

Torbay Council

Auditor's Annual Report for the
year ended 31 March 2024

28 February 2025



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Torbay Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

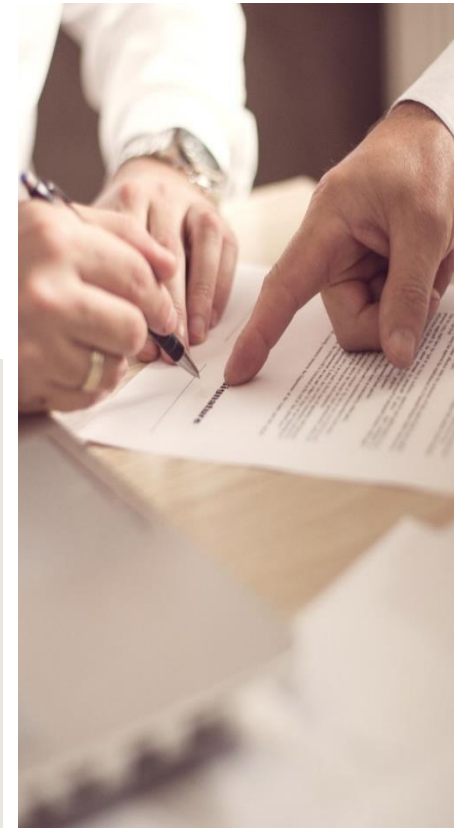
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 10 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. This new requirements will be introduced from November 2025. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 29.



We have completed our audit of your financial statements. We issued our final disclaimer audit opinion on 28 February 2025. Our findings on our work are set out in further detail on pages 9, 18 and 21.



Financial sustainability

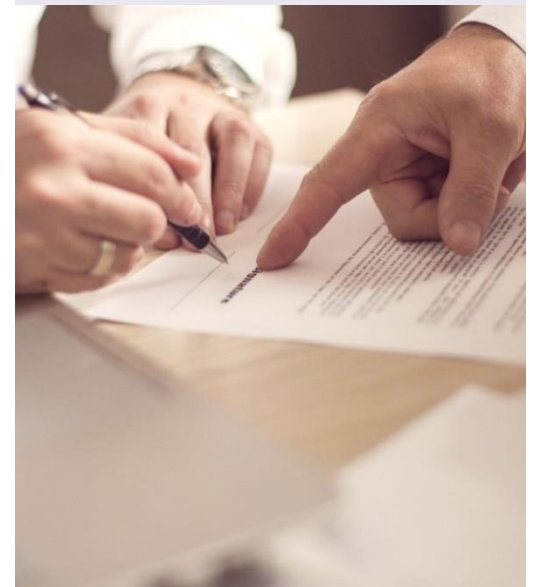
The Council delivered a surplus of £0.678 million against the budget in 2023/24 which was transferred to its Comprehensive Spending Review. The Council's working balance reserve position continues to be low in comparison to the target balance, however, the Council have an earmarked reserve to provide further cushioning. The Council has good arrangements in place with respect to budget management and demonstrated strong financial control in recent years as shown by regular underspends against budget. The Council has been able to set out clear plans for a balanced budget over the next three years as set out in the medium term resource plan which is positive against a challenging financial environment across the sector. The plan has been based on the use of new sustainability plans which update planning through changes to forecasted demand and savings estimated to be delivered and will need to be closely monitored. 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 identified areas where the Council could improve arrangements and, as such, have raised a number of improvement recommendations which have been accepted by Management.



Governance

The Council has effective governance arrangements in place as highlighted in the LGA peer review undertaken during 2023/24. There are been areas highlighted for improvement as identified by external bodies such as the Local Government Association. We observed the action log and planned activities in delivering these improvements, recent reporting identified progress in completed actions and clear deadlines for the remainder ongoing. Changes in the Council's group structure for its subsidiaries have highlighted unforeseen challenges and the changes in the Council's membership have impacted its length of time to make decisions.

We identified a specific significant weakness and raised a key recommendation around the Council's finance teams capacity and capability in particular respect in preparing statutory financial reporting and responding to audit queries. We have also raised several improvement recommendations which have been accepted by management.



Executive summary (continued)



Improving economy, efficiency and effectiveness

The Council has effective systems in place to identify and monitor its performance and assess its areas of improvement. During 2023/24 the Council undertook significant effort to sign a section 75 agreement with Torbay and South Devon NHS Foundation Trust and NHS Devon Integrated Care Board (ICB) for 5 years. The agreement is for the integration of Health and Social care. Furthermore, the Council delivered a refreshed corporate plan (Torbay Corporate Plan 2024-2027) establishing its goals and objectives with clear methods of measuring performance. The Council continues to develop its transformation programmes, particularly in Adult Social Care the use of consultants (Channel 3) to develop savings opportunities and optimisation. Based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness. However, we have identified an area where the Council could improve arrangements and, as such, have raised an improvement recommendation which has been accepted by Management.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A No significant weaknesses identified but five improvement recommendations made.	A We note the improvements made by the Council in the executive summary (page 5). No significant weaknesses in arrangements have been identified, but two improvement recommendations have been made to support the Council in improving arrangements for its financial planning. These relate to linking its financial planning to its other plans, and the Council should undertake further sensitivity analysis and scenario analysis to give further context for proposed budgets to allow for further scrutiny and challenge.	↔
Governance	A No significant weaknesses identified but three improvement recommendations made.	R A significant weaknesses has been identified around the Council's capacity and capability of its finance team to ensure that financial reporting arrangements, including those relating to the statement of accounts are adequate. We also raised three improvement recommendations to support the Council in improving arrangements for its Governance arrangements. These relate to the Council's reporting on decision making being more detailed in its considerations and analysis, the arrangements for reporting on delegated decisions and arrangements to support Council members to continue to develop their understanding of their role and responsibilities.	↓
Improving economy, efficiency and effectiveness	A No significant weaknesses identified but two improvement recommendations made.	A We noted the improvements the Council has made in delivering its services in the executive summary (page 5). No significant weaknesses in arrangements were identified, but one improvement recommendation was identified to support the Council in improving its economy, effectiveness and efficiency. The improvement recommendation relates to developing clear action plans that link to performance reporting, documenting updates on improvement and ensuring that there is clear ownership on the improvement journey.	↔

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

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



Opinion on the financial statements



Audit opinion on the financial statements

Owing to the challenges of undertaking an audit where the previous audit was disclaimed due to the local authority backstop, this year we have been unable to regain full assurance and it has not been possible for us to undertake sufficient work to support an unmodified audit opinion in advance of the proposed backstop date of 28 February 2025. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our final financial statements audit report opinion will be disclaimed.

