Interim Auditor's Annual Report on Torbay Council

2021/22 and 2022/23

July 2023

Final

Contents

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

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

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.

Executive summary

Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the authority's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the authority's arrangements for 2021/22 and 2022/23 to ensure our reporting and assurance to the Council are fully up to date. As part of our work, we considered whether there were any risks of significant weakness in the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2021/22 Auditor Judgment	Direction of travel	2022/23 Auditor Judgment
Financial sustainability	No significant weaknesses identified but five improvement recommendations made	↔	No significant weaknesses identified but five improvement recommendations made
Governance	No significant weaknesses identified but four improvement recommendations made	↔	No significant weaknesses identified but three improvement recommendations made
Improving economy, efficiency and effectiveness	No significant weaknesses identified but one improvement recommendations made	↔	No significant weaknesses identified but two improvement recommendations made

Financial sustainability

The Council delivered a balanced budget for 2021/22 which included a transfer to reserves. The Council is reporting a surplus of £400k for 2022/23 outturn which will be transferred to reserves. The Council's working balance reserve position continues to be low in comparison to the target balance, however, the Council have an earmarked reserve to provide further cushioning. Overall, the reserves position is relatively healthy. The Council has robust arrangements in place with respect to budget management and demonstrated strong financial control in recent years. There are risks associated with the DSG deficit surrounding the demand-led pressure on the High Needs Block and the expiry of the statutory override. Overall, we have found no areas of significant weakness in the Council's arrangements to secure financial sustainability. We have raised five improvement recommendations.

Governance

The Council has appropriate arrangements in place to manage risk and an adequate and effective internal audit service in 2021/22 and 2022/23. The approach to risk management has improved significantly from 2020/21 to 2022/23. There is some room for improvement with regard to the audit committee arrangements. The Council-owned company SWISCo required funding in 21/22 and 22/23 so the Council must continue to manage the risks associated with this. The governance arrangements are effective, no significant weaknesses found. We have raised three improvement recommendations.

Improving economy, efficiency and effectiveness

The Council has improved significantly performance-wise. The Council has shown significant improvement in several performance indicators in the Corporate Plan from 20/21 to 21/22 and then again from 21/22 and 22/23. Children's services has improved remarkably which is a great credit to the Council. This has been recognised and resulted in the relaxation of external supervision. The procurement function is also an improvement journey. The Council has put the appropriate governance arrangements in place to manage its procurement transformation programme. Overall, appropriate arrangements are in place with regard to the Council's arrangements to achieve economy, efficiency and effectiveness. No significant weakness identified and two improvement recommendations raised.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not issue.	We did not issue.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue.	We did not issue.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply.	We did not apply.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue.	We did not issue.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply.	We did not apply.

Securing economy, efficiency and effectiveness in the local authority's use of resources

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

Local authorities 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 authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

Financial Sustainability

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

Improving economy, efficiency and effectiveness

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

Our commentary on the authority's arrangements in each of these three areas, is set out on pages 6 to 32. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the Council:

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

2021/22 planning and performance

The 2021/22 budget was set against the backdrop of COVID-19 and the resulting financial pressures that had a fundamental impact on local economies and nationwide uncertainty surrounding the financial impact of Brexit negotiations, the prospect of a potential new funding formula (that was eventually delayed), changes to adult social care, and general uncertainty on the future funding arrangements with central government.

The Council set a budget for 2021/22 of £116m. The Council delivered a balanced budget for 2021/22 which included a £0.8m transfer to earmarked reserves. The Council underspent on the Adult Services, Children's Services, Corporate Services and Executive and Finance budgets for 2021/22. The investment portfolio reported a balanced budget and the Place directorate reported a minor overspend. As per the 2021/22 accounts, the outturn for the Council for 2021/22 was broadly in line with the in-year monitoring forecasts with overspends in Place and Corporate budgets linked in part to recruitment and retention issues and the budget shortfall in SWISCo, the Council's services company. Overall, the Council enjoyed reasonably comfortable financial performance for the year.

As per the 2021/22 budget, the Council stated the intention to deliver a £8.8m savings package in the year. See savings section for commentary on this.

2022/23 financial planning and performance

In 2022/23, the Council was still feeling the impacts of COVID-19 yet the funding from government to meet the costs ceased. Add this to additional pressures in adult social care, children's services, budget costs, inflation, interest rates, Brexit and supply chain issues and it is clear that all Councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability. The Local Government Finance Settlement was a one-year settlement for 2022/23 only. This short termism runs counter to sound financial planning and increases the challenge for Councils to make credible assumptions against which to base budgets.

The Council set a balanced net budget for 2022/23 of £120.4m. The 2022/23 budget did not include any use of earmarked reserves to fund base budget costs to achieve a balanced position. Earmarked reserves were budgeted to be used to fund the three-year impact of the collection fund deficit and to cover some COVID related costs that were only temporary.

As per the MTFS produced in October 2020, the Council stated the intention to deliver a £3.6m savings package for 2022/23. See savings section for commentary on this.

The Council is reporting an outturn of £400k surplus for 2022/23. This surplus is set to be transferred to reserves.

Financial sustainability

2023/24 budget

The Local Government Finance Settlement for 2023/24 was better than the Council had expected. The Spending Review total for local government increased by £1.6 billion in 2022/23 and in 2023/24 the Review stated that this would be the same 'cash' level as 2022/23. Though the impact of COVID on Council finances has reduced significantly, the current predicted high inflation rates and cost of living crisis has increased pressure on Council budgets. The Council's 2023/24 budget acknowledged: 'the single biggest cost pressure in the proposed 2023/24 budget is the impact of inflation on Council costs.'

In May 2022, the Council was originally forecasting the need for a £5.3m savings package in 2023/24. Due to a better-than-expected funding settlement, the target for the year is now £1.3m to achieve a balanced budget.

The 2023/24 budget proposals do not include any use of earmarked reserves to fund base budget costs to achieve balance. Based on the 2023/24 budget, the target reserve level for the Council is £6.5m. The Council's current general reserve sits at £5.7m as at the end of 2022/23. The Council's reserve position therefore continues to be low in comparison to the target balance but it is important to note that the Council has a supplementary earmarked reserves specifically for budget pressures. Overall, the reserves position is relatively healthy.

Savings

In our view, the Council do not have appropriate arrangements in place to monitor the delivery of savings. There is extremely limited transparency surrounding the Council's savings monitoring and delivery. The Council stated the intention to deliver a £8.8m savings package in 2021/22, a £3.6m package in 2022/23 and £1.3m savings package in 2023/24. There is no monitoring or reporting on individual savings during the year externally. The Council should have arrangements in place to monitor savings delivery independently of basic budget monitoring at the corporate level.

The only evidence to demonstrate whether the Council delivered the planned savings scheme is the budget monitoring and outturn reports. Though it is important to note that these do not demonstrate delivery of savings but rather management of budgets. While the two are related, there is also an important distinction. For example, the Council finished 2021/22 with a balanced budget that included a £0.8m transfer to earmarked reserves. This therefore implies that the Council delivered its £8.8m savings package, as the balancing of the budget was predicated on the delivery of that savings package.

Historically robust budget management suggests that the Council did not feel this level of reporting to Members was required. The difficulty in using this as evidence of savings delivery is that there is no evidence whether the savings identified at budget setting were the savings that actually ended up being delivered. There is also no evidence to demonstrate whether the £8.8m was actually satisfied by an alternative means (for example, increased grant funding or income generation) as the Council does not report or monitor on delivery of those particular savings.

While the Council can demonstrate effective budget management, the Council cannot demonstrate that it has appropriate procedures in place to manage savings delivery. We have raised an improvement recommendation in this area. The Council should have arrangements in place to monitor savings at a committee level. The initial savings proposal and any changes to initial proposals during the year should be approved by Members. The quality impact of proposed savings should also be assessed and monitored during and after implementation to assess whether any quality risks have occurred. Stakeholders should also be consulted during the development of savings plans.

The Council have been able to make budget reductions of approximately £90m over the past seven years to deliver balanced budgets. The capability to deliver savings is therefore not the issue. The issue surrounds transparency of reporting, evidence of monitoring and management of savings. Based on previous delivery and budget management, the savings packages in the MTFS appear reasonable. The difficulty surrounds the transparent reporting of savings and budget reductions. As stated in the CIPFA Financial Management Code, 'knowing that savings are required is helpful, but knowing how these savings are going to be achieved is critical.'

The Council has established a Transformation and Council Redesign Board to implement transformation projects and improve service performance. This will hopefully go some way to ensuring improved reporting. The Council recognises the need to implement transformational and re-design projects at pace to deliver savings. There is also an increased focus on cost reductions on high value budgets in adults and children's social care. The Council should incorporate our recommendations raised into the design of its new savings tracking apparatus to ensure effective monitoring, reporting and ultimately delivery of savings plans.

Financial sustainability

Reserves and budget gaps

In 2020/21, the Council was able to increase its general fund reserves by £1m to £5.7m which was 5% of the Council's net budget at the time. This is still a relatively low level of reserves compared to other unitary authorities. The Council's general fund reserve has remained at £5.7m for 2021/22 and 2022/23. For 2021/22, this is approximately 5% of the net budget and for 2022/23, this is equivalent to 4.7% of the net budget. The Council did not use any general fund reserves during 2021/22 or 2022/23. Based on the budget of £130.6m for 2023/24, the target reserve level would be £6.5m. The 2023/24 budget does not include any use of earmarked reserves to balance the budget. The Council do not plan to deplete the £5.7m reserves balance in the medium-term.

