

Interim Auditor's Annual Report on Devon County Council

2022/23

February 2024



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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 [type of body] 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 [type of body]'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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Executive summary



Value for money arrangements and key recommendations

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.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	2022/23 Audit Plan Risk assessment	2022/23 Auditor Judgement	2021/22 Auditor Judgement
Financial sustainability	Risk of significant weakness identified because of the high cumulative DSG deficit, reliance on reserves to balance recent budget and the required levels of savings required into the medium term to deliver the Medium-Term Financial Strategy.	Significant weakness in arrangements identified and one key recommendation made relating to Financial Sustainability and Dedicated Schools Grant Deficit. Two improvement recommendation have also been made.	Significant weakness in arrangements identified around financial sustainability. One key recommendation made and three improvement recommendations made.
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified. Four improvement recommendations made.	No significant weaknesses in arrangements identified, but four improvement recommendations made.
Improving economy, efficiency and effectiveness	Risk of significant weakness identified because of the inadequate rating issued by Ofsted in respect of children services in 2020 and in 2022.	Significant weaknesses in arrangements identified as continuing risk in the delivery of children's services. One key recommendation and one improvement recommendations made.	Continuing significant weaknesses in arrangements in the delivery of children's services. Five improvement recommendations made

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

Executive summary



Financial sustainability

Devon County Council is operating in an extremely challenging financial environment following a decade of austerity and spending pressures. The Council has an embedded organisational approach to financial planning and setting the annual budget. However, we have identified significant weaknesses in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability. The significant use of earmarked reserves and forecast future reserves balance is of concern. Increased use of reserves and deteriorating balances may undermine the Council's ability to be financially sustainable in meeting its commitments in the short and medium term. We have raised one key recommendation, on page 7, to reflect the challenges faced.

Indicators of financial stress include (but not limited to) the following :

- A forecast adverse outturn position in 2023/24 of some £4 million
- Increasing levels of demand leading to future costs pressures resulting in forecast savings of £134.7 million to be delivered, to balance the Council's Medium Term Financial Strategy (MTFS) by 31st March 2027.
- Reducing levels of reserves. The 2023/24 to 2026/27 MTFS forecasts that at March 2027 the general and earmarked reserves balances could reduce to £82 million.
- Uncertainty around the funding of the Dedicated Schools Grant (DSG) deficit. The DSG forecast deficit balance is £162 million at the end of March 2024. Whilst deficits are being reported across many upper tier councils the level of deficit at Devon is significant when compared with its peers. If the statutory override is not extended beyond its current date of 31 March 2026, nor financial support forthcoming from government to reduce the financial deficit, it will wipe out the Council's reserves of £107 million at 31 March 2024.

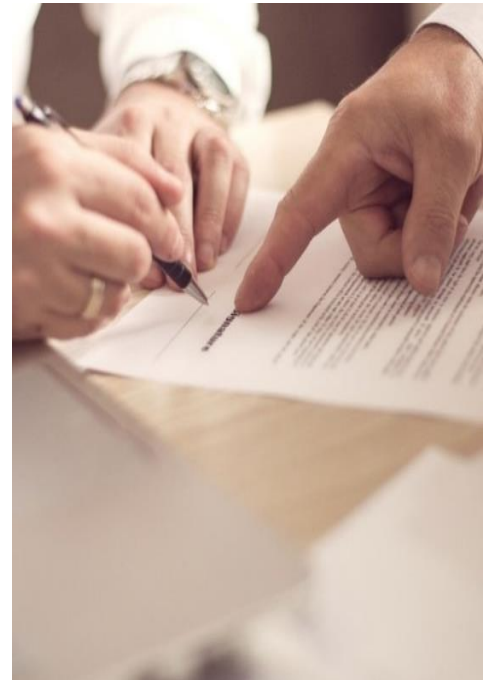
The Council has a strong record of financial management and is already responding to these matters. However, given the increased level of financial stress it is facing all members needs to ensure that there is a robust response to the financial matters highlighted above and that officers are supported in making the changes needed. Progress in delivering savings and transformation plans should be tracked by Cabinet, the Audit Committee and Scrutiny Committees.

On this basis we have concluded that for 2022/23 the Council does not have arrangements in place for ensuring financial sustainability into the medium term. For 2022/23 we have reported one significant weaknesses in the Council's financial sustainability arrangements. We have also raised two improvement recommendations which can be found on pages 17 and 18.



Financial Statements opinion

We have substantially completed our audit of your 2022/23 financial statements and anticipate issuing an unqualified audit opinion shortly. Our findings are set out in further detail on page 39.



Executive summary

Governance



Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. We have made four improvement recommendations, on pages 24 to 27, to further develop the Council's strategic risk management approach, report on the implementation of audit recommendations through a tracker and on the Audit Committee carrying out an annual self-assessment of its effectiveness.

Improving economy, efficiency and effectiveness



The continuing inadequate rating and the intervention of a commissioner for Children's Services highlight the significant weakness in the Council's arrangements for Childrens and Young People.

We have made a key recommendation, on page 8, to improve governance and oversight arrangements by Cabinet. Specifically, to receive regular reports on the improvement areas identified by Ofsted with expected outcomes and Key Performance Indicators to monitor progress. Members need better assurance that the Children's Services are improving and the estimated timescales for achieving an adequate rating over the next few years .

We identified one area for improvement, on page 34, on the production of a Data Quality Strategy to support the new corporate performance management framework.