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conduct our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit Findings Report

We have reported the detailed findings from our audit in our Audit Findings Report. Our report was presented to the Council's Audit Committee on 25 February 2025.

Findings from the audit of the financial statements

We commenced our financial statements audit in September 2024, following receipt of the Council's draft accounts on 2 August 2024, some 9 weeks after the required publication deadline. Local authorities are required to publish their draft financial statements by the statutory deadline of 31 May 2024. Only 41% of local authorities achieved this statutory deadline in 2023-24.

We agreed with finance officers to undertake our audit in a hybrid manner, with our audit team working two days per week at the Council offices in Torbay and remotely for the remainder of each week.

Our work identified some key challenges which hindered our initial progress with the audit. We raised our initial request for audit working papers on 19 August 2024 and these had not been fully responded to by the time our audit work began. Over the initial weeks of our audit, there were a significant number of audit queries on our tracker which have remained outstanding for more than two weeks. Our initial work also identified a number of reconciliation differences between the Council's accounting records, the final accounts trial balance and the draft financial statements, affecting both the 2023-24 reported results and also the opening balances relating to the 2022-23 comparative period.

In order to address these issues, the Council secured additional temporary resource to support both the updating of the financial statements and to assist with ongoing queries arising from the audit. This has been an important step in resolving problems in a timely manner and reflects the need for additional resilience in the finance team on an ongoing basis. We were required to pause work on the audit for two weeks in order to allow the new version of the draft statements to be produced, but our team re-commenced work on 11 November 2024 with the intention of completing the audit ahead of the 28 February 2025 backstop date, allowing the Council to return to a regular audit cycle. Since the new temporary resource arrangements were introduced, we have received updated components of the Council's primary financial statements on a phased basis, to allow as many aspects of the audit work to restart and allow us to progress our audit sampling work as far as possible. Officers continued their work to provide a final complete set of updated financial statements on 20 January 2025. We have been pleased with the improved engagement by finance officers since the new resources have been put in place, however the Council will need to develop actions to introduce a permanent solution for the longer term.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p>Statutory recommendations</p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

Value for Money Commentary on arrangements



The current landscape

It is within this context that we set out our commentary on the Authority's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;

Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and

The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.



Local context

Torbay Council is the local authority for Torbay in Devon, England. Since 1998, it has operated as a unitary authority, meaning it handles both district and county-level responsibilities independently from Devon County Council. This allows Torbay to manage local services such as education, transport, and social services directly. Since 2023, Torbay Council has been under no overall control. Initially, the Conservatives held a majority after the May 2023 elections, but in October 2023 moved to no overall control when two members left to form Prosper Torbay. In June 2024, the Conservatives won a by-election, giving them half the seats, but still one short of a majority.

Torbay won the most improved Council of the year at the Local Government Chronicle awards during 2022-23; the judges praised the Council for its significant organisational improvements, good financial management and cultural changes particularly within the Children's Services directorate.

Financial sustainability



We considered how the audited body

Commentary on arrangements

Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

The Council identifies all the significant pressures that are relevant to the short and medium-term financial plans. The assumptions made by the Council are reasonable in respect to the impacts of the 2024/25 local government finance settlement, core spending power, increases in Adult Social Care demand, inflationary pressures, and impacts of the Dedicated Schools Grant deficit.

The Council undertook its medium-term resource planning from December 2023 through to February 2024, identifying a funding gap of £5.4 million in 2025/26 and £1.9 million in 2026/27 which is to be met with savings and no use of reserves.

From the evidence provided, our view is that the Council has sufficiently identified all the significant financial pressures and built their plans around them, with mitigations and to inform its savings plans.

G

plans to bridge its funding gaps and identifies achievable savings

The Council is able to bridge its funding gaps through the use of its savings plans and has historic evidence from 2022/23 and 2023/24 that it is able to deliver the majority of planned savings. It has identified a £0.3 million budget gap for 2024/25 and has established a clear savings plan, which is mainly delivered through its Adult Social Care Transformation. We note that in 2025/26 the Council faces a more significant gap of £5.4 million and there is currently an approved savings plan in place.

As of 2024/25 the Council implemented the use of sustainability plans as part of its budgeting process, financial sustainability plans are developed and reported on at directorate level to the s151 officer and the senior leadership team to review. The aim of the sustainability plans is to capture demand pressures and savings opportunities in year, in addition to annual reporting. This allows the Council to identify pressures and mitigations throughout the year to improve its budgeting accuracy and management information.

We reviewed multiple sustainability plans developed across multiple directorates in Q1 2024/25 and Q2 2024/25. The report consists of a directorate description and update since the prior version. There's also a needs analysis of the directorate, covering the future state and what additional resources are needed to deliver it. The report details the levels of savings targeted annually, with a description on estimates and how the savings will be delivered. Followed by a schedule of actions and key milestones with an estimated financial impact, with a corresponding short-term progress update. The updates are RAG rated (red, amber, green) allowing the reviewers to ascertain areas of concern. The report also factors in the additional risks and areas of concern impacting the directorate, shown by severity and mitigations in place. In reviewing the plans, we observed how the updated plans fed into the quarterly finance updates presented to Cabinet. There was a consistent update to the quarterly financial reporting based on the update from the sustainability plans. There was a clear thread of transfer of information.