The Council has an earmarked reserve called the Comprehensive Spending Review Reserve which is purposed to fund costs associated with future budget reductions. The reserve stood at £3m as at 31 March 2022. The Council are planning on increasing this reserve by £0.5m annually in the medium-term. The Council continue to set the target for the CSR reserve at a minimum of £3m.

The unearmarked general fund reserve and the CSR earmarked reserve are therefore the two reserve balances with the express purpose of smoothing future revenue budget gaps. Therefore, while the general fund reserve balance might be low in comparison with other unitary authorities, the Council have the CSR reserve as a contingency to the general balance. The combination of these two reserves is shown below:

	20/21	21/22	22/23	23/24	24/25	25/26
Unearmarked Reserves						
Unallocated General Fund Reserves	4.6	5.7	5.7	5.7	5.7	5.7
Earmarked Reserves						
Comprehensive Spending Review Reserve	2.4	3.0	3.5	4.0	4.5	5.0
Total	7.0	8.7	9.2	9.7	10.2	10.7

The Council are anticipating a £13m cumulative budget gap over the medium-term period. The Council have therefore identified the need to deliver a savings plan to meet the budget gaps. The following savings are required in the medium-term:

Savings	2023/24	2024/25	2025/26
In-year savings required to balance budget	1.3	3.7	7.8
Cumulative savings required	1.3	5	12.8

Based on current predictions, should the Council's savings plan fail to materialize, this would put increased pressure on the Council's already low level of reserves. If the Council were required to fund the entire funding gap from the general fund reserves (i.e. no savings or budget reductions were delivered), this would only cover the budget gap until 2024/25 before exhausting the reserves balance. The budget gap for 2023/24 is £1.3m, if this were funded by the general reserves and CSR reserve, this would take the balance down to £5.7m. This would be sufficient to cover the 2024/25 budget but would not cover the 2025/26 position. Though this is undoubtedly a worst-case scenario position, it is important to consider when assessing the Council's medium term financial sustainability. This risk is further exacerbated when the DSG deficit is considered alongside the identified revenue budget gaps, though this need not be the case at this given time due to the statutory override.

Budgetary control and financial management

The Council has formal processes in place to ensure budgets are robustly, efficiently and effectively managed and controlled. Financial management is conducted in accordance with the Standing Orders in relation to the Budget and Policy Framework and the Financial Regulations set out in the Council's Constitution, which was updated in May 2023.

Financial sustainability

The Financial Regulations aid the Council in good financial management and outline the necessary procedures to secure the proper administration of financial affairs. Full Council has responsibility for the budget and Policy Procedure Rules, including the allocation of resources in line with corporate priorities via the MTFS, setting the revenue budget, Council tax and housing rents, approving the Capital Strategy, and setting the Treasury Management Strategy. The Council's Scrutiny Committees have a role in scrutinizing the Council's MTFS.

Financial resilience has been a significant issue for local authorities since 2012/13 due to the substantial reductions in grant funding from central government. This context emphasises the need for authorities to have strong financial governance and planning.

Torbay Council has demonstrated sound financial management through the development of a plan to replenish the reserves balance and not seek to run down the reserves indefinitely without a specified plan to replenish. As stated in the CIPFA Financial Management Code, 'the authority's reserves should not generally be used to pay for day-to-day expenditure. They should not, except in the most exceptional circumstances, be used to fund a budget shortfall either, without a plan in place to address the underlying deficit and to replenish the reserves.'

The Council has also demonstrated strong financial control in budgetary management in recent years. Since 2018/19, the Council has reported an underspend against its revenue budget alongside a corresponding transfer to reserves for every year excluding 2019/20 where there was an overspend. Unplanned overspends have been identified as a common symptom of financial stress in authorities in financial difficulty in recent years. Torbay Council has demonstrated that this does not apply to the authority and it has been building up its reserves through sound budget management amidst an extremely volatile and challenging wider economic outlook.

The Council's medium term resource plan (MTRP) sets out the resource projections for the next three years and the financial challenges. The Council is forecasting an estimated budget gap of £13m over the three years between 2023/24 and 2025/26. The Council has already started the process of meeting the significant financial challenges through identification and implementation of service changes and income generation opportunities.

We reiterate our findings surrounding the budget management arrangements for the Council from the prior year - the Council have robust arrangements. Budget managers can review budgets at any time, budgets are reviewed by finance team on key risk areas. Budget holders receive a monthly budget monitoring report, all variances over £20k are addressed by the finance team. Reports on budgetary management are provided to all levels of Council management and regular financial monitoring reports are taken to Cabinet and full Council. The Council should consider the ways in which it can better integrate service activity into financial reporting to Cabinet. The Council should consider the ways in which it can assess whether its services achieve value for money by reviewing explicitly the ways in which services are delivered and a greater understanding of its cost base. The CIPFA Financial Management Code 2020 proposes preparing an annual value for money report, summarizing the action that the Council has taken to ensure that its services deliver value for money and how it has sought to improve economy, efficiency, effectiveness and equity. This will ensure greater integration of financial and non-financial information.

The Dedicated Schools Grant (DSG)

In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023/24 to 2025/26. The statutory override means that any DSG deficits do not need to be included in the Council's main revenue budgets.

The statutory override only provides temporary relief for Councils to manage their DSG deficits. When the statutory override expires, Councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from unringfenced general reserves.

The risk arises when many Councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many Councils have become dependent on the statutory override to continue complying with their statutory financial responsibilities in maintaining a balanced financial position.

With the statutory override expiring in 2025/26, there is intense pressure for Councils to devise a plan to manage the DSG deficit to mitigate the risk of funding the deficit from reserves and risk fully depleting the general reserves balance.

Financial sustainability

In June 2022, the government launched the Delivering Better Value in SEND programme. The programme involves sending specialist advisors to probe Council's financial data and try to cut their DSG deficits. CIPFA is a partner in the programme, providing project and change management and financial modelling capacity. The programme runs alongside the Department for Education's 'safety valve' support scheme that offers bailouts for Councils with the largest SEND deficits in return for the implementation of stringent reform.

Torbay Council's safety valve agreement was announced in March 2023 and extends to 2026/27. In line with the agreement, the authority is obligated to reach a positive in-year balance on its Dedicated Schools Grant (DSG) account by the end of 2025/26 and in each subsequent year.

In 2020/21, the Council reported the financial pressure the Higher Needs Block in the DSG was under due to increasing levels of referrals from schools for higher needs support for children. As at 31 March 2021, the DSG deficit stood at £5.8m. By the end of 2021/22, the DSG deficit had increased to £9m. As per the latest budget monitoring report for 2022/23, the Council is reporting the Higher Needs Block to have a forecast deficit of £2.9m in year, with the cumulative DSG deficit increasing to £11.9m.

The Council's current unringfenced general reserves balance as at 31 March 2023 is £5.7m. The DSG deficit is therefore currently greater than the Council's unringfenced general reserves balance. This risk is further exacerbated by the rate at which the DSG deficit is growing. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance.

The DSG deficit has therefore been growing year on year due to pressure on the Higher Needs Block. As per the Council's safety vale agreement with DfE, the Council agrees to undertake control and reduce the cumulative deficit as follows:

Year	Forecast DSG deficit profile at year-end
2022/23	£11.7m
2023/24	£13.0m
2024/25	£13.4m
2025/26	£12.9m
2026/27	£11.3m

Torbay is managing its DSG deficit through a mixture of activities and governance arrangements to facilitate the successful achievement of its actions.

The Council is currently employing cost avoidance actions by putting in measures to reduce demand for statutory assessments and delivering services by alternative means through a whole-system inclusive approach, using the providers and colleagues across the locality to intervene at the earliest point. Torbay have a significantly high number of EHCPs that are driving the Higher Needs Block deficit, the number has been increasing since 2014 when the legislation was introduced. The Council are therefore putting effort toward understanding the drivers of the Higher Needs Block and employing preventative measures to manage the cost drivers.

Alongside early intervention techniques, the Council is investing in greater understanding of the nature of the EHCPs that already exist. The Council has set targets that are broken down into phases of education, types of education provider and types of need to reduce the financial cost of those EHCPs. The Council has revisited the Scheme of Delegation that guides decision-making around EHCPs and is reviewing any provision above £30,000 to ensure that there is a level of scrutiny attached to the plans. The Council are also collecting data and implementing numerous other activities to further understand and manage key indicators to reduce the deficit.

The Council also has a series of governance arrangements in place to support the reduction of the DSG deficit. The governance arrangements can be divided into: public-facing governance, internal governance and external governance arrangements with the DfE.

In terms of the public-facing governance, the Schools Forum meets five times a year (Torbay have added additional meetings to manage the DSG deficit). The Forum unanimously signed up to the Dedicated Schools Grant Management Plan that forms part of the 'safety valve' support scheme. The plan went with the support and endorsement of the Schools Forum into the Education Schools and Funding Agency for approval. The Forum is also recorded and meeting minutes, agendas and papers are publicly available on the Council website.

In terms of internal governance, at the first level, there are fortnightly meetings between the divisional directors and the operational employees in the SEND team delivering the change around the plan. This is monitored weekly with dashboards internally produced which are used as part of the targeting work to ensure progress against the plan.