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

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they:

- (i) present a true and fair view of the Authority's financial position, and
- (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23

We have not yet completed our audit of your financial statements and have not issued our audit opinion as at the date of this interim report. This report will be updated, if necessary, to reflect any significant findings once our audit has been concluded.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

Our work to date has not identified any issues requiring a statutory recommendation.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Our work to date has not identified any issues requiring a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Our work to date has not identified any issues requiring an application to the court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Our work to date has not identified any issues requiring an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

Our work to date has not identified any issues requiring a judicial review.

Key recommendation- Financial Sustainability

Key Recommendation 1

The Council has a strong record of financial management and is already responding to these matters. However, given the increased level of financial stress it is facing all members need to ensure that there is a robust response to financial matters and that officers are supported in making the changes needed. Progress in delivering savings, transformation plans and the DSG Safety Value Plan should be tracked by Cabinet and Scrutiny Committees each month.

Identified significant weakness in arrangements

Signs of financial stress that indicate a threat to the Council's financial sustainability in the medium term.

Summary findings

Indicators of financial stress include the following (but not limited to):

- A forecast adverse outturn position in 2023/24 of some £4 million
- Increasing levels of demand leading to future costs pressures resulting in forecast savings of £134.7 million of savings to be delivered, to balance the Council's Medium Term Financial Strategy (MTFS) by 31st March 2027.
- Reducing levels of reserves. The 2023/24 to 2026/27 MTFS forecasts that at March 2027 the general and earmarked reserves balances could reduce to £82 million.
- Uncertainty around the funding of the Dedicated Schools Grant (DSG) deficit. The DSG forecast deficit balance is £162 million at the end of March 2024. If the statutory override is not extended beyond 31 March 2026 nor financial support forthcoming from government to reduce the financial deficit, it will wipe out the Council's reserves of £107 million at 31 March 2024.

Criteria impacted by the significant weakness



Financial Sustainability

Management comments

The Council continues to place high importance on maintaining financial sustainability and continues to respond robustly to financial challenges. Delivery of savings will continue to be highlighted in bi-monthly reports to Cabinet. Management will review reporting requirements for 2024/25 to deliver improvements in reporting on the delivery of savings and will consider more frequent reporting either by routine or by exception considering risk and volatility. Clear governance and reporting requirements regarding SEND improvements and deficit management has been established in the autumn 2023 and has been incorporated in the Council's submission to Government through Safety Valve discussions. Should a Safety Valve agreement be reached it is envisaged this will require significant regular reporting.



Progressing the actions management has identified to address the key recommendations made will support the Council in addressing the weaknesses identified from our work.

The timescales provided by management should be appropriate and we encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

Key recommendation- Improving economy efficiency and effectiveness

Key Recommendation 2

The Council needs to enhance its governance and oversight arrangements over Children's Services with progress reports which set out the improvement areas identified by Ofsted and the SEND review. For each of the areas identified there needs to be a number of actions with a Lead Officer, deadline, narrative of progress, a risk rating, expected outcomes and Key Performance Indicators that are used to monitor progress. Members need better assurance that the Children's Services are improving and the estimated timescales for achieving an adequate rating.

Identified significant weakness in arrangements

Children's Services have been rated "Inadequate" by Ofsted. The Council continues to invest in the service and indications are that some progress is being made. As expected, it will be several years before all improvements are complete and the "Inadequate" rating removed. Our assessment is therefore that there continue to be significant weaknesses in arrangements in this area.

Summary findings

The Council has made significant financial investment in Children's Services during 2022/23 and 2023/24. It needs to enhanced its governance and oversight arrangements with progress reports which set out the improvement areas identified by Ofsted and the SEND review. For each of the areas identified there needs to be a number of actions with a Lead Officer, deadline, narrative of progress, a risk rating, expected outcomes and Key Performance Indicators that are used to monitor progress. Members need better assurance that the Children's Services are improving and the estimated timescales for achieving an adequate rating. The Council is making progress as demonstrated by some improvements in performance. However, there is clearly more work to do and, as expected, the process will take a number of years to fully complete.

Criteria impacted by the significant weakness



Improving economy, efficiency and effectiveness

Management comments

Financial sustainability and improved outcomes for children and young people is a top priority for the Council. In Summer 2023, DCC revisited its DSG management and sustainability plans and has since developed an improved governance framework to oversee the delivery of the SEND Transformation Programme. This includes the governance structure, defined programme and project management and action plans with clear responsibilities, and with risk management embedded.

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

Key recommendation- Improving economy efficiency and effectiveness

Management comments

This is led by a SEND Strategic Partnership Board that holds the partnership accountable for the delivery of the deficit management plan and the delivery of the Ofsted/CQC Accelerated Progress Plan (APP). The Board meets monthly, and membership includes an independent Chair, DCC and NHS ICB Chief Executives, Senior DCC & NHS Leaders (inc. s151 Officer), Elected Members, Parent Carer Forum Devon, the Chair of Devon Schools Leadership Services (DSLS) and the Designated Chair of Devon Special School Heads.

The SEND Transformation Programme Board is responsible for overseeing the detailed delivery of the programme against agreed milestones and delivery plans and holding leads to account for delivery. Membership includes Director of Children's Services, Senior DCC & NHS Leaders, Project Leads, Parent Carer Forum Devon and appropriate representatives across the partnership.

The Council will maintain these governance arrangements, with potential adjustments to the reporting and meeting schedule to align with the proposed DfE Safety Valve monitoring arrangements. The Council is developing a Safety Valve Dashboard to support monitoring arrangements. Reporting is proposed to include reports to DCC Strategic Leadership Team (SLT) bi-monthly, Cabinet approximately 3 times per year, with scrutiny provided through our Overview & Scrutiny Committee at least twice a year.