G

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

Financial Sustainability



We considered how the audited body:	Commentary on arrangements	Assessment
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council plans its finances to support the sustainable delivery of services in accordance with its strategic and statutory priorities, as evidenced in 2023/24 financial planning for the additional funding allocations to meet the increased demand pressures in Adult Social Care. Furthermore, as part of its medium-term resource planning the Council has factored in its strategic priorities in improving services such as Adult Social Care transformation programme and wider Council transformation programme.</p>	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	<p>The Council's medium-term resource plan (MTRP) is not clearly aligned with other plans such as workforce, estates and assets planning, and net zero. Furthermore, there is no clear involvement in how the Council's financial planning aligns to other bodies, such as partners in the recently signed s75 agreement.</p> <p>The MTRP presented to Cabinet in February 2024 was not consistent with other key plans such as Torbay's productivity plan or the Council's net zero plan. Specifically, the productivity plan referenced the reduced agency workers across directorates in an aim to save costs and, workforce reviews have not been captured in the MTRP.</p> <p>It's important that the Council's financial planning aligns to the Council's corporate and strategic objectives. This ensures that the budget is a fair representation of the Council's aims and objectives and the finance budget is not separated from Council activities. The Council's medium-term resource plan should clearly align to its other plans to ensure the budget aligns to the Council's operational and strategic aims and we have raised an improvement recommendation around this.</p>	A
identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>The Council sufficiently identifies and presents its financial risks to members, and the impact of the financial risks are quantified and clear mitigations and actions are aligned to those. Reviewing the models that underpin the MTRP, the Council has undertaken a basic sensitivity analysis adjusting Council Tax, however there is no additional scenario analysis undertaken.</p> <p>A sensitivity analysis can identify the impact of one element impacting the budget, such as the impact of increasing Council Tax. This should be completed on multiple areas within income and expenditure to provide impacts of those changes in key budget assumptions. For scenario analysis, the Council should undertake specific scenarios such as reduction in the collection rate or changes in inflation assumptions. Further sensitivity and scenario analysis provides a wider range of budget outcomes that if presented to members can allow for further scrutiny and allows the Council to develop a more robust budget by having clear mitigation strategies. We have raised an improvement recommendation around this.</p>	A

Financial Sustainability



We considered how the audited body: **Commentary on arrangements**

Assessment

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

Reserves

The Council has managed its budget by transferring unspent "one-off" budget allocations and funds from earmarked or ring-fenced streams, such as those for Adult Social Care and Public Health, to reserves. This ensures that these resources can be effectively utilised in future years.

For 2023/24, the Council achieved a net underspend, resulting in a £0.613m surplus. Of this surplus, £0.4m was allocated to a specific reserve to support the Capital Investment Programme. This includes funding for design and feasibility work, as well as enhancing project delivery capacity. Additionally, £0.213m was moved to a Comprehensive Spending Reserve (CSR) to fund one-off expenditures aimed at accelerating the delivery of Operation Brighter Bay. The Council's general fund reserves remained the same for 2023/24 with a closing position of £5.7 million, as per the financial statements. However the Council aims to increase the balance to £7.6m in 20254/25. This is still a relatively low level of reserves compared to other unitary authorities based on percentage of net revenue expenditure.

The Council's general fund reserve has remained at £5.7m for 2021/22 and 2022/23 and 2023/24. Based on the budget of £130.6m for 2023/24, the target reserve level would be £6.5m. The 2023/24 budget did 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 £2.6 million as at 31 March 2024. 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 supporting future revenue budget gaps. Therefore, while the general fund reserve balance might be low in comparison with other unitary authorities, the presence of the additional CSR reserve provides greater financial resilience to support the general fund balance. The combination of these two reserves is shown below:

	20/21	21/22	22/23	23/24
Unearmarked Reserves				
Unallocated General Fund Reserves	4.6	5.7	5.7	5.7
Earmarked Reserves				
Comprehensive Spending Review Reserve	2.4	3.0	3.5	2.6
Total	7.0	8.7	9.2	8.3

Based on current predictions, should the Council's savings plan not be delivered, this would put increased pressure on the Council's reserves position.

A

Financial sustainability



Areas for improvement

Linking medium-term resource plans

The Council's medium-term resource plan (MTRP) is not clearly aligned with other plans such as workforce, estates and assets planning, and net zero. Therefore, it's not clear how the Council's financial planning aligns with its strategic or operational objectives set it out in other plans such as the Community and Corporate Plan or the Productivity plan.

The Council should undertake a more detailed sensitivity and scenario analysis as part of its planning process

Reviewing the models that underpin the MTRP, the Council has undertaken a basic sensitivity analysis adjusting Council tax, however there is no additional scenario analysis undertaken. This would help to provide context around specific impacts to the budget if individual elements changed, and would allow for further scrutiny and challenge around budgets in the aim to deliver a more robust budget.

Improvement recommendation 1:

The Council's medium-term resource plan should clearly align to its other plans such as the productivity, estates and net zero plans to ensure the budget aligns to the Council's operational and strategic aims.

Improvement recommendation 2:

The Council should undertake more detailed sensitivity and scenario analysis as part of its planning process. This should be presented to members to allow for further challenge and scrutiny.