Financial sustainability

The Council have a Safety Valve Board which holds the authority to account on the targets and actions part of the safety valve plan. The Safety Valve Board reports up to the Transformation Board which is chaired by the Chief Executive. The Safety Valve programme is also part of the Overview and Scrutiny Board's programme for the year and it has been taken to Cabinet for key risks.

In terms of external governance with the DfE, the Council will report tri-annually as a minimum to the DfE on its progress towards implementing the plan. The Council has received its monitoring schedule from the DfE – its first report is due on the 16th June, the second report on the 15th September and third on 15th December 2023. The Council, so far, has made promising progress against the plan. For the first time, this year, the Council have reduced the EHCPs rather than increased them. This will be included in their first report to the DfE in June 2023.

Overall, there are still risks associated with the DSG deficit surrounding the demand-led pressure on the High Needs Block and the expiry of the statutory override. The Council appear to have the appropriate architecture in place to facilitate this reduction and are making good progress against the actions in the plan. The Council must continue to direct effort toward the plan.

Capital

The development of the Capital Plan is managed by the Corporate Asset Management Team (CAMT) in collaboration with the Chief Executive, Directors, Divisional Directors and Heads of Service. The CAMT utilise the capital prioritisation process approved by the Council to ensure projected expenditure is taken into account for the four-year period of the capital plan. Normally, at least two months before the Council's budget meeting, the Cabinet will publish a timetable in the Forward Plan for making proposals to the Council for revisions to the Capital Plan. The proposals will then go through the Overview and Scrutiny Board for consideration. The proposals may be pushed to Cabinet if the Overview and Scrutiny Board wish to do so. At the end of the period, Cabinet will finalise its proposals and submit them to Council for consideration and the Council will adopt the proposals.

During the year, if a decision is likely to result in capital expenditure above £250,000, it will be treated as a 'key decision' which is reserved for Full Council and cannot be delegated.

The Capital Plan is funded from capital receipts, capital grants and contributions, reserves and revenue budget contributions, and long-term borrowing to ensure a balanced budget over the life of the Plan. The Council's current Capital Plan totals £305m for the 4-year period.

Capital budget monitoring reports are presented quarterly to Cabinet and the Overview and Scrutiny Board. The reports provide a high-level summary of the Council's forecasted capital income and expenditure for the year-to-date and year-end position for the financial year as well as reasons for variances.

The Council spent £27m on capital expenditure in 2021/22. The Capital Plan presented at Council in February 2021 stated the intention to deliver capital expenditure of £125m in 2021/22. This means that against this original budget the Council has underspent in 2021/22 by £98m, representing a 78% underspend. The Q3 budget monitoring report presented to Cabinet in March 2022 stated a revised capital budget of £43m for 2021/22. Against this revised budget, the capital expenditure of £27m would represent a £16m underspend (37%). The difference between the original capital budget set in February 2021 compared to the revised budget presented in March 2022 shows a movement from £125m to £43m (£82m decrease).

In the 2021/22 outturn report, the Council have attributed the 'pace of spend' on the capital programme to have been impacted by inflation and supply chain issues. Three schemes were also impacted by the Midas group entering administration in early 2022.

The original capital budget stated the intention to spend £114m in 2022/23. The latest Q3 2022/23 budget monitoring report shows the Council's revised capital budget for the year to be £43m expenditure. The Council is estimating 2022/23 expenditure against this revised budget to be £33m actual. This would mean the underspend against the revised budget of £10m which would represent 23%. However, if we compare this to the original budget, this would be a £81m underspend which would represent 71% of budget. The variance between the original budget set in February 2022 (£114m) and the revised budget presented in March 2023 (£43m) is a £71m decrease.

Financial sustainability

2020/21 paints a similar picture. The year-end outturn report shows that the Council spent £27m against a revised budget of £42.4m (£15.4m underspend or 36%). The original capital plan was £143m.

The Council have attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. Although there is monitoring of the capital programme at Council meetings, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation. We have raised an improvement recommendation in this area.

In February 2023, the Council published its 2023/24 budget which showed planned capital expenditure of £90m. Given delivery in 2021/22 was £27m and 2022/23 was £33m, it appears that a £90m capital plan for 2023/24 appears quite ambitious.

Borrowing and investment property

As at 31 March 2022, the Council had £389m of borrowing, primarily from PWLB, which is a £3m decrease from the prior year. The Council's PWLB debt had a carrying value of £378.9m (£381.5m in 20/21) and non-PWLB debt £10.1m (£10.1m in 20/21). By November 2022, the Council's borrowing had reduced to £386m. The Council undertakes borrowing to support capital expenditure though capital expenditure in year in 2021/22 was lower than in recent years which resulted in no need to borrow in year. Borrowing at Torbay is supported by the Treasury Management Strategy, Capital Strategy and Medium Term Financial Strategy.

The latest Treasury Management Strategy was presented to Audit Committee on 25 January 2023. Within the Treasury Management Strategy lives the Council's Borrowing Strategy. The Borrowing Strategy aims to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The balance sheet forecast shows that the Council currently expects to borrow up a minimum of £112m (maximum £187m) over the next three years. The Council may need to borrow additional sums but this will not exceed the authorised limit of £600m. The Council's current debt is on a fixed rates with a flat maturity profile meaning the Council is not exposed to a refinancing risk of higher costs. The Council had no variable rate borrowing as of 31st March 2022.

The Council previously purchased property to provide benefits such as investment returns. The Council holds over £630m in non-current assets including £211m of investment property (£203m in 20/21) which generates a gross rent of £13m annually. The Capital Strategy provides an overview of how investment properties will contribute to the provision of services and how risk is managed in the context of future financial sustainability. The investment properties offer another income stream to the revenue budget and provide an element of reassurance in the face of increasing demand and reduced central government funding. A financial risk which the Council will need to continue to monitor surrounds the impact of inflation on construction costs combined with the significant increase in the costs of future borrowing. The Council have recognised the need for this in the 2023/24 budget and have acknowledged the need for original cases of all capital projects to be reassessed to consider future viability.

It is important for Council's to consider the affordability of their borrowing and investment arrangements. The Council's current borrowing level of £386m should be considered in light of the Council's 2023/24 net expenditure budget of £131.7m. As per CIPFA's Financial Resilience Index, Torbay's position is that the 'indicators of financial stress' rank the Council as 'higher risk' in relation to the overall level of interest payable and total debt compared to budget. The Council state that this is directly linked to the Council's historical investment in commercial property and regeneration projects. The level of gross external debt has also been flagged as medium risk.

The Council is aiming to mitigate the risk around interest payable compared to net revenue expenditure by adopting a fully fixed loan portfolio with a flat maturity profile. Any further consideration for borrowing will reference the PWLB borrowing rate at the time of the business case approval. To further mitigate the risk, the Council will continue to use internal borrowing and act upon the advice of their Treasury Advisors, Arling Close, prior to entering into any further long term loans.

To mitigate the risk surrounding the gross external debt, the Council has reviewed and improved the controls around the Capital Growth Board which aims to take a holistic and strategic view of the affordability and deliverability of the entire Capital Investment Programme prior to the consideration and approval of any new projects. All new projects have to be fully funded with appropriate allowances made for risk and contingency within the overall financial cost model.

Financial sustainability

Affordability of the entire capital programme is monitored by the CGB with options put forward to Directors and Cabinet for projects with identified viability gaps. No further borrowing will be taken unless assurances are given with regards to the affordability of the project and identification of relevant revenue stream(s) to repay any debt.

The Council has clear plans in place to manage the risks highlighted by the CIPFA Financial Resilience Index. The Capital Strategy emphasises the importance of affordability and the requirement for all projects to have a clear funding source. Affordability is prioritised when borrowing is to be used. We are satisfied that the Council has appropriate arrangements in place to manage the risks highlighted.

Conclusion

The Council delivered a balanced budget for 2021/22 which included a transfer to reserves. The Council is similarly reported a surplus position for 2022/23 and transfer to reserves. Neither the 2021/22, 2022/23 nor 2023/24 budgets included a plan to use reserves to balance budget costs. The Councils reserve position continues to be low in comparison to its target balance, however, the Council have an earmarked reserve to provide further cushioning. Overall, the reserves position is relatively healthy

There is room for improvement with regard to the transparency and documentation of the Council's savings schemes. The Council is clear on stating its intention to deliver a savings package of a certain amount but is lacking clarity on reporting against that stated plan. We have raised improvement recommendations in this area.

The Council has appropriate arrangements in place with regard to budget management. This is emphasised by strong performance in recent years. The DSG deficit continues to be a high risk area for the Council to manage. The Council's current unringfenced general reserves balance as at 31 March 2023 is £5.7m. The DSG deficit is therefore currently greater than the Council's unringfenced general reserves balance. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance. The Council has a plethora of arrangements in place to manage its DSG deficit and are making good progress against its action plan.

There are also improvement areas in the capital programme relating to budget setting and management. The Council should focus on setting realistic and deliverable capital budgets.

Overall, we have found no areas of significant weakness in the Council's arrangements to secure financial sustainability. We have raised five improvement recommendations.