An Improvement Partnership Board, chaired by DfE Commissioner, receives regular reports on children's social care performance directly in response to Ofsted inspection outcome.

Children's Scrutiny Committee receives performance reports and service specific reports focussed on practice improvements. Ownership of actions, progress, and outcomes is included in these reports. The Service Improvement Plan is agreed and overseen by the Improvement Partnership Board and within the service by Children's Leadership Team. This includes KPIs and practice specific actions. This Plan overarches service-specific plans.

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

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

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 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. 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's Auditor Guidance Note (AGN) 03, 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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 34. Further detail on how we approached our work is included in Appendix B.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

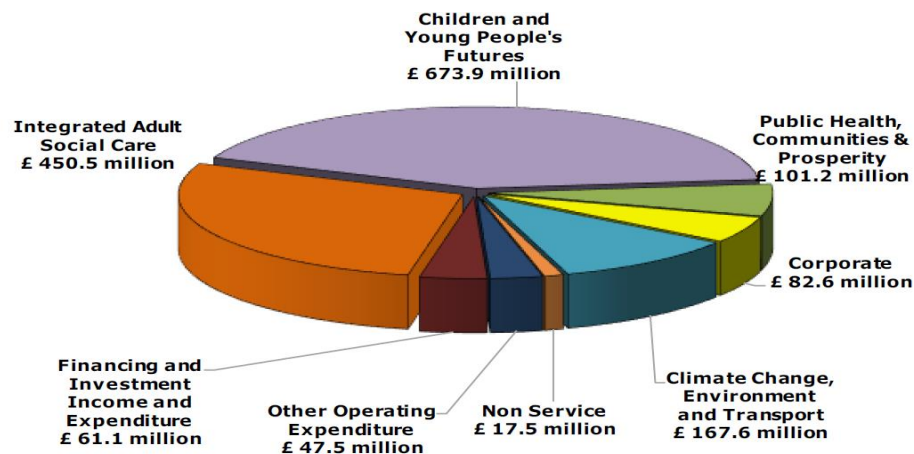
The Council identifies all the significant financial pressures it is facing and builds these into its plans

The Council has an embedded organisational approach to financial planning and setting the annual budget. However, we have identified a significant weakness in the Council's arrangements because there are a number of signs of financial stress that indicate a threat to its financial sustainability in the short and medium term and we have raised a key recommendation to reflect the challenge faced.

Financial outturn 2022/23

At the end of January 2023, there were some significant adverse variances to the budget. Integrated Adult Social Care was forecasting an overspend of £4.1 million, Children and Young People's Futures was forecasting an overspend of £19.5 million as well as an overspend of £41.1 million on Special Education Needs and Disabilities (SEND). The remaining Service areas were forecasting positive variances with underspends of £8.9 million, comprising an underlying forecast position of £1.9 million underspend and additional savings identified in the Financial Sustainability Programme (FSP) totalling £7 million. Non-Service items, including capital financing charges and business rates pooling gain were forecasting an underspend of £11.1 million. The underlying position was a forecast pressure of £1.1 million and £12.2 million of savings identified by the FSP (although most were of a non-recurrent nature).

2022/23 DCC Gross expenditure of £1,602 million



Source: 2022/23 draft Statement of Accounts

Financial sustainability (continued)

Financial outturn 2022/23 (continued)

The 2022/23 outturn, at month 12, was an underspend of £156,000. This was achieved after a contribution to the budget management reserve of £1.5 million and a carry forward of £500,000 into 2023/24 for Highways. Overspends in demand led services were partially mitigated by underspends in other service areas and central budgets and also contributions from Earmarked Reserves, in particular the contribution from the Budget Management Reserve of £18.369 million (£6.018 in 2021/22). All variances are clearly set out within the budget outturn report and from review we can evidence where the Council has instigated further action or investigation in respect of significant variances. The final outturn position was an improvement from the £3.6 million overspend forecast outturn reported to Cabinet on 8th March 2023. The organisational wide response to the mid-year financial challenges faced by the Council, resulted in £25.4 million of additional in year savings, income and alternative applications of funding being identified. Delivery of savings and additional income contained within the budget totalled £33.7 million against planned savings of £38.7 million.

2023/24 forecast

For 2023/24, to enable the Council to set a balanced budget, savings, alternative funding, and additional income of £47.5 million have been identified. Overall, there is additional funding of £66.2 million or 10.5% for service budgets in 2023/24. At the end of November 2023, it was estimated that budgets will overspend by £4.56 million (after September Council reducing the 2023/24 budget by £10 million, with an additional £10 million of savings to enable an in-year £10 million contribution to the new SEND Deficit Mitigation Reserve), comprising the £2.9m of in-year additional savings still to be identified plus net £1.6m in other variances. This is an improvement of £9.1 million compared to the Month 6 forecast mainly due to one-off income from the Council's broadband provider of £7.5 million. It is also important to note that this reported overspend excludes the Dedicated Schools Grant (DSG) deficit. Cabinet receive bi-monthly finance reports at months 2, 4 onwards.

Improvement Recommendation One. We suggest that given the Council's significant financial challenges and as monthly budget monitoring is carried out by the Finance Team, then Cabinet should receive monthly updates on the Council's financial position in-year so that it may be informed of monthly service and corporate variances to budget.

The Council plans to bridge its funding gaps and identify achievable savings

The Council's cross-organisational wide Financial Sustainability Programme (FSP), since September 2022, reviews additional in-year options for service transformation, modernisation, remodelling of delivery, and ceasing or postponement of activity where possible. The month 10 position for 2022/23 reflected £26.5 million of savings and additional income identified through the FSP which was necessary to reduce the in-year forecast overspend. Identifying cost pressures, savings planning and driving further efficiencies are also at the core of the Council's Medium Term Financial Strategy (MTFS) which picks up the savings plans and pressures in the annual budget and looks forward three financial years to 2026/27. Uncertainty around future funding and demand for services means that the MTFS is based on assumptions. The balancing of the 2023/24 budget is one of the most challenging the Council has faced.