Governance



We considered how the Audited Body:	Commentary on arrangements	Assessment
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council's Risk Management process is robust and well-embedded, with regular updates to the Corporate Risk Register, aligned with its corporate priorities. Risks are identified, scored, and mitigated through a 5x5 matrix system, with strategic, corporate, and operational risks managed in the SPAR.net database. The Risk Management Policy outlines the legislative requirements, tolerance thresholds, and responsibilities, and risk management is integrated into leadership and management practices through monthly and annual reviews. The Council has demonstrated improvements in risk reporting timeliness, but improvement recommendations remain, particularly around updating the Risk Management Policy more frequently and reducing the number of risks reported to Cabinet. Internal Audit reviews provide reasonable assurance over internal controls, with improvements seen in specific areas, notably in Children's Services following a positive Ofsted review.</p> <p>Additionally, the Council maintains strong anti-fraud measures and has reinforced these with a new Counter Fraud and Corruption Policy. Overall, the Council's commitment to risk management, internal audit, and fraud prevention is demonstrated by comprehensive governance structures and continuous improvement efforts.</p>	A
approaches and carries out its annual budget setting process	<p>The Council's budget monitoring report focuses on individual service trends and extrapolates their impact on the overall financial outturn. While the Council does not engage in broader trend analysis related to market data or macroeconomic factors, it incorporates specific macroeconomic elements, such as inflation, where directly relevant. The budget includes provisions for inflation (6.7% CPI for September 2023), pay increases, and tax growth. Inflation remains the primary cost pressure for the 2024/25 budget.</p> <p>There is evidence of benchmarking and collaboration with partners for comparative purposes, and internal processes engage budget managers and leadership comprehensively. Alternative savings options are presented to council members, and the decision-making process remains flexible, allowing for scrutiny and final approval by Full Council.</p> <p>Rising costs in construction and higher interest rates have impacted capital projects, leading to reassessment of business cases to ensure financial viability. While the Council benefits from fixed-rate historic borrowing, higher returns on cash investments have been noted, though they are cautiously managed without over-reliance.</p> <p>The Council's budget setting process is inclusive, involving all budget managers, external service partners, and stakeholder consultation. The final budget is reviewed and approved by Full Council, demonstrating robust oversight and a collaborative approach to financial planning. Additionally, the medium-term resource plan considers factors like the Business Rates Retention Scheme and anticipates future pressures, ensuring that financial gaps are addressed through savings strategies where necessary.</p>	G

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

Governance



We considered how the Audited Body:	Commentary on arrangements	Assessment
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>The Council’s quarterly budget monitoring reports provide the Cabinet with a clear understanding of the Council’s financial position both in-month and year-to-date, along with year-end forecasts. The Cabinet meeting minutes show that discussions and challenges are focused on areas with the greatest variances, indicating a strong grasp of the areas needing management and Cabinet’s attention. Corrective actions are taken as necessary, particularly addressing budget overruns in demand-led services.</p> <p>However, there was concern around the capacity of the finance team in terms of meeting its statutory financial reporting requirements in terms of delivering audit evidence and responding to queries. We raised a key recommendation around this. The Council must ensure there is sufficient capacity and capability to ensure that financial reports including the statement of accounts, are prepared adequately with sufficient quality assurance for review. Furthermore, sufficient capacity should be given to the team to ensure that audit queries are met in a timely manner and resolved sufficiently. Further details on the progress of our 2023-24 financial statements audit are set out on page 9 and 21 of this report.</p>	<p>R</p>
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council has established a robust governance framework for decision-making, with regular reporting and oversight mechanisms in place. Key issues are communicated effectively through regular meetings involving senior leadership, Cabinet, and the Overview and Scrutiny Board. Reports are reviewed by legal and finance teams before decision-making to ensure accuracy and compliance. Decision-making processes are transparent, and there is no evidence of unlawful actions or significant financial risks. The Audit Committee meets regularly and plays a vital role in overseeing the Council’s financial health, reviewing risk management, and ensuring compliance with governance standards.</p> <p>At the Council meeting on 20 September 2023, it was decided that the Torbay Economic Development Company (TEDC) would be dissolved, with its services brought in-house. This move aims to increase resources and focus on the Council’s core strategic objectives. The TEDC included the following entities: 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.</p> <p>This means that the activities of the TDA are going to be brought in house into the Council. This allows the Council to regain total control of both cost and performance of projects, this allows for greater governance and the reporting of activities can be reported through the Council’s existing democratic structures. Upon reviewing the decision report presented to the Cabinet in September 2023, it was noted that the report lacked depth in several critical areas. Specifically, the financial, operational, and legal implications were not thoroughly addressed. (continued)</p>	<p>A</p>

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee

Not having sufficient evidence at the decision making stage, and all relevant information does inhibit the Council’s decision-making abilities. Furthermore, all information at the time of the decision must be contained for the Council’s record keeping. We noted that if the decision was undertaken with delegated authority, the reasons for the decision making may not be public and in light of further information the Council should report back on the delegated decision to the Cabinet for further scrutiny but also provide further transparency to the public. We have raised an improvement recommendation around this.

However, reviewing the decision report presented to Cabinet in September titled – Future options for structure and operation for Torbay Economic Development Company Limited. The report included considerations of the decision options in terms finance impacts the information provided to Cabinet is qualitative and there is no explicit considerations on how it impacts the budget and the wider medium term resource plan. Furthermore, other considerations such as the additional resource required in maintaining existing tenancies in the subsidiaries housing stock which are required to adhere to private landlord standards.

We have conducted a review of the Council's supporting plan for bringing the Torbay Development Agency (TDA) in-house. This review included an examination of the risk logs, action plans, and decisions log. We found these documents to be detailed and clear, providing a robust framework for the transition. The risk logs comprehensively identify potential challenges and outline mitigation strategies, ensuring that risks are managed effectively. The action plans are well-structured, with clear timelines and responsibilities, facilitating smooth implementation. Additionally, the decisions log has been sufficiently maintained, offering transparency and accountability throughout the process. Overall, the supporting plan demonstrates a high level of preparedness and strategic planning, which should contribute to the successful integration of TDA services into the Council.