Improvement recommendations

Financial sustainability

Recommendation 1	<u>Savings</u> • The Council should implement a single, consolidated and regularly updated mechanism that tracks its savings plans. This should include the savings that have been agreed, how they will be monitored and the extent to which they have been achieved. The savings should also be built into the authority's annual budget and medium-term financial plan. • Savings must be publicly agreed and approved by Members and progress against savings plans alongside any variances of deviation from those plans must be publicly reported to Members.
Audit year	2021/22 and 2022/23
Why/impact	Currently, there is no evidence of what savings the Council are pursuing in its annual budgets or in its medium term financial plan. There is no evidence of how the Council is progressing against its savings. The only evidence that currently exists regarding savings is the intention to deliver a savings package in the medium term. There is therefore extremely limited transparency surrounding how the Council actually delivers savings and what savings are achieved come year end.
Management Comments	Agreed. Savings plans of circa £1.3m have been incorporated within the revenue budget set for 2023/24. These savings plans have been approved by Committee and published as part of the overall budget papers in March 2023. Progress against published savings plans will be incorporated within the budget monitor reporting process throughout the 2023/24 financial year.

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations

Financial sustainability

Recommendation 2	The Council must continue to work toward building its general unearmarked reserves balance to the target level.
Audit year	2021/22 and 2022/23
Why/impact	Based on current predictions, should the Council's savings plan fail to materialize, this would put increased pressure on the Council's already low level of reserves. If the Council were required to fund the entire funding gap from the reserves (i.e. no savings or budget reductions were delivered), this would only cover the budget gap until 2024/25 before exhausting the reserves balance. The budget gap for 2023/24 is £1.3m, if this were funded by the general reserves and CSR reserve, this would take the balance down to £5.7m. This would be sufficient to cover the 2024/25 budget but would not cover the 2025/26 position.
Management Comments	**The Council is currently refreshing it's MTRP and undertaking a comprehensive review of the holding or earmarked and available reserves. This will be reported back to Committee before the end of 2023.**

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations

Financial sustainability

Recommendation 3	The Council must continue to judiciously monitor its progress in managing the Dedicated Schools Grant (DSG) deficit. Members must not underestimate the impact the DSG deficit could have on the overall financial health of the Council.
Audit year	2021/22 and 2022/23
Why/impact	In 2020/21, the Council reported the financial pressure the Higher Needs Block in the DSG was under due to increasing levels of referrals from schools for higher needs support for children. As at 31 March 2021, the DSG deficit stood at £5.8m. By the end of 2021/22, the DSG deficit had increased to £9m. As per the latest budget monitoring report for 2022/23, the Council is reporting the Higher Needs Block to have a forecast deficit of £2.9m in year, with the cumulative DSG deficit of £11.9m. The Council's current unringfenced general reserves balance as at 31 March 2023 is £5.7m. The DSG deficit is therefore currently greater than the Council's unringfenced general reserves balance. This risk is further exacerbated by the rate at which the DSG deficit is growing. Should the statutory override elapse requiring the Council to absorb the DSG deficit itself, this would totally deplete the unringfenced general reserves balance.
Management Comments	**The Council has an approved delivery plan with government which, if delivered, will fully write off the accumulated DSG deficit of £11.9m. Effective governance and monitoring arrangements have been put in place and early progress against the plan has been positive. An upfront payment of circa £5.2m has already been received by Government to offset against the deficit.**

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations

Financial sustainability

Recommendation 4	The Council should review and evaluate how it sets it capital budget. Consideration of this will enable it to set more realistic budgets going forward.
Audit year	2021/22 and 2022/23
Why/impact	The Council have attributed the movements from the original budget to the revised budgets to re-phasing, slippage or new grants coming online. Although there is monitoring of the capital programme at Council meetings, indications are that focus should be turned to setting realistic capital budgets that allow for sufficient lead time before expenditure is likely to be incurred. Inability to set a realistic capital budget undermines the authority's perceived capability to manage its capital budget and deliver its growth plans. The difficulty in management of the capital programme will become increasingly challenging given the current high level of inflation.
Management Comments	**Agreed. The Council is currently in the process of reviewing, and updating, the entire capital investment programme with a clear focus on affordability and deliverability. A more strategic, themed, programme approach is being taken as opposed to consideration of individual projects. An update to the approved Capital Programme will be presented to Cabinet and Council for approval before the end of the calendar year.**

The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations

Financial sustainability

Recommendation 5	The Council should consider the ways in which it can assess whether its services achieve value for money by reviewing explicitly the ways in which services are delivered and a greater understanding of its cost base. The CIPFA Financial Management Code 2020 proposes preparing an annual value for money report, summarizing the action that the Council has taken to ensure that its services deliver value for money and how it has sought to improve economy, efficiency, effectiveness and equity. This will ensure greater integration of financial and non-financial information.
Audit year	2021/22 and 2022/23
Why/impact	At present, there is limited integration of financial and non-financial reporting to Members. The Council should consider the ways it can assess whether its services achieve value for money by reviewing explicitly the way services are delivered and a greater understanding of its cost base. The Council must therefore consider how it can report this clearly to Members and the public.
Management Comments	**The Council has embarked on a comprehensive transformation programme with service reviews being rolled out across all areas in compliance with an agreed Target Operating Model. VFM will be tested as part of this process.**

The range of recommendations that external auditors can make is explained in Appendix C

Governance

We considered how the Council:

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

Risk

The Council has adequate arrangements in place with respect to risk management. The arrangements were in place for 2021/22 and 2022/23, though there is some room for improvement.

In February 2023, the Audit Committee approved the adoption and implementation of the Council's new Risk Management Policy. The policy was developed in conjunction with the Devon Audit Partnership (the Council's internal auditors) and sets out the Council's commitment to risk management and how it intends to manage risk. The policy spells out the arrangements in place at the organisation to identify strategic risks, understand them, record them within the body's risk management system and assess/score them.

The effective management of risks is considered to be within the expected day-to-day roles and responsibilities of all managers. To give risk management the appropriate profile, the identification and review of risks is a standing item on all directors and managers monthly one-to-one meetings. In addition to the monthly discussions, Service Managers are encouraged to have a collective conversation with their teams at least once a year. This is usually carried out as part of the annual service planning process. This is when teams will collectively review their current risks and mitigations on the SPAR.net system and will identify any new emerging risks whilst setting inherent scores and mitigations.

Corporate performance and risk reports are reviewed quarterly by the Senior Leadership Team, Cabinet and Audit Committee. This enables any areas of concern to be highlighted, followed up and where necessary improvement plans put in place.

Risks are scored using a combination of the probability of the event occurring and the likely impact of the event occurring using a 5x5 matrix. This also includes an update on the direction of the risk. The Council holds all it's strategic, corporate and service 'operational' risks (along with the actions taken to prevent them) on its Service Performance & Risk Database - SPAR.net. The risk registers used by the Senior Leadership Team and Audit Committee are created and maintained using the information held on the SPAR.net system.

There is room for improvement regarding risk management at the Council. The last Risk Management Policy prior to the 2023 iteration was from 2016. We therefore raise a recommendation encouraging the Council to implement a annual review of the Risk Management Policy to ensure that such an extended period of time elapses before a review is undertaken. The strategic risk reports presented to Council currently contain a sizeable number of risks. The Council should consider how many risks are reported to Cabinet or the Audit Committee. In the quarter 3 2022/23 report, over 20 risks were reported. In reviewing its arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk. The Council are currently reporting too many risks to the Audit Committee (20 Corporate Risks). This number does not incentivise members to focus on the priority areas and risks the more important risks being overlooked. The Council must also ensure timely reporting of risks to the audit committee. The Q2 and Q3 risk reports for 2021/22 were presented to the same audit committee in January 2023.

Governance

Audit committee

The purpose of the audit committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements at the authority. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to those charged with governance that those arrangements are effective. We recognise that since the May 2023 elections the make-up of the Committee has changed. We make these comments irrespective of specific make-up and rather of the audit committee in theory.

The Audit Committee at Torbay Council is comprised of seven members of the Council in accordance with the political balance requirements. CIPFA's recommendation in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* is authorities should strive to have no more than eight members. Torbay's committee is within this threshold with seven. CIPFA recognises that committees of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

As per the Constitution, members of the Cabinet may not be members of the Audit Committee and the Overview and Scrutiny Board or its sub-committee(s). There are no Councillors in the Cabinet at Torbay that are also members of the audit committee. This is in line with recommended guidance as it ensures that audit committee members can act independently in their role and assist in maintaining a nonpolitical approach.

CIPFA recommends that the audit committee include two co-opted independent members. Torbay's audit committee currently has no independent members. We have raised an improvement recommendation in this area.

The injection of an external view can bring a new approach to committee discussions, can offer continuity to the committee outside of the political cycle and help to achieve a non-political focus on committee matters.

To discharge its responsibilities effectively, CIPFA recommends that audit committees should meet regularly – 'at least four times a year.' In 2021/22, the Torbay audit committee met eight times (it would have been ten times but two meetings were cancelled). In 2022/23, the committee met nine times. The committee is therefore well above the minimum recommendation of meeting four times a year.

The audit committee should play a key role in reviewing the Annual Governance Statement (AGS) prior to its approval. The committee reviewed the 2021/22 AGS in July 2022. Members requested changes to a paragraph regarding the Council's wholly owned companies. This demonstrates meaningful review of the AGS as changes are requested to ensure changes accurately reflect Council arrangements.

