

Exeter City Council

Auditor's Annual Report
Year ending 31 March 2025

17 November 2025



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

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01 Introduction and context

Introduction

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

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 20224/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue

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

Value for money

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

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

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

Local government – context

Local government has remained under significant pressure in 2024/25

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

Local

Exeter City Council is a district Council providing services, alongside Devon County Council, to a population of 130,000 residents. The Council has actively responded to the Local Government Reorgansation (LGR) agenda and developed detailed proposals for a unitary Council for Exeter (and surrounding areas) within a three unitary model for Devon. Councils within Devon will need to submit their final LGR plans to central government by 28 November 2025.

The Council operates under a Leader and Executive model. The Council has 39 elected Councillors, each appointed for a four-year term, with a third of the 39 seats contested each year. The next elections for Exeter City Council Councillors will take place in May 2026. The Labour party has been in control of the Council since 2012. During 2024/25 the Council developed its strategic planning, supported by public engagement, which has led to the adoption of a new Corporate Plan 2025-2028 which includes four key priorities underpinned by a strategic focus on efficient and effective delivery to help secure value for money in the provision of public services.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	<div>A</div> <div>No significant weaknesses in arrangements identified. Nine improvement recommendations made.</div>	<div></div> <div>No risks of significant weakness identified.</div>	<div>A</div> <div>No significant weaknesses in arrangements identified, but four improvement recommendations made in relation to savings delivery, workforce planning, asset management and capital activities.</div>
Governance	<div>R</div> <div>Three significant weaknesses in arrangements identified. Five improvement recommendations made.</div>	<div></div> <div>Risk of significant weakness identified with regards to alternative delivery models, counter fraud activities and associated commissioning.</div>	<div>R</div> <div>Significant weakness in arrangements identified relating to counter fraud arrangements and a key recommendation raised. We also raise one improvement recommendation relating to committee development.</div>
Improving economy, efficiency and effectiveness	<div>R</div> <div>Two significant weaknesses in arrangements identified. Three improvement recommendations made.</div>	<div></div> <div>Risk of significant weakness identified with regards to performance management frameworks and with regards to the Council's contract management arrangements.</div>	<div>R</div> <div>Significant weaknesses in arrangements identified relating to performance monitoring and the Council’s procurement and contract management activities and two key recommendations raised. No improvement recommendations raised.</div>

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendation(s) made.
- R

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

Executive Summary

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



Financial sustainability

The Council reported a General Fund service underspend of £5.2m in 2024/25 which has resulted in a supplementary budget being carried forward to 2025/26. In 2024/25 the Housing Revenue Account (HRA), reported a marginal overspend linked to the Council's commitment to housing compliance.

The Council's set a balanced General Fund budget for 2025/26 with the HRA budget accommodating a planned deficit. Both General Fund and HRA are forecasting, at quarter one 2025/26, financial balance.

Both General Fund and HRA reserves are of a level that offers suitable contingency. However, it is essential the Council identifies further savings to support a balanced Medium Term Financial Strategy (MTFS) and we have raised an improvement recommendation. We have also raised improvement recommendations in relation to workforce planning, asset management and deliverability of the Council's General Fund capital programme.



Governance

We have identified a significant weakness relating to the Council's counter fraud arrangements and have raised a key recommendation.

The Council has reviewed its risk management arrangements to ensure they remain fit for purpose and routinely assesses the strategic risks that threaten key objectives. The Council has in place an effective internal audit service. The head of internal audit provided limited assurance for 2024/25 and in response the Control has acted to drive forward further improvement.

There is a structured and transparent decision-making process in place, supported by effective scrutiny. Arrangements are in place to ensure compliance with legislative and regulatory requirements. The Council has in place appropriate budget setting and monitoring arrangements and has taken steps to ensure timely oversight of key financial data. We have raised an improvement recommendation to further strengthen committee effectiveness.



Improving economy, efficiency and effectiveness

We have identified significant weaknesses relating to the Council's non-financial performance reporting, and procurement and contract management arrangements. We have raised two key recommendations.

The Council can demonstrate it places a focus on data quality and utilises a wide range of benchmarking data to identify areas of improvement. We also note the Council's willingness to participate in sector led development and we have found strong evidence of how the Council seeks and values stakeholder input when shaping key areas of decision making.

The Council has reviewed and updated its arrangements with regards to its companies, alternative delivery models and charities and has put in place six monthly update reports to Members to further enhance oversight and governance. We note the Council has reported that Strata (Council owned ICT company) has made significant progress against its current business plan.

Executive summary – auditor’s other responsibilities

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

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	Our audit commenced in September 2025 and as at the date of the interim AAR has progressed well, despite some slow responses to our initial audit requests. We will look to complete our work by the end of the calendar year to issue the opinion following the Audit & Governance Committee meeting in February 2026.
Use of auditor’s powers	We have not identified any requirements for the use of auditor’s powers in the work completed to date. We will report any findings to management and to members of the Audit & Governance Committee



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

Opinion on the financial statements

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

Audit opinion on the financial statements

Our work is still in progress. We plan to issue the audit opinion following the Audit & Governance Committee at the February 2026 meeting.

The full opinion will be included within the Council's Annual Financial Statements for 2024-25, which can be obtained from the Council's website

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

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

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

Findings from the audit of the financial statements

The Council did not provide draft accounts in line with the national deadline of 30 June 2025. These were published on the 22 August 2025. This was due to delays in the valuation process and management's subsequent challenge of some valuations and changes from prior years.

Draft financial statements were of a reasonable standard and we continue to work with management to obtain detailed working papers.