Children and Young People - Social Care

Single tier councils and county councils spent £12.2 billion in 2021/22 and have increased their budget to £12.7 billion in 2023/24 as demand for children's social care services have increased.

30 out of 36 county councils overspent their Children's Social Care budget in 2021/22.

Councils have a statutory duty to safeguard and promote the welfare of children at risk. A range of services can be provided including support to families as well as keeping children safe from harm and providing services for those children who are 'looked after' by the council.

In recent years there has been an increase in demand with an increase in the number of child protection places and looked after children, as well as an increase in complexity of the needs of the children.

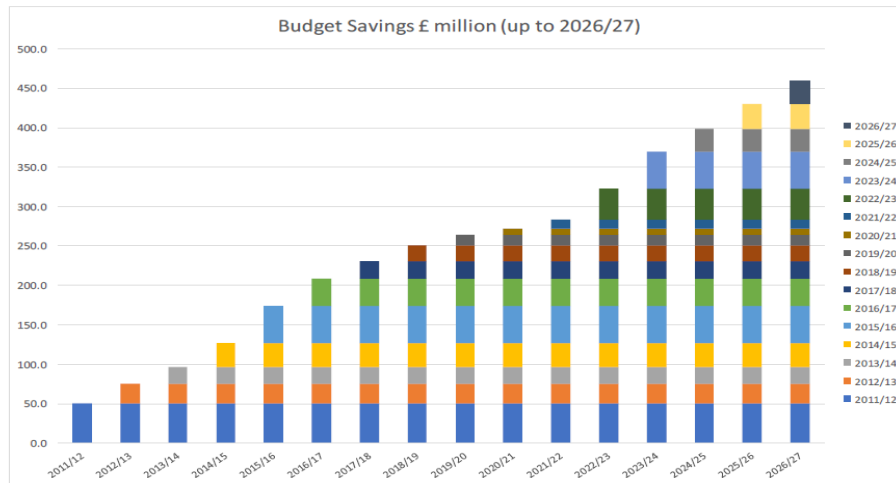
The increase in demand and complexity has resulted in an increase in the cost of individual residential placements which are often not local and outside the Council's geographical locality as well as private and agency foster carers.

Many councils have failed to model and anticipate the increase in demand and as a result lack sufficient local quality provision and are now actively trying to meet this challenge.

Financial sustainability (continued)

The Council plans to bridge its funding gaps and identify achievable savings

The savings required for 2023/24 in the MTFS of over £47.5m were the highest since 2015/16, and this was the assessment prior to the current inflationary pressures. The savings required for 2024/25 are projected to be £27.1 million, of which £6.4 million has already been identified in service budgets. In 2025/26 and 2026/27 the required savings are estimated to be £31.7 million and £28.5 million respectively.



The MTFS recognises that demand for services continues to increase, in particular across Adults and Children's Social Care and assumptions around growth figures are included. The proposed budget for Integrated Adult Social Care includes an increase of £27.3 million, an 8.8% increase compared to the previous year, to fund current and forecast demand and inflationary pressures (including National Living Wage) on the budget in 2022/23. Budget savings totalling £30.5 million are also required, the implementation of which is likely to present a considerable operational challenge. At the end of November 2023, the outturn forecast for 2023/24 was a net overspend for 2023/24 of £4.5 million with £10 million set aside for the Safety Valve arrangements. Actions are underway, through the Council's FSP, to develop alternative savings strategies to bring spending in line with budget.

Improvement recommendation two: We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in reports to Cabinet, of the high risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.



Adult Social Care

Single and upper tier Councils are responsible for providing adult social care (ASC) services to help adults of all ages who may need additional support to stay well, safe and where possible to live independently.

ASC represents a significant part of Council spending with £19 billion being spent in 2021/22 with budgeted expenditure rising to £19.7 billion in 2022/23, reflecting growing demand.

There have been several reforms to ASC funding for Councils over recent years, including the introduction of the Better Care Fund and giving Councils the power to raise additional revenue locally through Council Tax (the social care precept). Despite these changes Councils are delivering ASC services within a challenging environment that is shaped by more people, particularly working-age adults, requesting support, an ageing population and increasing complexity of need. These factors are being managed by Councils alongside financial challenges such as the impact of inflation, acute workforce pressures, the sustainability of commissioned ASC providers and uncertainty around longer term ASC funding and reform.

Despite these pressures Councils will need to establish sufficient capacity to track and then transform service delivery to meet the challenges of evolving need and demand.

Financial sustainability (continued)

The Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Budget Book for 22/23 identified changes in each service area which include inflation, demographic changes, demand pressures, net cost of additional investment in contract and market management (in Adult Commissioning and Health). Pay inflation (in particular NLW pressures), demand and demographic pressures, etc are included in the Revenue Budget and each service area specifies the values of Technical and Service Changes as well as Savings Strategies. These also form part of the review in budget challenge meetings and at Scrutiny Committee. The 2023/24 Budget Book is presented in the same format.

The risk assessments in the budget book include consideration of expenditure drivers. For example, the 2023/24 budget book Adult Care and Health includes Inflation and National Living Wage (increase of £29.5m) and demographic and demand pressures (increase of £23.8m). Total net increase of £27.3m compared to 2022/23. These are also highlighted as a risk with mitigations in the risk analysis.