We raised the following improvement recommendation: To enhance the quality and comprehensiveness of future reports, it is recommended that all aspects and impacts of the decision are to be documented in more detailed consideration and analysis. This will ensure that decision-makers are fully informed and can make well-rounded, strategic decisions.

A

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards .

Our review of the Council’s processes in ensuring that it monitors appropriate standards to meet legislative/regulatory requirements are appropriate. The Standards Committee ensures that all councillors and officers of the Council perform their duties within agreed codes of conduct, the Audit Committee ensures compliance with accounts and audit regulations and maintains a strategic overview with the Regulation of Investigatory Powers Act 2000. The Director of Public Health is responsible for ensuring the Council’s overall management of public health and the legal requirements in relation to health matters. Internal audit ensures compliance with statutory requirements in internal controls. And the procurement function ensures it procures services compliant to procurement legislation. The Council’s monitoring officer ensures that the Council’s constitution is complied with and the constitution is up to date. During 2023/24 there was no evidence to suggest that there was non-compliance with the Council’s constitution.

Council Committee Members

Since 2023, Torbay Council has been under no overall control. Initially, the Conservatives held a majority after the May 2023 elections, but they lost it in October when two members left to form Prosper Torbay. In June 2024, the Conservatives won a by-election, giving them half the seats, but still one short of a majority. There was a two-month delay in appointing a new mayor in May 2024, eventually succeeding in July 2024 with a Conservative being appointed instead.

In our interviews with the senior officers it was noted that political tensions within the Council have made aspects of the decision-making process more challenging and politically driven, though these tensions did not directly impact the Council’s ability to make decisions, despite elongating the process. Senior officers highlighted December 2023 as a period of heightened tensions disrupted the Council meeting resulting in decisions being postponed into the next meeting. The summary of complaints made against Councillors is underway and to be presented to Overview and Scrutiny Committee subsequently, we will continue to review as part of our VfM audit.

Political tensions within the Council are not unusual in local government. Despite these ongoing tensions, senior officers assure us that Members understand their roles and responsibilities, and decision-making is not currently impacted. In our discussions with the Monitoring Officer training is provided to members around their roles and responsibilities however is informal and is provided when required during meetings. We have raised an improvement recommendation that the Council should provide further formal training around roles and responsibilities required as members. Furthermore the Council should ensure that members are regularly informed about the Councillor Code of Conduct and should abide it.

A

Governance



Significant weakness identified

Financial Reporting

A number of difficulties have arisen during the course of the 2023-24 financial statements audit to date. Our initial work identified a number of reconciliation differences between the Council's accounting records, the final accounts trial balance and the draft financial statements, affecting both the 2023-24 reported results and also the opening balances relating to the 2022-23 comparative period.

This has also highlighted some gaps in technical understanding of financial reporting requirements in the Council's finance team. There was a lack of understanding of the potential material impacts of the Council's activities in 2023/24 such as the group restructuring. Furthermore, there has been quite a high turnover of staff in the wider finance team over the last 12-18 months, including both the Section 151 officer and deputy Section 151 officer plus officers retiring/nearing retirement.

In order to address these issues, the Council secured additional temporary resource to support both the updating of the financial statements and to provide extra capacity to respond to queries arising from the audit. This has been an important step in resolving problems in a timely manner and reflects the need for additional resilience in the finance team on an ongoing basis. In undertaking this corrective work, new officers have identified further matters within the Council's accounting records to address. Consequently, it was necessary for the audit team to pause work on the audit for two weeks during October to allow officers appropriate time to undertake the necessary work to revise the underlying records, to restore confidence on the financial data used for the basis of us conducting our audit testing.

Since the new temporary resource arrangements were introduced, we have received updated components of the Council's primary financial statements on a phased basis, to allow as many aspects of the audit work to restart and allow us to progress our audit sampling work as far as possible. Officers continued their work to provide a final complete set of updated financial statements on 20 January 2025. We have been pleased with the improved engagement by finance officers since the new resources have been put in place.

Our discussions with the section 151 officer has highlighted there is a culture in the Council's finance team of individuals just doing their part of the accounts process, and there is little collaborative working or understanding of where individuals sit in the wider process. We note that the current section 151 officer is aiming to implement further cross-role working as part of the 2024/25 financial year onwards, to build more agility and resilience within the team and support with wider skills development of officers.

As a result of the significant reworking of the draft financial statements, along with our further audit work completed, a significant number of prior period restatements were required to the 2022-23 comparative information in the financial statements. The exercise also identified some significant discrepancies between the amounts recorded in the financial statements and the Council's accounting records. Fundamentally, this was due to a lack of year end reconciliation between its general ledger accounting system, the final trial balance and the draft financial statements; the need to better control the year end closedown process and accounting entries entered into the accounting system during the accounts production; and the need for an improved quality control review process with its draft financial statements.

In light of the difficulties highlighted in the accounts preparation process and accounting records, we have identified a significant weakness in the financial reporting arrangements and a key recommendation has been raised.

Key Recommendation 1:

The Council must ensure there is sufficient capacity and capability to ensure that financial reports including the statement of accounts, are prepared adequately with sufficient quality assurance for review. Furthermore, sufficient capacity should be given to the team to ensure that audit queries are met in a timely manner and resolved sufficiently.

Governance



Areas for improvement

Improvement in reporting on decision making, and ensuring all information is provided

In light of the decision made on 20 September 2023, dissolving the Torbay Economic Development Company (TEDC) and bringing its services in house, it was clear that there were some considerations which later impacted the dissolution of the company and the Council which were not highlighted for consideration at the decision point. For example, the impact of keeping some of the TEDC subsidiaries operating as a going concern was not presented as a part of the dissolution decision, nor was the impact of delivering existing tenancies for the housing association in house, where the existing tenancies have conditions that the Council itself cannot offer. The additional work in understanding how the housing assets could be transferred back to the Council and potential implications were not presented as at the decision point. While some of these additional risks were unforeseen at the decision point, it's important that the Council still documents as many possible impacts/considerations as part of the report pack presented to Council members. Furthermore, if decisions were undertaken with delegated authority, the Council should report justifications to Cabinet for transparency.