Our work is ongoing and we have nothing significant to report as at the date of this report. We will report any findings to management and members of the Audit & Governance Committee ahead of the Committee meeting in February 2026.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. We plan to issue the final version of our report to the Council's Audit & Governance Committee in February 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

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

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

This work has yet to be completed and we will report any findings to management and members of the Audit & Governance Committee.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council reported a gross General Fund underspend of £5.2m for 2024/25. After transfers to reserves the Council reported a net General Fund overspend of £0.5m overspend which was offset in its entirety by better-than-expected business rate income. The 2024/25 General Fund revenue outturn report highlighted that most underspends would be carried forward to 2025/26 as a commitment to utilise the expenditure still existed. This has resulted in a 'supplementary budget' of £4.5m to be added to the 2025/26 budget. We note that a supplementary budget of £6.4m was added to the 2024/25 budget, based on the same rationale.</p> <p>The Council's HRA revenue outturn was a deficit of £0.8m, representing an overspend of £0.5m from the planned position. The main reason for this adverse variance was due to repairs and maintenance overspending linked to the Council's proactive stock survey programme which is nearing completion and demonstrates the Council's focus on housing compliance and standards.</p> <p>The Council set a balanced General Fund net revenue budget (NRB) of £21.9m for 2025/26. The latest financial forecast for 2025/26 identifies a forecast underspend of £0.3m. However, we do note forecast slippage (£0.7m) in relation to savings delivery. The Council Medium Term Financial Strategy (MTFS) 2025/26-2028/29 also indicates a budget gap of £4.5m which will require the Council to identify further savings. This is assessed in more detail in the following section. The HRA budget for 2025/26 reflected HRA gross expenditure of £25m with a net deficit budget of £0.6m to be funded by balances. The latest HRA financial forecast for 2025/26 identifies an improved position with a £0.4m deficit forecast.</p> <p>The Council undertakes a risk-based approach to identifying minimum levels of General fund and HRA working balances. For 2025/26 the minimum level of General Fund working balances was set at £3.1m (14% of NRB) and is forecast to be £4.1m as of 31 March 2026. The Council set the minimum level of HRA working balances to be £3.5m (14% of gross expenditure) and is forecast to be £4.5m as of 31 March 2026. The Council's annual assessment of minimum levels of balances represents a suitable risk mitigation strategy and is good practice.</p>	G

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

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	<p>The Council’s General Fund outturn report for 2024/25 reported that the Council delivered £1.1m of savings, which was 79% of the approved savings target of £1.4m. The report also highlighted that the Council’s change programme ‘One Exeter’ was concluded and now embedded across the Council. The Council’s 2025/26 budget includes savings of £2.1m. The level of savings identified were sufficient to balance the 2025/26 budget, but budget gaps remain in the Council’s MTFS 2025/26 – 2028/29, which at the time were estimated to be £4.4m. This means the Council will need to find additional savings to ensure financial balance in the medium term.</p> <p>The latest financial forecast for 2025/26 indicates that 67% of the planned savings will be delivered. Any slippage in the delivery of agreed savings could create future financial pressure and compound gaps in the MTFS and/or impact reserve levels.</p> <p>It is important the Council places an organisational focus on identifying further savings to support a balanced MTFS and to support reserve levels. We have made an improvement recommendation. Please see page 18.</p>	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council has developed a new Corporate Plan 2025- 2028 which shapes the overall strategic direction of the Council, helps direct the distribution of resources and informs the Council’s financial planning. The Corporate Plan 2025- 2028 includes four main strategic priorities, which are underpinned by a commitment to ‘operate a well-run Council, delivering efficient and effective, value for money public services.’ This theme includes a key outcome for ‘a balanced budget achieved by focusing on priorities, efficient delivery of services and sustainable income generation’. This describes the strategic importance the Council places on financial sustainability and represents good practice. The Council’s 2025/26 budget also clearly articulates the financial impact of statutory services on the Council’s financial planning and how this impacts controllable spend.</p>	G

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

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's financial planning is coherently linked with wider strategies, plans and priorities such as the Council, Capital Strategy, Treasury Management Strategy and Net Zero commitments. We have identified opportunities for the Council to further strengthen arrangements by the adoption of workforce and asset management strategies which would support effective financial planning and the delivery of Council strategic priorities. Additionally, we have identified significant slippage in the Council’s General Fund capital programme. The Council is responding to this issue, but a close focus needs to placed on improving the deliverability of the Council’s General Fund capital aspirations. We have identified three separate improvement recommendations, however we note that there is a degree of interdependency between all three. Please see page 19-21.	A
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	<p>The Council maintains a Corporate Risk Register that sets out key financial risks and describes a range of appropriate Council controls. Budget setting reports provide a comprehensive appraisal of the Council’s financial position, financial risks and mitigating actions, further supported by financial risk narratives within budget monitoring reports.</p> <p>Financial assumptions are clearly set out in budget setting reports. As part of the budget setting process for 2025/26 the Council considered using a risk-based approach for the adequacy of its reserves and adopted a minimum prudent level of working balances. This is built into the MTFS to help shield the Council against financial risks. This approach is considered good practice.</p>	G

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

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering savings

Key Finding: The Council is currently forecasting slippage in the delivery of identified savings in 2025/26, and the Council also has unfunded budget gaps in the General Fund MTFS 2025/26 – 2028/29.