The Council states its priorities in its published Strategic Plan 2021 – 2025, and the delivery of services in line with these objectives informs the MTFS and Cabinet decision making. The budget conversation is started during the summer and progressed into autumn and developed alongside the update to the strategic plan. The budget books also include a summary of relevant committee reports which support the budget development process.

The Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

Capital

The approved capital programme for the Council is £258.9 million. This figure incorporates amounts brought forward from 2022/23 of £54.7 million and approved in-year changes totalling a net of £31.2 million. 3.2. The year-end forecast is £197.2 million of which £171.9 million is externally funded. Slippage is forecast at £61.7 million. Slippage is highest within the Climate Change, Environment and Transport Directorate, which reflects the complexity of the major projects within this service

area. We evidenced through review that budget monitoring reports include an overview of the capital programme and progress against spend. Commentary on the assumptions and impact of the programme on borrowing costs is also included as part of the budget and MTFP.

Treasury Management

The Council has appropriate arrangements in place for its Treasury Management activity. The Treasury Management Strategy Statement and the Annual Investment Strategy are approved in advance of each financial year as part of the budget and MTFS approval process.

Treasury Management investment activity covers those investments which arise from the organisation's cash flows and debt management activity, ultimately representing balances which need to be invested until the cash is required for use during business.

For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Treasury Management Policy and the Annual Investment Strategy.

The Council employs Treasury Management advisors who provide information and advice on interest rate movements which is used to inform borrowing and investment decisions. Total external borrowing and other capital financing liabilities of the Council at 31 March 2023 was £510.8 million and the total interest paid servicing external debt for the year was £9.79 million.

DSG Safety Valve Programme

The Council is one of many local authorities facing significant financial challenges in meeting the demand for Special Education Needs and Disabilities (SEND) within the High Needs Block of the Dedicated Schools Grant (DSG). The Department for Education (DfE) launched the Safety Valve Intervention programme in 2021, which targets support to councils like Devon with the highest DSG deficits. To access support, the Council has developed a plan to reform its high needs system to place it on a sustainable footing. Without this plan, the

Financial sustainability (continued)

DSG Safety Valve Programme (Continued)

Council predicts a growth from circa 9,000 Education Health and Care Plans (EHCPs) in 2024 to over 10,600 in 2030, with a projected 35% increase in the numbers of students who receive their education from the independent sector.

The Government statutory override separates councils' DSG deficits from their wider financial position. The Council is holding significant financial risk should this cease. The forecast accumulated deficit is predicted to be £162.585 million at the end of 2023/24, as shown below.

	2019/20	2020/21	2021/22	2022/23	2023/24 (Forecast)
	£'000	£'000	£'000	£'000	£'000
SEND funding	65,663	75,361	86,966	96,695	106,923
SEND Spend	85,385	104,587	124,497	135,603	144,071
In year overspend	19,722	29,226	37,531	38,908	37,148
Accumulated Deficit	19,772	48,998	86,529	125,437	162,585

For DCC, the cumulative deficit of £162 million exceeds its projected combined working balance and reserves of £93m. The plan to implement a revised service delivery model and earlier intervention to reduce the demand for EHCPs failed to deliver during 22/23. The current local area's SEND Transformation Programme includes "DSG Safety Valve work strands" which plan:

- An annual slowing down and flattening of the net increase in EHCPs, to bring us in line with statistical neighbours and England averages.
- A sustained reduction in the use of costly independent specialist provision, with a total reduction in the number of learners accessing this provision of 30% from 2024 to 2030, some 361 places.
- A proportional year on year increase in the number of learners accessing their education in mainstream schools/resource base provision.

The Council submitted its DSG Safety Valve Management Plan on the 15 December 2023. The Council are discussing its plan with both the DfE and the Treasury. An outcome from these government departments is expected before the end of the 2023/24 financial year.



Dedicated Schools Grant Deficits (DSG)

On 12th December 2022, the UK Government announced that it would be extending statutory override for the Dedicated Schools Grant (DSG) in England for the next 3 years, from 2023-24 to 2025-26. By the time this period elapses, the statutory override will have been in place for six years. Recent estimates put the total national deficit for local authorities in tens of billions by March 2023.

Whilst statutory override remains in place, there is no requirement to make provision from general reserves for repaying the deficit. Reforms and savings targets have been agreed with those local authorities with the biggest deficits. However, all local authorities need to focus on managing (and reducing) their deficits – because how these will crystallise as liabilities in 2026 is not clear.

Within DSG, the High Needs Block has proved particularly problematic. The Block is there to support children with special educational needs (SEN), which means providing more teaching staff and resources. However, there is often a significant gap between funding granted per child and the actual cost of the teaching and other resources needed.

Every parent has the right to apply for support for their child. An expensive appeal process also exists. There are significant regional differences in numbers of plans granted by local authorities and cost management on those plans once they are granted. Managing (and reducing) the growing DSG deficits that arise as a result will be a challenge both for financial sustainability and for maintaining the overall quality and effectiveness of service provision.

Financial sustainability (continued)

The DfE have indicated that any agreement reached will require a local contribution from the Council to fund part of its £162 million accumulated deficit. In response, The Council created the Safety Valve Support Reserve, in September 2023, with a contribution of £10 million representing the first element of the local contribution. The remainder of the contribution will be built into the Council's Medium Term Financial Strategy and take account of any proceeds of capital receipts from the sale of assets. If the DfE is assured that the plans are deliverable within the timescales proposed, will result in intended outcomes and have the appropriate level of project management, governance and resource support then financial support towards the accumulated deficit is expected to be agreed. It may need central government to agree a capitalisation directive for a loan repayable at a 1% premium above the PWLB interest rate as the DSG deficit exceeds the Council's general fund unearmarked and earmarked reserves balances.

The Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Reserves

The budget and MTFS 23/24 - 27/28 (prepared in 22/23) acknowledged the need to contain cost pressures to deliver planned savings and that this is a difficult task which is balanced in the short and medium term through the Council's reserves. For the 2022/23 financial year, the Council's reserves and carry forwards reduced by £61.3 million. When the Council approved the 2022/23 budget in February 2022, it agreed to use just under £29.9 million of earmarked reserves to support its revenue expenditure and invest to save initiatives as well as funding of various one-off projects including service transformation, economic recovery, Bridges, fostering network, Special Educational Needs staffing amongst others. Actual use of these reserves is £425,000 higher than budgeted but this has been offset by an outturn contribution of £1.5 million to the Budget Management Reserve.

Projected reserves and balances to March 2027 show that Earmarked Reserves are expected to fall from £109.7 million at March 2023 to £81.8 million by March 2027.

The following table shows the projected Reserves and Balances up to 31 March 2027.

	31 March 2023 £000	31 March 2024 £000	31 March 2025 £000	31 March 2026 £000	31 March 2027 £000
General Fund					
Working Balance	15,825	15,825	15,825	15,825	15,825
Earmarked Reserves	93,880	77,382	70,580	66,791	65,932
	109,705	93,207	86,405	82,616	81,757

The use of reserves is acknowledged as a one off approach, in the Council's Medium Term Financial Strategy, and not suitable as a long-term solution. Invest to save expenditure is planned to reduce expenditure pressures in future.

Overall conclusion for Financial Sustainability

We have identified a significant weakness in the Council's arrangements. We have concluded that the DSG deficit balance is one indicator of financial stress that threatens the Council's financial sustainability. Key recommendation 1.

Improvement recommendation



Financial sustainability

Improvement recommendation 1

Given the Council's significant financial challenges, we suggest that Cabinet should receive monthly updates on the Council's financial position in-year so that it may be informed of the monthly service and corporate variances to budget and remedial actions being taken by management.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Summary findings

Cabinet receive bi-monthly reports on the Council's financial position. There were significant changes between the Month 6 report for September 2023 and the Month 8 report for November 2023.

Management Comments

Management is satisfied that its current arrangements for public reporting to committee on financial performance on a bi-monthly basis is sufficient. SLT and cabinet members meet frequently and receive updates monthly, or indeed immediately if quicker action is required, enabling ongoing visibility and control to be applied by the Council's leadership. Management does not consider this leadership is impaired by only reporting publicly to committee every two months. Current monitoring in the interim months, when no formal committee report is provided, only focusses on high-risk, high-value budgets not the entire budget that is incorporated in bi-monthly reports.



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

Improvement recommendation



Financial sustainability

Improvement recommendation 2

We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware in monthly financial reports to Cabinet, of the high risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Summary findings

The probability that savings plans will be delivered has yet to be reported at a higher level. There were savings gaps reported to members at Month 6 and at Month 8 but plans to cover these gaps were not identified.

Management Comments

The Council is currently reviewing its arrangements for reporting savings through an internal audit and will take on board recommendations from both the internal auditor and external auditor in designing future improvements to reporting arrangements. Management agrees that including a RAG rating can help focus attention and provide assurance in a recognised simple and accessible format.



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

Governance



We considered how the Council:

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

Risk Management

The Council's Risk Management Strategy is reviewed each year with the most recent review in May 2023. The Strategy provides an overview of the Council's Risk Management Framework, risk identification, risk scoring, and responsibilities. The Corporate Risk Management (CRM) Group has delegated authority from the Chief Executive to lead on the approach. The CRM Group meets quarterly and discusses topical risk issues, monitors risk management and reports on governance issues to the Senior Leadership Team (SLT) and the Audit Committee.

Risk reporting

The Council's computerised risk management system details current and archived risks, their descriptions, risk scores, and mitigating controls. The Audit Committee is responsible for ensuring that risk management is effective and receives bi-annual reports on "High" risks in terms of key areas of activity and issues related to risk.

The 2022/23 Annual Risk Report presented in June 2023 indicated that there were 182 risks recorded in the Council's computerised risk system. As of November 2023, the number of risks reported increased to 224, with a focus on detailed risks linked to service areas.

Risk In Numbers



Source: November 2023 Risk Update to the Audit Committee

Alignment of risks to corporate priorities

We previously recommended that "The Council should consider refining its risk management arrangements to align with its strategic priorities." The Council's response was "Management accepts this recommendation and we have taken steps to implement strategic priorities into our risk management process." As a result, the Council added a risk category to its systematic risk reporting to SLT and the Audit Committee, through re-categorising some risks as "strategic" rather than as financial, operational or compliance risks.

Having reviewed the Council's Strategic Plan, we can



Strategic Plan
2021 – 2025

see that the Council's strategic risks are still not mapped to the delivery of its corporate objectives in the Strategic Plan. The Council's arrangements for both performance management and risk management should be streamlined so there is one integrated reporting framework for corporate objectives in the Strategic Plan, Key Performance Indicators (KPIs) for service delivery and the risk around delivery of those KPIs in the Strategic Risk Register.

Improvement Recommendation 3(a): Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).

Governance (continued)

Response to risks

The Council identifies, assesses and scores its risks to give a “current (mitigated) risk score rating” in the “Risk Update” to SLT and the Audit Committee, below:

Appendix A – An extract of the Very Highest Rated Risks Based on Current (Mitigated) Risk Score.