The audit committee plays a role in reviewing the risk profile of the authority and keeping up to date with significant areas of strategic risks and seek assurance that the risks are being managed effectively and owned properly. The Torbay audit committee ensures oversight of risk management arrangements by taking the Corporate Risk Register to the audit committee quarterly. The new Risk Management Policy was presented and adopted by the Audit Committee on 6th February 2023. This contains the authority's risk statement and risk management system.

CIPFA recommends in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)* that the audit committee report directly to full Council to maintain the importance and nonpolitical advisory function of the committee. At Torbay, the Audit Committee fulfils this recommendation and reports directly to full Council.

The audit committee is a non-political committee with different obligations to a scrutiny committee. It is important for audit committee members to maintain an apolitical approach. The separation from executive roles is an example of a measure that is recommended to maintain the audit committee's apolitical function.

In the prior year, we raised a recommendation surrounding the separation of the performance and risk reporting and the re-channeling of the performance reports to a scrutiny committee and the risk reporting to audit committee. We raised this recommendation in light of the evident increasing politicization of the audit committee (almost a natural consequence of covering performance in the meetings). The Council continued to take performance reports to audit committee throughout 2021/22 and 2022/23. However, we have been informed that for 2023/24, the Council have implemented this recommendation so we will not raise an additional recommendation in this report. As the Council did not implement this recommendation during 2022/23, there was some evidence of politicization of the committee, in particular, at the meeting in February 2023. Members at this meeting were pre-occupied discussing performance information rather than focusing on the functions of an audit committee. The Council's implementation from April 2023 will ensure appropriate arrangements are in place that maintain the apolitical non-scrutiny function of the audit committee.

Internal audit

The Council has an adequate and effective internal audit function to monitor and assess the operation of internal controls. This was in place for all of 2021/22 and 2022/23.

Governance

Torbay's internal audit service is performed by a joint committee arrangement known as the Devon Audit Partnership which comprises of Torbay, Torridge, North Devon, Mid Devon and Devon County Council. The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work.

An effective internal audit function is instrumental to an authority's ability to monitor and assess the effective operation of internal controls. The 2021/22 Annual Internal Audit Report found there to be 'Reasonable Assurance' on the adequacy and effectiveness of the Council's internal control framework. The exception was in Children's services which continued to be 'Limited Assurance.' The activity and performance of Children's services is discussed in the 3Es section of the report. The overall internal audit opinion for the year shows there to be generally sound systems of governance, risk management and control in place across the organisation.

The audit committee annually receives and approves a risk-based internal audit plan, which sets out its key activities and work programme for the year. Internal audit presented the 2023/24 internal audit plan to the Audit Committee on 22 March 2023.

The Council has adequate arrangements in place in respect of the prevention and detection of fraud. This was in place for all of 2021/22 and 2022/23. The Council has a new Counter Fraud and Corruption Policy which was published in March 2023. The strategy is reviewed regularly and has been communicated to all staff and is available on the Council website. The Council's whistleblowing policy is also available on the Council's website and intranet. The Council has an established phone line for any whistleblowing calls, which go directly to Internal Audit which has responsibility for dealing with these issues in the first instance. The Council has a Fraud and Counter Corruption Officer who is accountable to the Head of Finance. The Council's website enables members of the public to report any suspicions of anyone committing fraud or corruption.

Council-owned companies

Torbay Council has interests in several companies:

- SWISCo
- Torvista Housing
- Torbay Education Limited
- RICC company
- TDA Group: Torbay Economic Development Company Ltd, trading as TDA. Includes: TDA, Kings Ash Holdings, Complete Facilities Management Services, C & A Consultancy, Business Centres South West, TEDC Developments and Torvista Homes
- CSW Group Ltd

There are risks associated with Council-owned companies as, typically, where companies are Council-owned that means Councils are ultimately responsible for the financial risks and benefits of those companies. Many Councils have chosen to continue to fund failing companies rather than facing the reputational damage of winding up a loss-making company.

2021/22 was the first full year of trading for SWISCo and Torvista Housing. In November 2021, Torbay Education Limited became operational providing a medical tuition service to the Council and from April 2021 a private contractor took control of the Riviera International Conference Centre so the RICC company stopped trading.

TDA has six 100% owned subsidiaries, Complete Facilities Management Services Limited, KAH Holdings Limited, Business Centres South West Limited, C&A Consultants (Torquay) Ltd, TEDC Developments Ltd and TorVista Homes Ltd. In 2019/20, Torbay Education Limited was established to operate the Council's medical tuition school. The company become operational in November 2021. From April 2020 the Council had expected to commence a new contract for the management of the Riviera Centre. Due to the economic impact of COVID the start date was delayed (now April 2021). Therefore, the Council took control of the appointments of the Board thus taking effective control over the company for just 2020/21 only. The new contract started April 2021 therefore the company from that date was not trading.

The Council provided additional support of £0.6m to SWISCo during 2021/22, allowing SWISCo to finish the year with a small surplus position. The latest budget monitoring report for 2022/23 shows SWISCo to be under financial pressure due to higher operational costs, including the pay award. The Council agreed to fund the company with an additional £0.6m to meet the shortfall in the pay award and as at quarter 3, this appeared sufficient to ensure SWISCo delivers a balanced budget.

Governance

There do not appear to be any significant issues associated with Council owned companies at the time of writing. The Council have had to provide monetary support to SWISCo twice in the period in question which signifies an element of financial risk, however, at present the values are not such that they present a risk to the Council's overall financial sustainability. The Council must continue to provide appropriate and adequate financial governance and monitoring of group entities and scrutinize investment or loan decisions to companies. Companies present a financial risk to the Council and the implications of this must be well understood by the authority.

Compliance

As confirmed with the Monitoring Officer, for the period from April 2021, there has been no evidence of pervasive or significant weaknesses in the Council's internal control arrangements, especially where these have had a significant financial/service-delivery impact or exposed the body to fraud. There has been no evidence of unlawful decision-making or decision-making that would lead to significant loss or exposure to significant risk or reputational risk such as conflicts of interest. There has been no evidence of significant non-compliance with the Council's constitution. There have been no breaches of legislation or regulatory standards during 2021/22 or 2022/23 that have led to an investigation by any legal or regulatory body. Finally, there has been no evidence of significant or repeated departure from key regulatory o statutory requirements or professional standards.

We also draw on the findings of the 2021/22 'Reasonable Assurance' internal audit opinion and our own external audit work to reach the conclusion that there is no evidence of significant non-compliance at the authority for the period in question.

Workforce

The Council employs 1,008 people (984 in 20/21). The 'Thriving Economy' component of the Council's four visions in its Corporate Plan speaks of hopes to be 'well-connected with skilled individuals… and higher quality, better paid jobs.' One significant change regarding the workforce during the pandemic has been that most staff continue to work from home full time or on a part time basis with reduced office capacity. During 2021/22, the Council also invested in IT that supports flexible working though this change has not had a fundamental impact on the work of the Council.

In the 2023/24 budget, one of the proposals for savings and efficiencies relating to the workforce surrounds the reduced use of agency staff. The Council note the anticipated outcome: 'the fundamental purpose of this proposal is to ensure a qualified and skilled permanent workforce that ensures children and families are always at the centre of what we do and benefit from quality services that meet their needs. We aim to continue to reduce the use of agency staff, to create a permanent, stable and sustainable workforce, which in turn creates a consistent and quality service to children and families, and a reduced turnover and vacancy rate.' This is in line with the Council's 'Thriving People' vision in the Corporate Plan.

We note that there is a lack of a clear strategic direction with regard to the workforce at the Council. The Council should seek to develop a People Strategy covering at least the medium term period to set out the strategic direction of the Council's workforce and how it intends to develop its capacity and capability to deliver the Council's ambitions and priorities. A people strategy is an overall plan developed by an organisation to ensure that its short and long term priorities are effectively delivered through its workforce. It focuses on a range of planned activity for employees to be recruited, managed and developed, in order to build the capacity and capability of the workforce as well as creating the organisational culture required for success. It is multi-faceted and focuses on a wide range of areas including equality, diversity and inclusion, learning and development, employee performance, change management, organisational culture, leadership, people management, recognition, recruitment and retention. This would provide the Council with strategic direction regarding people and the workforce.

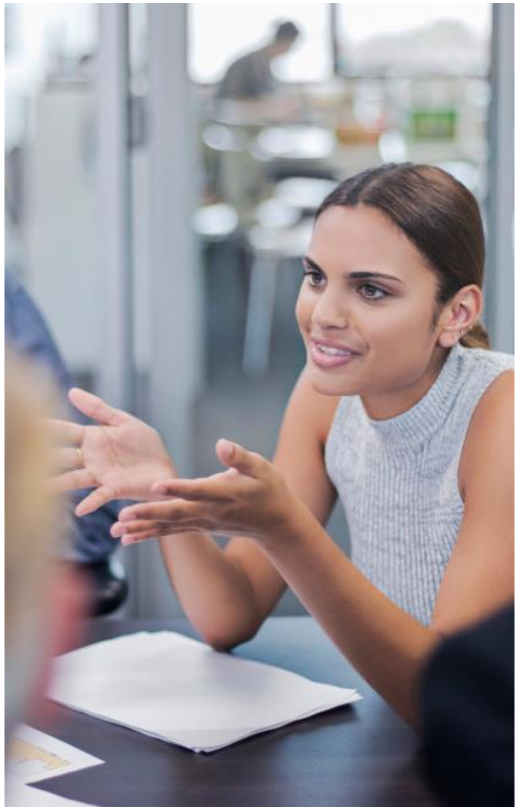
Conclusion

Overall, the Council have adequate arrangements in place with respect to governance for 2021/22 and 2022/23. There is room for improvement in relation to risk management, the audit committee and the development of a People Strategy. Generally, the Council has a strong approach to risk management. This is evident from the journey the Council has been on from 2020/21 to present day. The quality of reports has improved significantly. There are risks associated with Council-owned companies as, typically, where companies are Council owned that means Councils are ultimately responsible for the financial risks and benefits of those companies. SWISCo required funding in 21/22 and 22/23 so the Council must continue to manage the risks associated with this. The governance arrangements are effective, no significant weaknesses found.