Evidence: The Council delivered £1.1m of General Fund savings in 2024/25 but this was 21% less than planned. The Council's saving target has sharply increased to £2.1m in 2025/26. The Council has in place arrangements to carefully track and monitor savings delivery. However, the quarter one 2025/26 financial forecast indicates slippage, with only 67% of savings forecast to be realised, and this could have a knock-on effect on future years. Additionally, the Council's MTFS 2025/26 – 2028/29, identifies a residual budget gap of £4.4m (for the period 2026/27-2028/29) after identified savings of £1.3m. The budget gap for 2026/27 being £2.1m.

The Council's General Fund working balance, forecast to be £4.1m (14% of NRB) as of 31 March 2026, appears reasonable but there is a need for the Council to develop a pipeline of savings to balance the MTFS and to help protect reserves. We note the Executive supported, in June 2025, further one-off investment in Council transformation activity to support the identification of further savings.

Impact: Savings slippage and budget gaps within the Council's MTFS combine to create risk to the medium-term financial suitability of the Council. The Council needs to mobilise its transformational activity to identify adequate savings to balance its MTFS whilst helping to maintain reserve balances at adequate levels.

Improvement Recommendation 1

IR1: We recommend the Council places an organisational focus on developing its transformational activities. This will help the Council identify budget savings to support a balanced MTFS whilst preserving working balances at appropriate levels.

Financial sustainability (continued)

Area for Improvement identified: Workforce Planning

Key Finding: The Council's Corporate Plan 2025 – 2028 includes workforce themes but the Council does not have in place a specific workforce strategy that is aligned to strategic priorities or the Council's financial planning. The Council's 2024/25 outturn detailed budget variances that in part related to workforce matters.

Evidence: The Council's Corporate Plan 2025 – 2028 includes an outcome measure relating to 'positive staff recruitment and retention rates' however the Council's 2024/25 revenue outturn reported several significant variances that related to vacant posts. These areas of vacancy contributed to a significant underspend for 2024/25, as already identified within this report.

The Council have informed us that service plans are assessed as part of the financial planning process, but it has not developed a workforce strategy.

Impact: The absence of an agreed workforce strategy, aligned to the Council's Corporate Plan 2025 – 2028 and MTFS, increases financial risk to the Council. The workforce strategy should be informed by an organisational stock take of recruitment need.

Improvement Recommendation 2

IR2: The Council should:

- Undertake a comprehensive review of organisational workforce capacity and need.
- Develop and formally agree a Workforce Strategy which should demonstrate alignment to the Council's Corporate Plan 2025-2028 and MTFS.

Financial sustainability (continued)

Area for Improvement identified: Asset Management

Key Finding: The Council is yet to adopt new asset management strategies, despite a prior year improvement recommendation.

Evidence: The Council's adopted in 2018 a Corporate Property Maintenance Strategy (non HRA assets) and this is now outdated. Within our 2023/24 Auditors Annual Report we identified a need for the Council to review and update its strategic asset management planning.

The Council has made progress, and we have been provided with a draft HRA Asset Management Strategy 2025 – 2030 and we understand this is scheduled to be adopted during 2025/26. The Council have also informed us that a separate Corporate Property Strategy is being developed for non-HRA assets. The Council's Corporate Plan 2025 – 2028 includes an intended outcome of 'effective investment and maintenance programmes for the assets that underpin our business' which underlines the need for the Council to develop and adopt appropriate strategies.

Impact: The development and adoption of a Corporate Property Strategy and HRA Asset Management Strategy will support the Council to identify and allocate financial and organisational resources, support the Council's medium term financial planning, and delivery of Corporate Plan priorities.

Improvement Recommendation 3

IR3: We recommend the Council reviews, adopts and embeds appropriate assets management strategies in relation to both HRA and non-HRA assets.

Financial sustainability (continued)

Area for Improvement identified: Deliverability of General Fund Capital Programme

Key Finding: The Council has reported significant slippage during 2024/25 in relation to the delivery of its agreed General Fund capital programme. Capital programme slippage was also identified as an area for improvement in our prior year work.

Evidence: The Council's General Fund capital expenditure for 2024/25 was £8.4m or 26% of the original capital budget of £32.8m. In contrast, HRA capital expenditure for 2024/25 was £22.4m or 95% of the original HRA capital budget.

We also understand from the Council that officer vacancies, cost inflation and viability challenges have been identified as contributory factors for the slippage.

The Council is acting by restructuring service arrangements, better aligning existing resources, and also plans to increase capital programme oversight by the mobilisation of an internal Capital Programme Board, which will be led by senior officers.

Impact: It is important that the Council places a focus on driving through enhancements to existing arrangements relating to capital programme activities to minimise slippage and support the delivery of the Council's strategic and financial objectives.

Improvement Recommendation 4

IR4: We recommend the Council places a specific focus on embedding planned improvements relating to the Council's General Fund capital activities to support more optimal delivery.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council has in place a current Risk Management Policy and maintains a Corporate Risk Register (CRR) which provides informative details on each of the strategic risks the Council is facing and is supported by frequent oversight and governance by the Executive and also the Audit and Governance Committee. The Council has recently reviewed its CRR, with specialist external support, to ensure arrangements were optimal, which is good practice.</p> <p>The Council has appropriate internal audit arrangements in place, with frequent and informative update reports considered by the Audit and Governance Committee. For 2024/25 an overall Limited Assurance opinion was provided by the Head of Internal Audit. In response the Council has put in place additional measures to support improvement. This includes reporting all limited assurance findings to the Council’s senior management board and Audit and Governance, and the implementation of additional tracking measures to support oversight. These actions are considered a reasonable approach and will help support continuous improvement.</p> <p>The Council does have a Counter Fraud Strategy. The Council plans to update this however this is yet to be completed. We have seen examples of specific Council activity to minimise fraud and error but there is limited evidence of a coordinated and proactive counter fraud service in operation, underpinned by appropriate training and awareness. In our prior year Auditors Annual Report, we raised a key recommendation relating to the Council’s counter fraud activities in 2024/25 and this is restated. Please see page 25.</p>	R