Risk Title	Service Area	Risk Category	Current Impact	Current Likelihood	Current Rating	Risk Owner	Accountable Officer	Change direction	Score change since last review

However, good risk management practice would extend reporting on each high strategic risk to include information on further controls to be applied to give a subsequent “target risk score” for each risk. This would show how the Council is either reducing its risk profile or tolerating the level of risk. The Council’s RM Strategy (page 8 of 11) describes the “recognised approaches for controlling risks are described easily and simply in the four T’s below”

- Treat**
 - Using control countermeasures to mitigate impact or likelihood.
 - Ensuring effectiveness of existing mitigations and implementing new controls where considered necessary and cost effective.
- Transfer**
 - This involves another party bearing or sharing the risk; e.g. through insurance or strategic partnerships.
- Tolerate**
 - Where it is not possible to Treat or Transfer. Consideration needs to be given to how the risk and consequences of such are to be managed should they occur. This may require putting contingency plans in place, which is why Business Continuity is has such an important role to play in risk management, as it creates capacity to tolerate a certain degree of risk.
- Terminate**
 - Deciding, where appropriate, not to continue or proceed with the activity in view of the unacceptable level of risks involved.

However, there is no “4T’s ie treat, transfer, tolerate and terminate” reporting to SLT nor members on how the Council’s risk profile is being managed in terms of subsequent plans and actions by management to treat, transfer, tolerate or terminate the Council’s 9 “Very High”, 55 “High” risks and 60 “Medium” risks reported to the Committee in the Risk Update Report in November 2023.

Risk appetite

The Council’s RM Strategy recognises the concept of “risk appetite” and states that “To develop a formal Risk Appetite Statement is a challenging activity but one that contributes to the consistent management of risk across an organisation, setting a clear strategic direction and outlining tolerances around controls. It provides a framework for enhanced reporting of instances where the appetite and specific risk thresholds are reached and thereby links into performance management.” Having one risk appetite statement for a council, like Devon, is too high level given its critical financial position and service performance challenges in its demand led services.

We therefore recommend that the reporting of the 4 T’s and the target score for each “very high” and “high” risk should be clearly documented in reports to senior management and members as part of the Risk Update report. The integration of risk and performance management is one that the Council’s RM Strategy aspires to in terms of “we will continue to work to action plans based on best practice from across the public and private sector” but the Council’s has yet to formulate how this will be taken forward. Notably, the integration of an organisation’s performance and risk management framework is a private sector initiative called “Enterprise Risk Management (ERM)” and its application reflects that organisations that implement ERM are inherently more “risk mature”. From a pragmatic point of view, it makes sense that where performance is lower than expected, then the risk around service delivery is higher. Risk management outcomes, rather than stopping at “current mitigated risk scores” need to be better reported, through the monitoring of the delivery of the Council’s corporate objectives and KPIs, in order to totally embed risk management within the Council

Improvement Recommendation 3(b): We suggest that the Council discusses and documents the “risk appetite” for its each of its strategic risks after the application of the 4 T’s outlined in its Risk Management Strategy..

Governance (continued)

Internal Audit

The Council has adequate Internal Audit and Local Counter Fraud Services provided by Devon Assurance Partnership (DAP). Regular reporting is provided to the Audit Committee who provide appropriate oversight and challenge. The Internal Audit Plan for 2022-23 was approved by the Audit Committee in March 2022 and confirms compliance with the requirements of the Public Sector Internal Audit Standards (PSIAS). A summary of progress against the annual plan is presented to each Audit Committee meeting, setting out the work completed to date and any significant findings. The year end Head of Internal Audit Opinion (HoIAO) in 2022/23 was “Reasonable Assurance”.

Whilst the service provided by DAP is reasonable, there are improvements that could be made in terms of reporting its outcomes against KPIs in terms of the effectiveness of service delivery and also the monitoring of the implementation of internal audit recommendations.

Effectiveness of Internal Audit

The Internal Audit Plan does not clearly state the number of planned audit reviews and days for each review for the whole year, which on enquiry is 1,260 days. The Audit Plan is flexible and any changes are agreed formally with management on a regular basis and reported to the Audit Committee. However, the Annual Report from the Head of Internal Audit reports on levels of assurance and client satisfaction, but not outcomes in terms of actual reviews delivered against plan, the timeliness of reporting, and days spent on the reviews.

We also noted that Internal Audit does not have a system for tracking and reporting on the implementation of all outstanding audit recommendations. There is a priority system whereby high risk recommendations are followed up on in year. However, the issue around timeliness of implementation of medium or low priority recommendations would limit the effectiveness of the Council’s internal control framework, and therefore the effectiveness of the Council’s internal audit function.

Improvement recommendation 4: We recommend that Internal Audit implements a tracking system for outstanding recommendations to ensure that all high, medium and low recommendations are effectively addressed within agreed timescales. This will ensure that the Council’s control environment is adequate.

Internal audit’s role in the Council’s risk management process

The Council’s RM Strategy states that:

- “Devon Audit Partnership provide risk consultation services to the Council including support in respect of the risk management system, support to risk owners in developing risks and a consistent approach to risk assessment, and in reporting to senior management and to Members.
- To ensure that the Risk Management Function receives proper scrutiny, the Council’s Audit Committee receives regular progress reports to monitor the effective development and operation of the risk management framework within the Council. “

RISK MANAGEMENT STRATEGY 2020 – 2025

From Risk to Results, Resilience and Reward



Internal Audit should provide the Audit Committee with annual independent assurance on the effectiveness of the Council’s risk management processes and procedures. However, Internal Audit, at the Council, is twin hatted and

Governance (continued)

potentially conflicted in terms of the following risk management roles:

- (1) managing the Council's RM system and reporting on system outputs to SLT and the Audit Committee every quarter; and
- (2) providing assurance over the effectiveness of the Council's RM arrangements to the Audit Committee.