Ensuring members understand their roles and responsibilities

The LGA peer review conducted in 2024 highlighted several key points and recommendations regarding Torbay Council's current situation. Operating under a minority administration with 'No Overall Control', the Council needs a collaborative and pragmatic approach to governance. Despite some successes, such as the adoption of the Community and Corporate Plan and the cross-party approval of the 2024/25 budget, recent political tensions have hindered progress. These tensions are affecting staff morale, the Council's reputation, and the trust of its partners. Our discussions with senior officers identified that political tensions within the Council complicated the decision-making process, and while the tensions did not impede the Council's ability to make decisions it did extend the duration of the process. Our discussions with the monitoring officer highlighted that they are underway in compiling the code of conduct complaints register for 2023/24, with requisite actions and outcomes for bad behaviour.

Improvement recommendation 3: To enhance the quality and comprehensiveness of future reports, it is recommended that all aspects and impacts of the decision are to be documented in more detailed consideration and analysis. This will ensure that decision-makers are fully informed and can make well-rounded, strategic decisions.

Improvement recommendation 4: Where decisions are undertaken under delegated authority, the justification and the additional information on the decision must be reported back to Cabinet for transparency.

Improvement recommendation 5: The Council should provide further formal training around roles and responsibilities required as members. Furthermore the Council should ensure that members are regularly informed about the Councillor Code of Conduct and should abide it.

Improving economy, efficiency and effectiveness



We considered how the audited body:	Commentary on arrangements	Assessment
uses financial and performance information to assess performance to identify areas for improvement	<p>Torbay Council's service performance during 2023/24 was driven by a refreshed corporate plan, the Torbay Corporate Plan 2024-2027. At present the Council's performance is reviewed at Overview and Scrutiny Committee, and the Council's senior leadership team oversee the delivery of performance. Our review of the performance monitoring presented to Overview and Scrutiny Committee and presented to Cabinet quarterly at the performance monitoring identified that the reporting of performance was clear and allowed for challenge from members. Furthermore, the reporting summaries identify clearly the areas of improvement for the Council.</p> <p>As of May 7, 2024, the Quarter 4 performance report presented to the Overview and Scrutiny Committee included 90 key performance indicators which are scored against a set target, 34 out of 90 are performing on or above target. 47 are performing much worse than their target and 9 are worse than their target. This identifies the Council has some significant improvement required to meet its targets.</p> <p>We reviewed historic performance reporting presented to Overview and Scrutiny Committee in 2022/23 and noted that performance against targets was also poor. We noted that the reporting to Overview and Scrutiny didn't include clear actions, or progress against actions plans nor notification of who owns the improvement.</p> <p>We have raised an improvement recommendation that the Council should ensure that it clearly documents action plans on improving performance, improvement against them and that there is clear ownership of responsible individuals delivering that change.</p>	A
evaluates the services it provides to assess performance and identify areas for improvement	<p>The Council underwent a Corporate Peer Challenge Review in 2023/24 by the Local Government Association (LGA). The findings highlighted 15 key recommendations, and the Council has demonstrated drive and determination in improving its services. Which is reflected in the Council being awarded the 'Most Improved Council' by the Local Government Chronicle (LGC).</p> <p>Furthermore, the Council actively seeks other areas of external review to assess its services and identify areas for improvement, such as the Adult Social Care CQC (Care Quality Commission) preparing for upcoming reviews. Also, Children's services also undertaking mock Ofsted reviews to identify further areas of improvement.</p>	G

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

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The Council has a strong focus on partnership working and significant work has been undertaken to formalise partnership working arrangements during 2023/24 as part of the Section 75 agreement with the NHS. The performance of partners is reported as part of the quarterly performance reporting to Cabinet and performance is also monitored at the corporate level as part of the procurement/commissioning function.

Adults Social Care – Section 75 agreement & transformation programme

In March 2023, Cabinet agreed to enter a new S75 agreement with Torbay and South Devon NHS Foundation Trust, NHS Devon Integrated Care Board (ICB) for 5 years. The agreement is for the integration of Health and Social care on the basis for year-on year increased cost to the Council of:

- a. £2.55m additional base budget in 2025/26
- b. £2.55m additional base budget in 2026/27
- c. £1.7m additional base budget in 2027/28
- d. £1.7m additional base budget in 2028/29
- e. £1.7m additional base budget in 2029/30

The new Section 75 (s75) agreement aims to provide continued commitment and stability for the partnership between the Torbay and South Devon NHS Foundation Trust, NHS Devon ICB, and Torbay Council. This agreement will help consolidate leadership and performance through the new s75 Executive Group. It emphasises the importance of clear oversight for the Statutory Director of Adult Social Care (DASS) and the Executive and Political Leadership of the Council.

Between November 2023 and February 2024, Torbay senior leadership, transformation leads, and senior operational managers collaborated to address the challenges facing Adult Social Care in light of the new s75 agreement. Supported by Channel 3 consulting, they developed transformation plans focusing on service transformation, financial control, and creating a high-performing directorate. The service transformation aims to deliver sustainable savings over 2-3 years, with key areas including maximising independence, early intervention, hospital discharge optimization, support for working-age adults, digital transformation, and innovative commissioning.

G

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

The transformation plan has identified savings opportunities of £3m-£4m annually through care package reviews and £12m-£16m through broader transformation initiatives. These plans require detailed validation and prioritisation to ensure effective implementation. The transformation program will focus on embedding strengths-based practices, improving early intervention and prevention, streamlining hospital discharge, supporting independence for working-age adults, leveraging digital tools, and enhancing commissioning practices.

