement and contact management arrangements are completed in line with required timescales to meet the requirements of the 2023 Procurement Act and embedded as business as usual. report periodically (at least annually) to members at a public meeting, such as Audit and Governance Committee the number and extent of waivers and exemptions.	2023/24	Budgetary approval has been granted for the recruitment of a new in-house procurement officer. Updating and streamlining arrangements will be part of the new officer's remit.	Closed	N/A



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