Improvement recommendations

Governance

Recommendation 6	Risk a. The Council should implement a regular review of its risk management policy. We recommend a yearly review. b. The Council should reconsider how many risks are reported to Cabinet in the Risk Reports. c. The Council should ensure timely reporting of risks to the audit committee.
Audit year	2021/22 and 2022/23
Why/impact	a. The last Risk Management Policy was from December 2016. This was updated in February 2023. This is a seven-year period between reviews. The Council must seek to ensure that it reviews its risk management policy more frequently than this. b. The latest Q3 risk report for 2022/23 showed over 20 risks which is a considerable number of risks. The Council should question whether too many risks are being reported. In reviewing its arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk. c. The Q2 and Q3 risk reports for 2021/22 were presented to the same audit committee in January 2023.
Management Comments	(a) Agreed. The Council will ensure that its risk management policy is reviewed, through the audit committee, on at least a bi-annual basis; (b) Agreed. The Council is currently reviewing the various levels of risk reporting, ensuring that only highest level strategic / corporate risks are reported through Cabinet and Directors. (c) Agreed. This has been addressed.

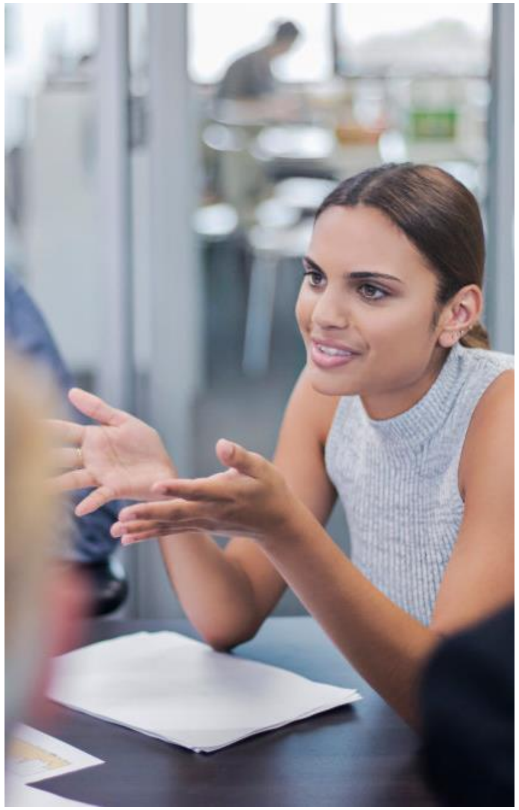


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

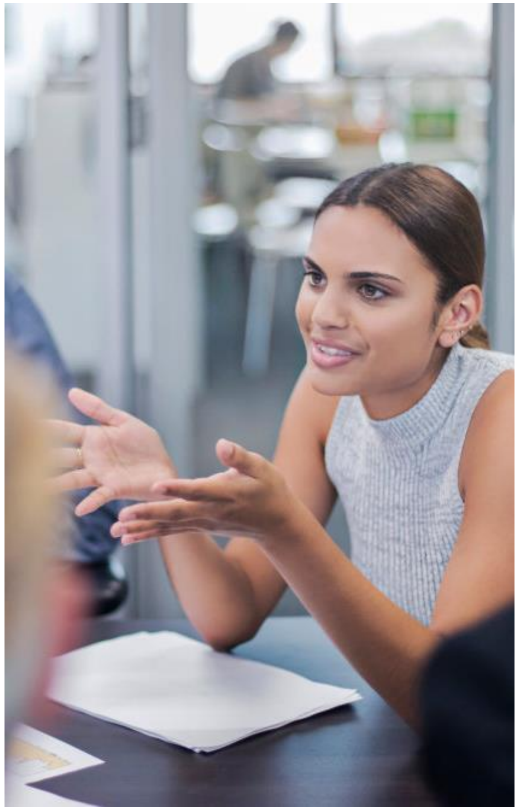
Recommendation 7	The Council should seek to include two independent co-opted members to the audit committee in line with CIPFA guidance *Audit Committees: Practical Guidance for Local Authorities and Police (2022).*
Audit year	2021/22 and 2022/23
Why/impact	Torbay's audit committee currently has no independent members. The reasons for CIPFA's recommendation are as follows: • To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting. • To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections. • To help achieve a non-political focus on governance, risk and control matters. • Having two co-opted members rather than one will allow recruitment of members with different but complementary knowledge and experience, increase the resilience and continuity of the committee. • Having two co-opted members shows a commitment to supporting and investing in the committee.
Management Comments	**Agreed. The Council has, with a number of other authorities across Devon, engaged in a recruitment campaign for suitable independent audit committee members. We are looking to appoint at least one independent member prior to the end of 2023.**



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance



Recommendation 8	The Council should seek to develop a People Strategy covering at least the medium term period to set out the strategic direction of the Council's workforce and how it intends to develop its capacity and capability to deliver the Council's ambitions and priorities.
Audit year	2021/22 and 2022/23
Why/impact	A people strategy is an overall plan developed by an organisation to ensure that its short and long term priorities are effectively delivered through its workforce. It focuses on a range of planned activity for employees to be recruited, managed and developed, in order to build the capacity and capability of the workforce as well as creating the organisational culture required for success. It is a multi- faceted that focuses on a wide range of areas including equality, diversity and inclusion, learning and development, employee performance, change management, organisational culture, leadership, people management, recognition, recruitment and retention. This would provide the Council with strategic direction regarding people and the workforce.
Management Comments	**We will aim to adopt a high level People Strategy before the end of the 2023/24 financial year.**

The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness

We considered how the Council:

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

Performance

Torbay Council's service performance during 2021/22 and 2022/23 was driven by the Council's Community and Corporate Plan 2019-2023 'One Torbay: Working for all Torbay.' The Council are currently be in the process of refreshing this Corporate Plan. We note that the last Corporate Plan only covered a 4-year period. We recommend that the Council extend the life cycle of the Corporate Plan to cover a 10-year period. A longer-term perspective is essential if local authorities are to demonstrate the development and improvement of their services alongside the financial sustainability of the organisation. The Corporate Plan should set the strategic direction of the organisation and its vision for the future. The Council should design and implement a corresponding Council Business Plan which sets out the plan of action of how the Council plans to achieve the objective set out in the Corporate Plan. The Business Plan should have an agreed set of key performance indicators that the Council can report against at senior officer and member level to ensure transparency and accountability for the achievement of its goals. The Council must ensure that the new Corporate Plan and Council Business Plan are strategically aligned with the Medium-Term Financial Strategy.

At present, Council performance is reviewed and scrutinized at Overview and Scrutiny Committee. The committee reviews Council performance in relation to its policy objectives, performance targets and particular service areas. Performance reports are also taken to Audit Committee quarterly, though we have made an improvement recommendation to stop this as it potentially undermines the function of an audit committee.

The Council's Senior Leadership Team oversee the delivery of the Community and Corporate Plan, ensuring that it is delivered, whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium-Term Resource Plan) and create service resilience.

During 2021/22, the Council has revised its performance reports, improved the timeliness of its performance reporting timetable and enhanced the engagement with both cabinet and audit committee elected members. An updated approach to service planning has been devised which drives the golden thread of performance management from the corporate plan through to service delivery outcomes. In addition to this, the service planning process has developed an opportunity to hold a performance and finance challenge process, known as Star Chambers. The outcomes of the challenge feed directly into the Council's annual budget setting and medium-term resource plan. The Senior Leadership Team are responsible for monitoring the delivery of the service plans and any improvement plans that the Council has in place. Included within the service plans are each service's risks.

An example of the Council achieving improved outcomes in relation to the revised process to review performance relates to recycling. During 2021/22, the Council reflected on its performance regarding its recycling data and noted that the volume of recycling waste was returning to pre-pandemic levels. In response to this, the Council has recruited new recycling coordinators to help promote and support Torbay's residents to recycle more. This has had positive impacts on the Council's ability to manage the recycling demand and make the service more efficient.

Improving economy, efficiency and effectiveness

There is evidence of a number of performance indicators improving from 20/21 to 21/22. The number of looked after children was 300 at the end of March 2022 which is 20 fewer than in March 2021. There were 2,036 social care referrals to Children's Services in 21/22 which is a decrease of 206 from the previous year. The percentage of commercial waste recycled over 2021/22 was 29.6% which is above the target of 25% and an increase on the previous year's figure of 25.92%.

Though there have been some positives, there is still room for improvement in regard to a number of performance indicators. The number of people in temporary accommodation increased from 22 in Q4 of 20/21 to 127 in Q4 of 21/22. Weekly gross earnings by residence for full time workers in 2021 was £541 which is well below the UK target of £613.10. Earnings by workplace was £528.70 in 2021 against a Council target of £612.80. The number of complaints dealt with on time fell from 54% in 2020/21 to 49% in 2021/22. The number of complaints logged in 2021/22 grew from 298 to 443.