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	<p>The Council has a structured budget setting process, project managed by the finance team, which involves meaningful engagement with Members, officers and stakeholders.</p> <p>Budget proposals for 2025/26 were subject to a comprehensive external consultation which represents good practice. The Council has in place a regime of appropriate governance to support the development of its annual budget, including oversight from the Council’s Combined Strategic Scrutiny and Customer Focus Scrutiny Committee.</p>	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council can evidence it monitors and reports its financial position throughout the financial year.</p> <p>The Council’s finance team collaborates with service areas to conduct a monthly forecast. Detailed financial monitoring reports are considered quarterly by Full Council. Such financial monitoring reports are no longer considered separately by the Executive with the Council explaining this change was to accelerate decision making and ensure key financial data is assessed by all Members in a timely manner.</p> <p>The Customer Focus Scrutiny Committee also provides additional oversight to the Council’s financial position, with financial monitoring reports considered every six months.</p>	G

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Council's routinely reviews its Constitution to ensure it remains fit for purpose, which is good practice. As detailed in the Constitution, the Council has adopted a Leader and Executive form of governance. Executive, committee, and Full Council meetings are published on the Council's website, which supports transparency. Our review of committee papers has not identified any instances of inappropriate decision making and papers are sufficiently detailed. Council decisions are subject to appropriate scrutiny by the Council's scrutiny committees (including a specific joint scrutiny committee overseeing the operation of a key Council company). The Council's scrutiny committee activities are detailed within an annual report, and this represents best practice.</p> <p>There is in place an effective Audit and Governance Committee, however we have identified opportunities for the committee's arrangements to be enhanced even further, and we have raised an improvement recommendation. Please see page 26.</p> <p>The Council has undertaken extensive activity to respond to the government's LGR agenda. Comprehensive LGR information, key decisions and timelines are transparently published on the Council website, and the Council has applied a sharp focus on securing stakeholder input as proposals are developed, all of which is notable practice.</p>	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council reviewed its Code of Corporate Governance to ensure adherence to best practice which demonstrates the Council's focus on principles of good governance. The Council has a range of policies, codes and procedures which describe expectations for Members and officers in terms of conduct and behaviour, and support compliance with legislative and regulatory requirements. These include the Member and officer codes of conduct based on Nolan principles, a whistleblowing policy and procedures for declaring interests and gifts and hospitality. The Council has commenced, during 2024/25, reporting contract exemptions to the Audit and Governance Committee, which is good practice. The Council still needs to develop a revised procurement strategy and take further actions to improve its contract management arrangements as such this section of the report has been RAG rated red, and these areas of improvement have been incorporated into a wider key recommendation within the economy, efficiency and effectiveness section of this report.</p>	G

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

Governance (continued)

Significant weakness identified in relation to Counter Fraud Activities

Key finding: Within our 2023/24 Auditor's Annual Report we raised a key recommendation relating to the Council's counter fraud activities. This key recommendation related to the 2024/25 financial year and was reported early. We have secured some further evidence of the Council's counter fraud arrangements, but overall, these do require further development.

Evidence: Within our prior year value for money assessment, we raised a key recommendation. We stated that 'the Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.'

We have assessed the Council's current counter fraud arrangements and established that the Council's internal audit service can provide support in response to identified fraud risks, but do not provide a full proactive fraud service to the Council. The Council is yet to substantially review its counter fraud strategy (although we understand this is planned activity) and we have not been provided with any evidence of counter fraud training being provided to officers. However, we have secured evidence of the Council undertaking specific programmes of work to minimise fraud and error such as participation within the national fraud initiative and wider programmes of work with revenues and benefits.

Impact: In conclusion, we consider the Council still needs to satisfy itself that it has the necessary counter fraud resources in place, take action to update key strategies and ensure officers are provided with relevant training. These improvements would further strengthen the Council's control environment.

Key recommendation 1

KR1: The Council should ensure that appropriate fraud management arrangements are put in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.

Governance (continued)

Area for Improvement identified: Audit and Governance Committee self assessment and recruitment of independent members

Key Finding: We have seen no evidence of the Audit and Governance Committee undertaking a recent self-assessment and the committee membership does not include independent members, despite a prior year improvement recommendation.

Evidence: The Council operates an Audit and Governance Committee which during 2024/25 met regularly and considered relevant matters within its terms of reference. The Chartered Institute of Public Finance and Accountancy (CIPFA) has produced the 'Audit Committees: Practical Guidance for Local Authorities and Police', which deals with the function and operation of Audit Committees and represents best practice for Audit Committees in local authorities throughout the UK. The guidance also includes a self-assessment tool to identify areas of improvement. This guidance also recommends the appointment of independent members to serve alongside elected members. The Council has not undertaken a recent self-assessment, nor does the Committee include independent members.

Impact: A self-assessment exercise will enable the Audit and Governance Committee to evaluate its effectiveness and identify areas for improvement. The appointment of independent members would strengthen, even further, governance arrangements.