We observed the Channel 3 transformation plan, detailing actions against the areas of improvement and the planned timelines for delivery, deliverables and stakeholders involved. We also observed the project plan timeline, which was clear in terms of showing timeline of actions and the contingency around it.

We will monitor the Council's progress against the transformation programme through reporting to the Cabinet and the Adult Social and Health Overview Scrutiny Sub-Board.

G

commissions or procures services, assessing whether it is realising the expected benefits

Procurement at Torbay Council is governed by the Council's Financial Regulations and Contract Procedure Rules which form part of the Council's Constitution. The Council also have a Procurement Strategy which was approved in August 2020 and ran up till March 2023. The Council is currently underway in developing its updated procurement plan. 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.

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.

We have kept an historic 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.

The procurement team produced a Service Plan for 2023/24 which it implemented 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 has 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. (continued next page)

G

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

commissions or procures services, assessing whether it is realising the expected benefits

The Council has already made some evident improvements as demonstrated by the reduction in the number of waivers from 106 in 2022/23 to 92 in 2023/24.

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.

G

Improving economy, efficiency and effectiveness



Areas for improvement

Action plans for improvement

As noted in the Quarter 4 performance reports presented to Overview and Scrutiny, this highlighted that performance against agreed targets was below expectations and of the 90 key performance indicators only 34 are performing on target. With this poor performance against agreed targets, it is important that the Council clearly documents its improvement plans against indicators, and that those plans are clearly linked with clear ownership of responsible individuals delivering that change.

Improvement recommendation 6:

The Council should ensure that it clearly documents action plans on improving performance, improvement against them and that there is clear ownership of responsible individuals delivering that change.

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR1 The Council must ensure there is sufficient capacity and capability to ensure that financial reports including the statement of accounts, are prepared adequately with sufficient quality assurance for review. Furthermore, sufficient capacity should be given to the team to ensure that audit queries are met in a timely manner and resolved sufficiently.	Key Recommendation	Governance	External Audit of annual accounts	Risks around not meeting statutory deadlines.	The Council has commissioned specialist technical support to help complete the 2023/24 Accounts process and provide relevant training to internal staff. Recruitment to key posts within the Corporate Finance team has been completed which will provide greater resilience moving forwards.
IR1 The Council's medium-term resource plan should clearly align to it's other plans such as the productivity, estates and net zero. To ensure the budget aligns to the Council's operational and strategic aims.	Improvement Recommendation	Financial Sustainability	Medium Term Resource Plan, Torbay Productivity Plan, Council Business Plan 2024/27, Carbon Neutral Council Action Plan 2022-2024	Lack of alignment between the Council's financial plan and objectives could mean the Council may not be able to deliver its strategic objectives due to lack of linking up between plans.	The Council's key plans and strategies have been recently reviewed and updated such as the 20 year Corporate and Community Plan and accompanying 4 year Council Business Plan. Greater alignment will take place as future budgets are set.
IR2 The Council should undertake more detailed sensitivity and scenario analysis as part of it's planning process. Outcomes/outputs should be presented to members to allow for further challenge/scrutiny.	Improvement Recommendation	Financial Sustainability	Models that underpin the Medium-term Resource Plan	The Council may not factor in possible considerations that may make the proposed budget less robust.	High level scenario analysis does take place such as future Council Tax base levels linked to key changes such as 2 nd Homes Charging. Analysis of Social Care Provider uplifts are also considered. However, such analysis is not captured in a single document which will be rectified moving forwards.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 To enhance the quality and comprehensiveness of future reports, it is recommended that all aspects and impacts of the decision are to be documented in more detailed consideration and analysis. This will ensure that decision-makers are fully informed and can make well-rounded, strategic decisions.	Improvement Recommendation	Governance	Document presented to Cabinet on 19 September 2023: Future options for the structure and operation of Torbay Economic Development Company Limited.	To improve transparency around decision making in the future.	Agreed. This will be addressed for future key decisions.
IR4 If a decision was undertaken with delegated authority, the justification and the additional information on the decision must be reported back to Cabinet for transparency.	Improvement Recommendation	Governance	N/a	To improve transparency around decision making in the future.	Agreed. This will be addressed for future key decisions.
IR5 The Council should provide further training around roles and responsibilities required as members. Furthermore the Council should ensure that members are regularly informed about the Councillor of Code and should abide it.	Improvement Recommendation	Governance	Meetings with Senior Officers, LGA Peer Review.	Risk around the decision making process being elongated and potentially impacting the Council's ability to make decisions.	Member training is regularly reviewed and updated. Specific training has been provided for Audit Committee members such as Treasury Management and Risk Management. The LGA has been commissioned to help with cross-party working.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR6 We have raised an improvement recommendation that the Council should ensure that it clearly documents action plans on improving performance, improvement against them and that there is clear ownership of responsible individuals delivering that change.	Improvement Recommendation	3E's	Q4 2023/24 Performance Reporting.	Clear links to action plans can ensure for further scrutiny of actions made by responsible individuals to deliver that change, and meet targets.	The revised Performance Management Policy (January 2025) makes clear that performance should be managed at every level of Torbay Council with an expectation that Recovery Plans are put in place at the appropriate level. A Performance Management Improvement Plan is being developed and will be implemented during 2025. This will include training for managers across the Council, who will then be held to account to ensure that the Performance Management Policy is implemented consistently across the organisation.