In June 2023, the Council was awarded the 'Most Improved Council of the Year' for 2022 at the LGC Awards. The judge described the Council as an example of an organisation with 'financial grip' and the wherewithal to recognise the need to continue 'this impressive improvement trajectory.' This speaks to the Council's effort towards investing in improving its operational and service performance.

The Council last agreed a performance and risk strategy framework in 2020. The update of the Corporate Plan and Business Plan should provide the necessary performance framework review to direct service delivery improvements.

Procurement

Procurement at Torbay Council is governed by the Council's Financial Regulations and Contract Procedure Rules which form part of the Council's Constitution which was most recently updated on 5 June 2023. The Council also have a Procurement Strategy which was approved in August 2020 and ran up till March 2023. Therefore, during 2021/22 and 2022/23, the Council had a Procurement Strategy in place which was based on the National Procurement Strategy.

In 2022/23, the Council developed the Torbay Economic Growth Strategy 2022-2030. Procurement features in this framework as the Council state the intention of establishing a net zero emission economy. The Council are therefore focusing on developing approaches to address procurement and encouraging social benefit from the commissioning and procurement of goods and services through a Community Wealth Building approach. The Council also aim to promote environmental sustainability through sustainable decision-making in the procurement of goods and services.

External services at the Council are commissioned by the Corporate Procurement Team (CPT) who ensure that external organisations are aware of the authority's anti-fraud, bribery and corruption policy. The Procurement Policy also requires employees to act in accordance with best practice and the procurement toolkit ensures this process is consistent.

Within the Council's new Risk Policy published in March 2023, the authority outlines the expectation that contract management, and specifically contract risks, is/are expected to be managed on an individual contract basis and set and reviewed by the contract manager within the service line with guidance from a relevant specialist within the Procurement, Contract Management and Commissioning Team.

All contracts over £5,000 are expected to be recorded on the Council's Contract Register. The register gives the details of each contract including the end date. Details of current awarded contracts can be found on the e-portal Contracts Register. This is publicly available on the Council's website in compliance with legislative requirements.

The procurement function do not currently report on procurement key performance indicators (KPIs) on a regular basis to any specific Council committees or Senior Leadership Team (SLT). Reporting is currently on an ad hoc or case by case basis.

The Council has in the past produced a Procurement, Contract Management and Commissioning Activity Report which was presented to SLT at the end of 21/22 for Q3 but due to the time taken collating the information and producing the report it was agreed that this would be paused and reviewed as part of the Transforming Procurement Programme described later in this section. We have raised a recommendation surrounding the need to report to audit committee on exemptions to the Contract Standing Orders. The procurement function should report on the value, number and nature of the waivers at least quarterly to audit committee.

Improving economy, efficiency and effectiveness

It is important to note that there has been significant improvement in the procurement activities at Torbay since 2020. Following a restructure in 2020, the procurement team took on a contract management function following the recognition that Council employees who managed contracts did not have anywhere to go for advice and support on contract management. The Council therefore introduced two members of staff whose role would be to provide support on contract management. The procurement team is currently made up of approximately ten employees. The Head of Procurement reports to the Director of Finance. One Procurement Officer oversees the relationship between suppliers and the Council's wholly owned companies to ensure that the Council's procurements/contracts are appropriately understood with respect to its companies as well as the Service Level Agreements (SLAs) held with the Council's companies. The procurement team has recently introduced the role of a project manager to help with the transition to the new Procurement Act 2023.

This is a significant undertaking which the Council recognises and is investing time and resource to prepare for, including, considering a redraft of the Contract Procedure Rules which is due to be presented at the December 2023 Cabinet meeting. The new procedures should enable the Council to operate both within the current rules and under the new Act when it gains royal assent.

The procurement team has produced a Service Plan for 2023/24 to set its strategic direction. The Transforming Procurement Programme is underway and this covers the Council and its wholly owned companies.

The programme is supported by the Transforming Procurement Board which is chaired by the Section 151 officer. The Council have developed a comprehensive terms of reference for the programme which details the aims of the Board, its purpose, its core objectives and the specific roles and responsibilities of its members. The programme's objective is to transform the way procurement functions at the Council. The Council has already made some evident improvements (e.g. the introduction of the contract management function) but there is still room for transformation and improvement. The Council has focused on incremental changes which should facilitate a steady transformation into a more efficient and effective procurement function. Overall, procurement at Torbay has significantly improved but is still very much on a journey.

Service performance: children's services

The ongoing demand and cost of social care for both adults and children continues to pose a challenge and risk for local authorities in England. Torbay Council finished 2021/22 with a balanced budget which included an underspend on Children's Services for the second year in a row. This provides some evidence that the Council can financially manage the service. Performance-wise, the Council faced an Ofsted inspection in the final few weeks of the 2021/22 financial year which concluded that in all four areas, its service was rated 'Good'. The Council has demonstrated in 2021/22 that it can deliver value for money within Children's Services by attaining improved outcomes within a financially sustainable delivery model.

In November 2021, a joint Ofsted/CQC inspection of the local area of Torbay found significant areas of weakness in the implementation of SEND reforms across the area.

In April 2022, an Oftsed inspection of Children's Services found all areas to be rated 'Good'. The Council's 'radical transformation' Ofsted's report acknowledged which it attributed to a clear and ambitious improvement plan based on an understanding of the causes of inadequate practice and a strong political and corporate commitment to the improvement agenda. The Council was graded as 'good' in the impact of leaders on social practice, the experience and progression of children who need help and protection and the experiences and progress of children in care and care leavers. The report stated that 'the services that children now receive are consistently effective.' Ofsted found 'services for children in Torbay have significantly improved…strong political and corporate commitment to the improvement agenda has enabled the local authority to change the trajectory of social work practice so that services in Torbay are now good. This is an impressive achievement.' This progress provides a strong foundation against which the Council can achieve its corporate ambition of sustaining a 'Child Friendly Torbay.'

By May 2022, the Statutory Direction against Children's Services was lifted, demonstrating a clear, landmark improvement in the authority's management of Children's Services.

As per the 2021/22 accounts, the Council has enjoyed improvement in Children's Services during the year. From 2020/21 to 2021/22, the number of looked after children decreased by 20 the number of social care referrals decreased by 206.

Improving economy, efficiency and effectiveness

The Council has continued to build on its achievements in Children's Services in 2022/23. In April 2023, Torbay Council, in partnership with NHS Devon Clinical Commissioning Group (CCG) and the Integrated Care System (ICS) for Devon co-produced the 'Torbay Local Area Written Statement for Action' outlining the steps the partnership aims to take to improve services for SEND. The Board committed to aligning resources to drive sustained improvement and working determinedly for a 'Child Friendly Torbay'. The action plan includes clear measures of performance, impact and progress to ensure accountability for the objectives laid out. The statement represents a clear definition of the trajectory of SEND in Torbay and demonstrates a clear commitment to improvement of Children's Services.

The Council resolved to approve the revised Corporate Parenting Strategy 2022-25 in 2023. The strategy is in the context of the Council's ambition to ensure all children, young people and care experienced young people are safe, happy and healthy in order to reach their full potential. The strategy outlines the Council's aspirations of corporate parenting and how the local authority aims to work alongside partners to achieve its 'Child Friendly' Torbay ambitions. In the April 2022 Ofsted report, the regulator found Torbay to be 'a highly ambitious corporate parent' working hard to create employment opportunities for care leavers and working in partnership to do so.

In terms of the Council's Q3 2022/23 performance in children's based on its Council Plan, there is a mixed picture. The Council is above its target in the percentage of referrals in the period that were previously open to Children's Services within the last 12 months. The Council are currently reporting 22% against a target of 25%.

In the rate per 10,000 children of cared for children at the end of the period the Council is performing below target. Q3 evidences an increase in the rate of children becoming cared for though this has been impacted by the standing up of an asylum seeker hotel in Torbay and a disproportionate number of residents presenting as unaccompanied minors. The Council are performing at 130 against a target of 115. The Council appear to have an understanding of the causes of this rise which is positive as it means improvement plans can be tailored accordingly.

Against the indicator 'annualised rate of per 10,000 children of referrals to Children's Services in the period,' the Council is 'on target'. Torbay is an outlier in number of families requiring statutory intervention but this risk is mitigated by its quality assurance audit activity. The Council is only performing marginally below target with 790 against a target of 786. The Q3 figure is still well below its 2021/22 actual which was 818.

Overall, to echo Ofsted's evaluation, the Council has made remarkable progress in Children's Services in 2021/22 and 2022/23. The Council should continue to direct effort and focus on maintaining this commitment to improvement in the area.