Improvement Recommendation 5

IR5: We recommend the Council should ensure the continued effectiveness of the Audit and Governance Committee by:

- Conducting a self-assessment exercise in line with CIPFA methodology.
- Exploring opportunities to appoint independent members in adherence to best practice.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	<p>The Council has developed it strategic objectives, and in July 2025 adopted a new Corporate Plan 2025 – 2028 which identifies key priorities for the Council and includes a commitment to monitor progress against a series of metrics to ensure outcomes are being realised.</p> <p>The Council have also developed the corporate performance framework dashboard to support the Council in its performance management activities. Regular performance reporting to those charged with governance is also due to commence in the coming months. This represents a positive direction of travel and demonstrates the Council has responded to our prior year key recommendation. However, comprehensive performance reporting was not in place during 2024/25 and therefore our prior year significant weakness stands. Please see page 29. Based on our understanding of pending actions it could be expected that matters will be remedied upon our 2025/26 value for money assessments.</p> <p>The Council has in place a data quality strategy to support accurate reporting, and we have been provided with evidence of how the Council utilises a wide range of benchmarking data to support service delivery and continuous improvement both of which are areas of good practice.</p>	R
evaluates the services it provides to assess performance and identify areas for improvement	<p>During 2024/25 the Council engaged the Local Government Association (LGA) to undertake a review of the Council’s work on Equality, Diversity and Inclusion. The Council responded to LGA feedback and undertook a series of activities overseen by an executive led task force. These activities included the adoption of a revised Equality, Diversity and Inclusion Policy, development of training materials, all staff briefings and a review of the Council’s Equality, Diversity and Inclusion champions group. This demonstrates the Council’s focus on continuous improvement and openness to peer led development.</p>	G

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

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
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	<p>The Council places an organisational focus on meaningful stakeholder engagement as evidenced by the adoption of a consultation charter and by the operation of consultation portal - Engage Exeter. The Council are currently developing arrangements even further by developing a Consultation & Engagement Strategy.</p> <p>The Council regularly seeks stakeholder input to help shape key decisions and we note consultations undertaken in respect of the annual budget, Corporate Plan development and LGR proposals. The Council’s engagement activities represent good practice. The Council operates a partnership register and key partnership activities are reported to the those charged with governance which supports transparency and oversight.</p>	G
commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council has continued to drive improvement in its procurement and contract management arrangements. The Council has provided introductory procurement training to officers and updated its Contract Procedure Rules (CPRs) to align with the requirements of the Procurement Act 2023. Reporting has also commenced to the Audit and Governance Committee of the number and value of waivers (where normal procurement practices did not or could not apply), which supports transparency in procurement. The Council actively participates in a range of collaborative procurement arrangements which supports the delivery of value through shared procurement practice.</p> <p>The Council still needs to develop a revised procurement strategy and take further action to improve its contract management arrangements these factors have been included within a key recommendation. Please see pages 30-31.</p> <p>The Council has reviewed its companies, alternative delivery models and charities to ensure arrangements remain optimal and has commenced a cycle of ongoing reports to Members in relation to the activities and performance of these entities. Recent reports identify that Strata, a Council owned company, has made significant progress against its current business plan.</p>	R

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

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to performance management and reporting

Key finding: Within our 2023/24 Auditors Annual Report we identified a key recommendation relating to performance reporting. The Council has responded to this recommendation. However, some planned activities are yet to be embedded.

Evidence: The Council has previously recognised a need to develop its non-financial performance management arrangements. We acknowledge the timeline for these enhancements were dependant on the Council developing a new Corporate Plan, which has now been adopted in July 2025. The Corporate Plan 2025-2028 is underpinned by a series of intended outcome measures, and this creates a framework for the assessment and monitoring of strategic objectives. Alongside this the Council has developed a comprehensive corporate performance framework, built within Power BI, allowing the Council to assess service performance in real time.

The Council have also stated formal performance reporting to Members is intended to commence by the end of 2025. We also note there are opportunities for the Strategic Management Board to also receive performance monitoring reports as part of its normal meeting cycle alongside its current assessment of financial performance monitoring.

Impact: During 2024/25 the Council did not have in place robust oversight and governance arrangements relating to non-financial performance monitoring, but we have seen clear evidence the Council has taken more recent action to develop its performance monitoring arrangements. The Council has yet to commence formal reporting of performance measures, alongside financial performance, to the Strategic Management Board and those charged with governance. It is important these actions are completed and embedded to ensure effective oversight of all performance matters.

Key recommendation 2

KR2: We recommend the Council further embeds its non-financial performance management arrangements by the introduction of a regular cycle of formal performance management reports both to the Strategic Management Board and those charged with governance.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to Council's procurement and contract management arrangements

Key finding: Within our 2023/24 Auditors Annual Report we identified a key recommendation relating to procurement and contract management activity. The Council has responded to this recommendation and improvement is being progressed. However, there are areas that remain to be addressed which presents risk to the Council.

Evidence: The Council has developed areas of procurement and contract management practice. This included updating its CPRs to ensure adherence of the Procurement Act 2023, reporting waivers to the Audit and Governance Committee, and providing high level procurement training for officers.

However, the Council is yet to revise its Procurement Strategy to ensure it remains fit for purpose and aligns with the Procurement Act 2023. Additionally, the Council does not have in place a Contract Management Framework (or similar) which can help underpin a wider Procurement Strategy. The Council does not currently operate a risk-based contract oversight methodology that could determine the frequency and depth of contract assurance reviews based on contract value and potential impact on service delivery, a model that we have observed used in other Council's. The lack of clearly defined procurement and contract management strategies, frameworks and assurance processes creates significant risk in respect of legislative compliance, responsibilities and obtaining value for money.