Appendices

Appendix A: Responsibilities of the Council

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

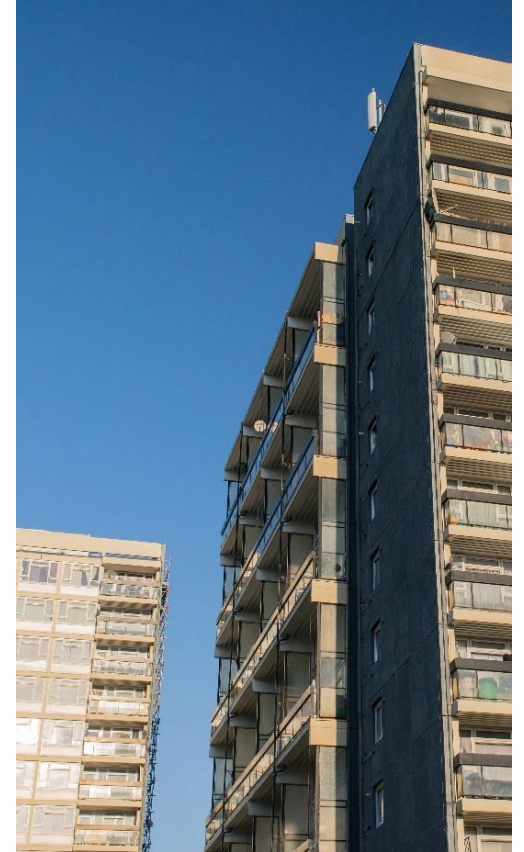
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

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

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p><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.</p>	Improvement	July 2023	2023/24 savings plans were reported throughout the financial year as part of quarterly monitoring reports. A new, longer term approach was adopted for 2024/25 - focussing on a fewer number (9) sustainability plans. No specific financial targets have been assigned to these sustainability plans as the Council believe that a sustained focus on these key areas will ultimately result in a longer term, more stable revenue budget position.	No	We will continue to review the Council's progress it's savings delivery, as required to fill upcoming budget gaps in the Medium-Term Resource Plan as part of our VfM audit.
<p>2 The Council must continue to work toward building its general unearmarked reserves balance to the target level.</p>	Improvement	July 2023	The Council produced an updated reserves policy as part of the 2024/25 budget setting process. In this document the Working Balance was increased to 5% of net revenue budget (target level) and a separate £3m 'Comprehensive Performance Reserve' was maintained.	Yes	No further actions required.
<p>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 could have on the overall financial health of the Council.</p>	Improvement	July 2023	Governance and oversight of progress against our approved DSG improvement plan remains a priority for the Council. Good progress has been made during the early stages with the government now having released circa £8m of the £11.9m deficit to Torbay Council. The remaining targets remain challenging but we have a series of mitigating actions planned.	Yes	No further actions required.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 The Council should review and evaluate how it sets its capital budget. Consideration of this will enable it to set a more realistic budget going forward.	Improvement	July 2023	The Council has undertaken a significant amount of work in this area. As part of the 2024/25 budget setting, the previous £270m capital programme was significantly reduced to just £19m for 24/25. Since then, further additions have been made to the Capital Investment Plan but in a controlled, managed way through an established gateway process with recommendations made to Cabinet by a Senior Officer and member of the Capital Growth Board.	Yes	No further action, but we will continue to review the delivery of the Capital programme as part of our VfM review.
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 gaining a greater understanding of its cost base. The CIPFA management code 2020 proposes preparing an annual value for money report, summarising 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, and effectiveness and equity. This will ensure greater integration of financial and non-financial information.	Improvement	July 2023	We are in the process of improving our use of benchmarking data and now procure a comprehensive set of external benchmarking (unit costs) reports provided by LG Futures, which include a Value for Money (VfM) assessment. Our Policy, Performance and Community Engagement Team also compile benchmarking information that compares cost and performance data against comparator groups. This data has been used as part of a recent LGA Peer review of Children's Services and also informed discussions with Health re our integrated ASC contract and transformation programme. Service Managers are required to include benchmarking data within their service plans and consider how relevant performance and financial information compares with others. The timetabling for presentation of Performance and Finance monitoring reports to Council meetings has now been aligned to improve the integration and consideration of financial and non-financial information.	Yes	No further action, but we will continue to review as part of our VfM audit.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
<p>Risk</p> <p>6 a. The Council should implement a regular review of its risk management policy. We recommend a yearly review.</p> <p>b. The Council should reconsider how many risks are reported to Cabinet in the Risk Reports.</p> <p>c. The Council should ensure timely reporting of risks to the audit committee.</p>	Improvement	July 2023	Action completed. The Risk Management Policy is reviewed annually with updates reporting into the Audit Committee. The Council regularly review the 'tiers' of risk between strategic, corporate and service risks. Directors take full responsibility for their specific service areas with high level and high scored risks presented to Directors and Cabinet in strategic update reports.	Partly	Part C not addressed, in 23/24 risk reporting it not timely and frequent to Audit Committee.
<p>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)</p>	Improvement	July 2023	The council worked with Devon Assurance Partnership and has co-opted a suitable qualified independent member to the committee. The independent member joined the audit committee in March 2024. The Council will review the arrangement on an ongoing basis and consider if co-opting a second member to the committee is required.	No	Partially completed, we will continue to monitor the Audit Committee and whether the Council deems fit to co-opt a second independent member.
<p>8 The Council should see 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.</p>	Improvement	July 2023	A high level draft People Strategy was produced in March 2024.	No	The plan published is high-level and does not cover to sufficient depth how the Council will plan it's workforce in delivering specific strategic goals, nor is included as part of it's medium term financial planning.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
9 The Council should consider developing a ten-year Corporate Plan and supporting Business Plan.	Improvement	July 2023	The Council has adopted a cross-party 20 year Community and Corporate Plan with a more action focussed 4 year Business Plan covering the current political term of office. Directorate Service Plans and staff appraisals link into these strategic documents.	Yes	No further action required.
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.	Improvement	July 2023	Changes to Financial Regulations and Contract Standing Orders have been approved by Full Council which have significantly increased spending thresholds in line with the majority of other single tier Councils. Consequently the number of required waivers has reduced dramatically. Those waivers that still remain require direct approval by the Director of Finance (Section 151 Officer)	No	Whilst improvements have been made, there is no frequent reporting around procurement indicators to Audit Committee.