Conclusion

The Council has improved significantly performance-wise, exemplified by the win of the Most Improved Council award in the LGC awards for 2022. The Council has shown significant improvement in several performance indicators from 20/21 to 21/22 and then again from 21/22 and 22/23. There is, however, still room for improvement against many indicators. The Council recognise this and are already putting effort toward this. The procurement function is also at the early stages of an improvement journey. The Council has put the appropriate governance arrangements in place to manage its procurement transformation programme and have already implemented changes that have had a positive impact on the operations of the team. Children's Services has, similarly, improved from 2021/22 to 2022/23. This has been met with a corresponding relaxation on external supervision. Overall, appropriate arrangements are in place with regard to the Council's arrangements to achieve economy, efficiency and effectiveness.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 9	The Council should consider developing a ten-year Corporate Plan and supporting Business Plan.
Audit year	2021/22 and 2022/23
Why/impact	The last Corporate Plan only covered a 4-year period. We recommend that the Council extend the life cycle of the Corporate Plan to cover a 10-year period. A longer-term perspective is essential if local authorities are to demonstrate the development and improvement of their services alongside the financial sustainability of the organisation. The Corporate Plan should set the strategic direction of the organisation and its vision for the future. The Council should design and implement a corresponding Council Business Plan which sets out the plan of action of how the Council plans to achieve the objective set out in the Corporate Plan. The Business Plan should have an agreed set of key performance indicators that the Council can report against at senior officer and member level so as to ensure transparency and accountability for the achievement of its goals. The Council must ensure that the new Corporate Plan and Council Business Plan are strategically aligned with the Medium-Term Financial Strategy.
Management Comments	Agreed. The Council will be presenting a new 10 year Corporate Plan for Committee approval in December 2023. There will be a new 4 year Business Plan linked to the corporate plan which will feed into the 2024/25 budget setting process and Medium Term Resource Plan revision.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Improving economy, efficiency and effectiveness

Recommendation 10	The Council should consider reporting on a greater suite of procurement indicators to Audit Committee. These indicators should include the value and number of waivers to the Contract Standing Orders. Inclusion of details of patterns including reasons why waivers were raised and directions of travel in terms of plans for reductions of use of waivers will bolster this tracking.
Audit year	2021/22 and 2022/23
Why/impact	The procurement function do not currently report on procurement key performance indicators (KPIs) on a regular basis to any specific Council committees or Senior Leadership Team (SLT). Reporting is currently on an ad hoc or case by case basis. Greater transparency and visibility of waivers will hold contract managers accountable and promote self-reflection on the validity of granting high numbers of waivers.
Management Comments	**The Council's Transforming Procurement Programme will result in a revision to Financial Regulations and Contract Standing Orders which will ultimately reduce the number of waivers that the Council processes. In the meantime, the S151 Officer holds weekly meetings to consider, challenge and approve waivers under the existing arrangements. We will consider future reporting options as part of the transformation work.**

The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.	Improvement	May 2022	The Council's budgeting process now includes a consideration of the level of all services provided and how it can meet statutory requirements while achieving a balanced budget in the medium term.	Yes	No
2	Currently, the quarterly performance reports are presented to Audit Committee for review and challenge. It would be more appropriate for the performance reports to be present to Overview and Scrutiny Board and for the risk reports to remain with Audit Committee so their focus is on the updated risk register and mitigating actions being taken to address it. The responsibilities of the Audit Committee and Overview and Scrutiny Board should be clearly split and this would be apparent by not taking the performance reports to a non-scrutiny committee.	Improvement	May 2022	We acknowledged the auditor's comment contained in their report last year and have actioned the recommendation. As from 1st April 2023 the performance reports will now be presented to Overview and Scrutiny Committee and the risk reports will continue to be presented to Audit Committee. Following the recent election in May 2023, members are receiving training as part of the induction programme to support them in their new roles.	Yes	No

Opinion on the financial statements for 2021/22

Audit opinion on the financial statements

Our audit remains underway and will recommence in October 2023.

Preparation of the accounts

The authority provided draft accounts in line with the national deadline and provided working papers to support it.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation

Opinion on the financial statements for 2022/23

Audit opinion on the financial statements

We have not commenced the 2022/23 audit.

Appendices

Appendix A – Responsibilities of the local authority

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

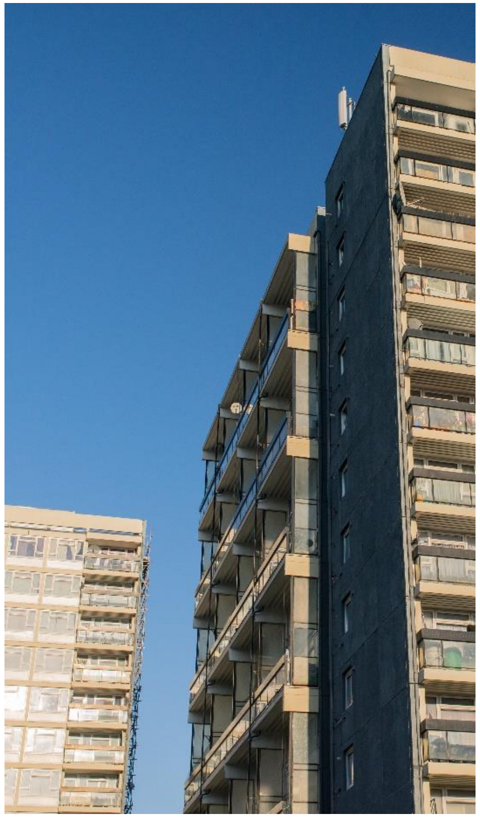
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the local authority'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 local authority will no longer be provided.

The local authority 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 – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the local authoritys arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and / or 2022/23	Financial sustainability was not identified as a potential significant weakness, see pages 6 to 18 for more details.	N/A – no risk of potential significant weakness identified	See pages 6 to 18.	Appropriate arrangements in place, five improvement recommendations raised in 21/22 and 22/23.
2021/22 and / or 2022/23	Governance was not identified as a potential significant weakness, see pages 19 to 26 for more details.	N/A – no risk of potential significant weakness identified	See pages 19 to 26.	Appropriate arrangements in place, three improvement recommendations raised in 21/22 and 22/23.
2021/22 and / or 2022/23	Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 27 to 33	N/A – no risk of potential significant weakness identified	See pages 27 to 33.	Appropriate arrangements in place, two improvement recommendations raised in 21/22 and 22/23.

Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the local authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the local authority. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the local authority, but are not a result of identifying significant weaknesses in the local authority's arrangements.	Yes	14 to 18, 23 to 26, 32 to 33

Appendix D – Sources of evidence

Staff involved

- Ann-Marie Bond, Chief Executive
- Amanda Barlow, Monitoring Officer
- Martin Philips, former Director of Finance
- Malcolm Coe, Director of Finance
- Ian Rowswell, Deputy Director of Finance
- Patrick Rafferty, Adult Social Care Capital Manager
- Matthew Fairclough-Kay, Director of Corporate
- Eve Bates, Senior Performance & Risk Officer
- Tracey Field, Head of Procurement
- Kate Spencer, Head of Policy, Performance & Community Engagement
- Adrian Burrell, Member Support Officer

Documents Reviewed

- Medium Term Resource Plan April 2022
- Statement of Accounts 2021/22
- Budget Monitoring Reports 2021/22 and 2022/23
- Chief Finance Officers Reports 2021/22, 2022/23 and 2023/24
- Cabinet Response to Consultation
- Review of Reserves 2021/22, 2022/23 and 2023/24
- Treasury Management Strategy 2021/22, 2022/23 and 2023/24
- Capital Strategy 2021/22, 2022/23 and 2023/24
- Corporate Asset Management Framework
- Capital Plan
- 2022/23 budget
- 2021/22 budget
- Statement of Accounts 2020/21
- Proposals for efficiencies, income generation and service change 2021/22, 2022/23 and 2023/24
- Torbay Council Constitution
- Corporate Risk Registers 2021/22, 2022/23 and 2023/24
- Risk Reports 2021/22, 2022/23 and 2023/24
- Internal Audit Annual Audit Report 2021/22
- Internal Audit Half Year Report 2021/22
- Internal Audit Plan 2022/23
- Internal Audit Half Year Report 2022/23
- Internal Audit Follow Up Reports
- Inspection of local authority children's services March 2022
- Counter Fraud and Corruption Policy
- HR Investigations and Whistleblowing
- Risk Management Policy
- Appointment of the New Chief Executive
- Annual Audit Report – Internal Audit 2021/22
- Complaint performance reports
- Community and Corporate Plan 2019-2023
- Corporate Parenting Strategy
- Torbay Economic Growth Strategy
- Torbay Local Plan
- Children and Young People's Plan
- Social Value Policy
- Procurement Strategy 2020 to 2023
- Torbay SEND Strategy
- Torbay Youth Justice Plan
- Children's Services Self-Assessment
- SEND Written Statement of Action Update on SEND Improvement Work

Appendix E - Key acronymous and abbreviations

The following acronyms and abbreviations have been used within this report

NAO – National Audit Office

AGS – annual governance statement

The Code - Code of Audit Practice

SOLACE – Society of Local Authority Chief Executives

CIPFA – Chartered Institute of Public Finance and Accountancy

VfM – Value for Money

AGN - Auditor Guidance Note

SMT – Senior Management Team

DSG – Dedicated Schools Grant

DfE – Department for Education

MTFS – medium term financial strategy

PSIAS – Public Sector Internal Audit Standards

S151 – Section 151

IMO – independent monitoring officer

KPI – key performance indicator

HR – human resources

SLA – Service Level Agreement

PMO – Project Management Office

CSR - Comprehensive Spending Review

MTRP - medium term resource plan

CAMT - Corporate Asset Management Team

EHCP - Education, Health and Care plan

PWLB – Public Works Loan Board

CGB - Capital Growth Board

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