We also note internal audit have recently undertaken, on the request of the procurement service, an internal audit review of compliance with procurement and contract procedures with limited assurance provided. The Council have responded to these findings with a series of planned actions to address identified weaknesses, including the introduction of a Procurement & Contract Assurance Board. This Board will have a primary focus to monitor and manage commercial and procurement expenditure across the Council and the Council states this will include the review of existing contracts, new contracts and contract renewals.

Impact: The Council's adoption of a Procurement Strategy and Contract Management Framework will further enhance the Council's procurement and contract management arrangements. These key documents will also support the Council to ensure contracts are managed effectively, efficiently, and in compliance with all legal and regulatory requirements, and help clearly define roles. The inclusion of a risk-based contract oversight and assurance methodology would also support the Council to effectively monitor contracts. The introduction of a Contract Management Framework should be accompanied by training to all officers charged with contract management responsibilities. These recommendations should be delivered with some urgency, and the Council will need to satisfy itself it has the necessary resources to drive these recommendations forward.

(Continued)

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to Council's procurement and contract management arrangements (continued)

Key recommendation 3

KR3: We recommend the Council further strengthens its procurement and contract management arrangements by:

- Adopting, a revised Procurement Strategy and a Contract Management Framework to strengthen procurement and contract management arrangements and compliance.
- Developing and embedding contract management procedures, such as a risk-based methodology, to increase corporate oversight and assurance that contracts are being appropriately managed.
- Cascade a contract management training programme to all relevant officers to support the introduction of a Contract Management Framework.
- Satisfying itself that it has sufficient organisational leadership, resources and capacity to drive forward required areas of improvement at pace to ensure risks in respect of legislative compliance, responsibilities and value for money are minimised.

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

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR1	The Council should ensure that appropriate fraud management arrangements are put in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.	<p>Governance (pages 23–27)</p> <p>Actions: Whilst the Council agrees that there is some further work to do, significant steps have been taken. Following the senior leadership restructure in Summer 2024, responsibility for the counter fraud strategy was assigned to the Head of Service, Finance.</p> <p>Detection Work</p> <p>National Fraud Initiative</p> <p>Proactive detention work has been undertaken during 2024/25 with a range of datasets reviewed as part of the Government’s National Fraud Initiative.</p> <p>Single Person Discount Review</p> <p>During 2024/25 the Council also undertook a Single Person Discount review to identify residents who are no longer eligible to claim single persons discount on their council tax and reduce fraudulent claims. Approximately £9.3m is discounted, with 31% of Exeter City households claiming it. The exercise resulted in 740 single person discounts removed and 66 single person discounts amended to another discount or exemption.</p> <p>Housing Benefit Award Accuracy (HBAA) Programme</p> <p>The Council continued to work with the Department for Work and Pensions (DWP) to tackle fraud and error through the Housing Benefit Award Accuracy (HBAA) Initiative. For 25/26 our funded volumes are for 647 claim reviews. As at September 2025 350 reviews had been initiated.</p> <p>Tenancy Fraud</p> <p>The Tenancy Services Team routinely perform work to combat tenancy fraud. The team investigate potential tenancy fraud</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions								
<div>KR1</div> <div>The Council should ensure that appropriate fraud management arrangements are put in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.</div> <div>(continued)</div>	Governance (pages 23–27)	<div>Reporting suspected fraud</div> <div>Employees and members of the public who are concerned about any aspect of the Council’s work can complete an on-line report of suspected fraud or irregularity. These reports are sent to the Council’s internal auditors, South West Audit Partnership confidential@swapaudit.co.uk) which are subsequently referred to the respective service area for investigation. For the period 1 April ’25 - 28 August ’25, a total of 30 reports were referred.</div> <table><tr><td>Revs and Bens only</td><td>17</td></tr><tr><td>Housing only</td><td>6</td></tr><tr><td>Covers Revs, Bens and Housing</td><td>6</td></tr><tr><td>Other</td><td>1</td></tr></table> <div>Housing Benefit fraud is now investigated by the DWP Fraud and Error Service, so referrals in this service area are reported to the Fraud and Error Service (www.gov.uk/report-benefit-fraud).</div> <div>South West Audit Partnership</div> <div>As part of the Council’s membership of South West Audit Partnership (SWAP) it has access to 30 days annual support in relation to counter fraud. The Head of Service, Finance has requested an advisory baseline assessment of the Council’s counter fraud arrangements, to help inform any changes to its counter fraud strategy, proactive detection work, fraud awareness training and investigations of fraud.</div> <div>Responsible Officer: Head of Service Finance</div> <div>Due Date: March 2026</div>	Revs and Bens only	17	Housing only	6	Covers Revs, Bens and Housing	6	Other	1
Revs and Bens only	17									
Housing only	6									
Covers Revs, Bens and Housing	6									
Other	1									

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR2	We recommend the Council further embeds its non-financial performance management arrangements by the introduction of a regular cycle of formal performance management reports both to the Strategic Management Board and those charged with governance.	Improvement economy, efficiency and effectiveness (pages 28-32)	<p>Actions: Agreed. The Council has been following a logical approach to implementing the corporate performance framework. The Corporate Plan was adopted in June 2025, and Heads of Service have developed a range of performance indicators for each of their services. These are now in place. The final element is to produce a summary report for SMB, and it is anticipated that this will start in January 2026.</p> <p>Responsible Officer: Senior Management Board.</p> <p>Due Date: January 2026</p>

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>KR3 We recommend the Council further strengthens its procurement and contract management arrangements by:</p> <ul style="list-style-type: none"> • Adopting, a revised Procurement Strategy and a Contract Management Framework to strengthen procurement and contract management arrangements and compliance. • Developing and embedding contract management procedures, such as a risk-based methodology, to increase corporate oversight and assurance that contracts are being appropriately managed. • Cascade a contract management training programme to all relevant officers to support the introduction of a Contract Management Framework. • Satisfying itself that it has sufficient organisational leadership, resources and capacity to drive forward required areas of improvement at pace to ensure risks in respect of legislative compliance, responsibilities and value for money are minimised. 	<p>Improvement economy, efficiency and effectiveness (pages 28-32)</p>	<p>Actions: Agreed.</p> <ul style="list-style-type: none"> • First Procurement and Contract Assurance Board (PCAB) meeting arranged. <p>Responsible Officer: Strategic Director – Corporate Resources</p> <p>Due Date: 30 November 2025</p> <ul style="list-style-type: none"> • Development of a contract management framework and associated tools for approval by PCAB. <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 31 March 2026</p> <ul style="list-style-type: none"> • Review and update the Council’s Procurement Strategy to align with current procurement legislation and policy. <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 30 December 2026</p> <ul style="list-style-type: none"> • Establishment of a contract tiering system <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 30 October 2026</p> <ul style="list-style-type: none"> • Development of contract management training linked to the PCAB approved Contract Management Framework. Roll training out to Heads of Service and key contract managers (tier 1 and 2 contracts). <p>Responsible Officer: Head of Service – Legal and Democratic Services</p> <p>Due Date: 30 September 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	We recommend the Council places an organisational focus on developing its transformational activities. This will help the Council identify budget savings to support a balanced MTFS whilst preserving working balances at appropriate levels.	Financial sustainability (pages 16–22)	<p>Actions: The Council has prioritised its digitalisation work with a Rapid Impact Team pilot in Parks and Green Spaces and Waste. The results are about to be considered by SMB and then the programme will be rolled out across the Council. Strata’s new business plan includes a range of capital projects to support the roll out across the organisation.</p> <p>Responsible Officer: Senior Management Board.</p> <p>Due Date: December 2025</p>
IR2	<p>The Council should:</p> <ul style="list-style-type: none"> • Undertake a comprehensive review of organisational workforce capacity and need. • Develop and formally agree a Workforce Strategy which should demonstrate alignment to the Council’s Corporate Plan 2025-2028 and MTFS. 	Financial sustainability (pages 16–22)	<p>Actions: Not agreed. With LGR to be determined next year, it would be more appropriate for the new Council to undertake this work in preparation for going live in April 2028.</p> <p>Responsible Officer: n/a</p> <p>Due Date: n/a</p>
IR3	We recommend the Council reviews adopts and embeds appropriate asset management strategies in relation to both HRA and non-HRA assets.	Financial sustainability (pages 16–22)	<p>Actions: Agreed. This is in progress, and it is anticipated that both Strategies will be in place before the end of the financial year.</p> <p>Responsible Officer: Strategic Director Corporate Services and Strategic Director Operations</p> <p>Due Date: March 2026.</p>

Improvement recommendations raised in 2024/25 (continued)

	Recommendation	Relates to	Management Actions
IR4	We recommend the Council places a specific focus on embedding planned improvements relating to the Council’s General Fund capital activities to support more optimal delivery.	Financial sustainability (pages 16–22)	<p>Actions: Agreed. A new Capital & Projects Board will meet for the first time on 15 December 2025 to monitor progress against key projects and drive improvements to the capital programme. This, along with a restructure in the Assets team, will drive improvements to the capital programme delivery.</p> <p>Responsible Officer: Senior Management Board.</p> <p>Due Date: March 2026.</p>
IR5	<p>We recommend the Council should ensure the continued effectiveness of the Audit and Governance Committee by:</p> <ul style="list-style-type: none"> • Conducting a self-assessment exercise in line with CIPFA methodology. • Exploring opportunities to appoint independent members in adherence to best practice. 	Governance (pages 23–27)	<p>Actions: Agreed. The Council will acquire a questionnaire to undertake the self assessment exercise and will consider again the possibility of independent members.</p> <p>Responsible Officer: Strategic Director Corporate Services.</p> <p>Due Date: March 2026.</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows:</p> <ul style="list-style-type: none"> •determine who will act as the shareholder representative or Council lead •agree the objectives or benefits expected through partnership working so that performance can be effectively monitored •introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings. 	2023/24	<p>The Council has acted on this recommendation. In January 2025, the Executive considered a report detailing a review of Council Companies, Alternative Delivery Models and Charities. Further update reports are also being provided to Members.</p>	Implemented in full	None needed.

Follow up of 2023/24 Key recommendations (continued)

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.	2023/24	The Council has acted on this recommendation and developed its non-financial performance management arrangements. However, formal reporting of performance data to senior officers and Members is yet to be commenced, although this is planned activity.	Partially implemented.	We have restated and reworded a prior year key recommendation.
KR3	The Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.	2023/24	We have seen some evidence of Council activity to minimise fraud and error. However, in our prior year Auditors Annual Report we raised a key recommendation relating to the Council counter fraud activities in 2024/25 and this is restated.	Limited progress made	We have restated and reworded a prior year key recommendation.

Follow up of 2023/24 Key recommendations (continued)

	Prior Recommendation	Raised	Progress	Current status	Further action
KR4	The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.	2023/24	This recommendation has now been closed. Procurement and contract management is referenced in a new overarching key recommendation.	Closed.	This specific key recommendation is closed. However, procurement and contract management is referenced in a wider overarching key recommendation.
KR5	The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.	2023/24	The Council continued to drive improvement in its procurement and contract management arrangements during 2024/25. The Council still needs to develop a revised procurement strategy and take further action to improve its contract management arrangements.	Partially implemented.	Procurement and contract management is referenced in a new overarching key recommendation.

07 Appendices

Appendix A: Responsibilities of the Council

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

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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment


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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

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

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should assess if its continued approach of not uplifting its budgets for general inflation is realistic and places increased financial pressure on services.	2023/24	The Council have responded to this recommendation and reviewed inflation assumptions as part of the Council's budget setting process.	Recommendation closed.	None needed.
IR2	The Council should ensure that the impacts from the subsidiary undertakings are clearly set out in the Council's budget report.	2023/24	The Council has acted on this recommendation. In January 2025, the Executive considered a report detailing a review of Council Companies, Alternative Delivery Models and Charities. Further update reports are also being provided to members.	Recommendation closed.	None needed.
IR3	The Council should build sufficient contingency into its savings plans to allow for delivery in line with previous years (80%).	2023/24	The Council is managing risks relating to savings slippage through its reserve arrangements. However, the Council is reporting slippage in its saving programme and has unfunded budget gaps within it MTFS 2025/26 – 2028/29.	Limited progress made.	We have restated and reworded this recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	The budget and MTFP reports should evidence how they align to the Council's corporate objectives.	2023/24	The Council have introduced a new Corporate Plan in July 2025 which has a focus on financial sustainability. The Council have also committed to continue to align future budget reports to the new corporate objectives.	Recommendation closed.	None needed.
IR5	The Council should ensure that benchmarking is used to identify service area cost drivers and comparative costs of service delivery when developing its budget and MTFP.	2023/24	The Council have confirmed they utilise a range of financial benchmarking data to identify areas of efficiency.	Recommendation closed.	None needed.
IR6	The Council should develop an Asset Management Strategy covering all Council owned assets.	2023/24	The Council's Corporate Property Maintenance Strategy (non HRA assets) is outdated. The Council has drafted an HRA Asset Management Strategy but it yet to be adopted but is scheduled for December 2025.	Limited progress made.	We have restated and reworded this recommendation.
IR7	The Council should review all slippages within its Capital Programme to identify if there are any lessons to be learned.	2023/24	The Council has reported a significant general fund capital programme underspend in 2024/25.	Limited progress made.	We have restated and reworded this recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should ensure that the risks in the budget report also reflect the likely costs over the life of the MTFP to ensure the Council is satisfied regarding the adequacy of General Fund reserves for the life of the MTFP. The Council should also identify specific mitigating actions to reduce the risks.	2023/24	The Council have responded to this recommendation, and we note annual budget setting reports include a future forecast of reserve levels.	Recommendation closed.	None needed.
IR9	The scenario planning and sensitivity analysis undertaken as part of the budget setting process should be included within the budget report or MTFP presented to the Executive and Full Council.	2023/24	The Council does utilise such planning and analysis and has committed to include in future budget reports.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR10	<p>The Council should review the reporting of risks and consider including:</p> <ul style="list-style-type: none"> • whether a particular risk is outside the stated risk appetite; • direction of travel indicator for each risk score; and • narrative to explain any changes in risk scores and the reasoning behind the current risk score. 	2023/24	The Council have completed a review of its risk managements arrangements and risk reporting has been enhanced even further.	Recommendation closed.	None needed.
IR11	The Council should ensure that the AGS has information about whistleblowing arrangements.	2023/24	The Council have responded appropriately to this recommendation. The Council has in place reasonable whistleblowing arrangements.	Recommendation closed.	None needed.
IR12	The Council should ensure it and its Internal Auditor's receive a written statement of assurance regarding Strata Service Solutions Ltd from Strata's internal auditors on an annual basis.	2023/24	The Council have responded to this recommendation and stated future arrangements will accommodate our recommendation.	Recommendation closed.	None needed.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR13	<p>The Council should ensure that for all financial monitoring reports ensure:</p> <ul style="list-style-type: none"> •all variances are fully explained; •explanations are provided for any significant variations from one quarter to the next; and •any lessons learned/impacts for future years' budgets are identified, explained and acted upon. 	2023/24	The Council have responded to this recommendation, and we consider financial monitoring report are suitably detailed.	Recommendation closed.	None needed.
IR14	<p>The Council should increase the Audit and Governance Committee's effectiveness by:</p> <ul style="list-style-type: none"> •monitoring the committee's effectiveness through undertaking a self-assessment and taking action based on the outcome of the self-assessment; and •appointing two co-opted independent members to provide appropriate technical expertise, which complements existing membership. 	2023/24	We have seen no evidence of a recent self assessment and currently no independent members service on the Audit and Governance Committee.	Limited progress made.	We have restated and reworded this recommendation.

Appendix C: Follow up of 2023/24 improvement recommendations (continued)

	Prior Recommendation	Raised	Progress	Current position	Further action
IR15	The Council should ensure that data relating to any new corporate KPIs meets the requirements of the Council's new data strategy and in particular regarding data governance and data quality.	2023/24	The Council has satisfied this recommendation.	Recommendation closed.	None needed.
IR16	The Council should track progress with the Partnerships Internal Audit report recommendations through its action tracker.	2023/24	The Council has satisfied this recommendation.	Recommendation closed.	None needed.
IR17	The Council should link each partnership in its partnership register to make clear to which corporate objective(s) and new corporate KPI(s) it contributes.	2023/24	The Council has satisfied this recommendation.	Recommendation closed.	None needed.



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