Improvement recommendation 5: We recommend that the Council's Risk Management Strategy needs to be revised to clearly document (a) the role of DAP in the Council's RM Framework, and (b) how this independent assurance on the effectiveness of the Council's RM Framework will be provided by a suitably qualified third party.

Decision making

As outlined in the Council's Constitution, the Cabinet is responsible for day-to-day decisions, with major decisions published in the Council's Forward Plan and taken with council officers present at meetings open to the public. The Cabinet makes decisions in line with the Council's policies and budget, with matters outside of this referred to the full Council to decide. Scrutiny Committees support the work of the Cabinet and Council by looking into policies and matters of local concern, leading to reports and recommendations for the Cabinet and Council. The Council's Monitoring Officer ensures decisions and relevant reports are publicly available. In an ethical governance survey conducted between August and October 2022, more than 76% felt the Council had a culture allowing members to challenge decisions without fear of reprisal. Service plans were developed annually to inform the Executive Committee's work plan, and the Overview and Scrutiny Committees played a key role in reviewing customer complaints to identify trends and opportunities for learning. The Council also had a customer feedback system through the "Have Your Say" approach, which included a formal complaints policy and a designated officer to monitor complaints.

Audit Committee

The Audit Committee is responsible for overseeing financial and information systems, monitoring audit performance and risk management systems, and ensuring compliance with codes of practice and policies. The committee is comprised seven members, in line with CIPFA guidance. During 2022/23, the committee held four meetings, with six members attending at least three. Our review of committee minutes shows that members provide adequate challenge, requesting further detail on investigations and irregularities and questioning officers on limited assurance reports. However, there was no Audit Committee self-assessment of its effectiveness in year, nor an appointment of a co-opted independent member to advise the Audit Committee, both of which are good practice recommendations from CIPFA on the effectiveness of Audit Committees.

Improvement recommendation 6:

The Audit Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year. The appointment of a co-opted independent member to advise the Audit Committee is recommended good practice to mitigate the risk of any political bias by committee members.

Fraud Detection

The Devon Audit Partnership carries out anti-fraud work, investigating potential fraud and irregularities and conducting pro-active anti-fraud and corruption testing of systems at risk. The 2022/23 plan includes policy implementation, focused reviews, reducing fraud risk in systems, assurance on corporate risk, investigation of potentially fraudulent activity, and training and awareness. The Annual counter fraud report presented to the Audit Committee in June 2023 showed that the Counter Fraud Services Team received 85 referrals, with 55 relating to potential Blue Badge misuse and 22 related to the loss or theft of IT equipment.

Governance (continued)

Standards and Behaviour

The Constitution provides guidance on expected standards of behaviour for members, including Members Code of Conduct, Employees Code of Conduct, and Whistleblowing Policy. The Standards Committee is responsible for promoting and maintaining high standards of conduct, advising and training members on the Members' Code of Conduct, monitoring its operation, and considering complaints alleging breaches of the Code of Conduct by Members.

The Council has guidance on member complaints and the complaints process, which was streamlined and revised in March 2022. In the 2022/23 annual report by the Monitoring Officer to the Standards Committee, highlighted that seven complaints were received on alleged breaches of the Members Code of Conduct. Following an initial assessment of each complaint and consultation with an Independent Person appointed by the Council, it was agreed that four of the seven complaints did not breach the Code. The remaining complaints were found to breach the Code, and the Member accepted and apologized for their behaviour.

The Council conducted an ethical governance survey between August and October 2022, with nearly 74% of respondents feeling that the council made information easily available about matters considered by the Cabinet and other committees. However, only 43.5% of respondents felt that members were trusted by the local community, and only 32.6% felt that officers were trusted. Further exploration may be necessary to understand these views and identify potential actions to improve community trust in council members and officers.

Conclusion on Governance

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements. It has adequate arrangements in place for ensuring that it made informed decisions and managed its risks. We have made four improvement recommendations to further develop the Council's strategic risk management approach, report on the implementation of audit recommendations through a tracker and on the Audit Committee carrying out an annual self-assessment of its effectiveness.




Improvement recommendation

Improvement Recommendation 3	<p>We recommend the:</p> <p>(a) Integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).</p> <p>(b) Discussion and documentation on the “risk appetite” for each of its strategic risks after the application of the 4 T’s (ie treat, transfer, tolerate and terminate”) outlined in its Risk Management Strategy.</p>
Summary findings	<p>Each risk on the Strategic Risk Register is linked to a specific category (either Performance, Strategy, Finance, or Governance) and has a description, control measures, and a risk score which is RAG-rated. Any additional control measures or resources required are identified. However, the Council’s risks are not mapped to the delivery of its corporate objectives in its strategic plan. The Council’s arrangements for both performance management and risk management could be better streamlined so there is one integrated reporting framework for the Corporate Objectives, Business Plan, KPIs and the Strategic Risk Register.</p>
Criteria impacted	<p> Governance</p>
Auditor judgement	<p>Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.</p>
Management comments	<p>a) Cabinet agreed to introduce a performance framework for the Authority at its meeting in December 2023. The framework will set targets and measures for the authority’s key priorities and will be complemented by operational performance reporting within services. Regular reports will be shared on progress with Cabinet and be reported alongside budget and financial performance and risks. A Performance Board is also being established. Risks are already linked to corporate objectives via the “Themes” section in the Risk Register, we can review that to ensure that they are linked to the latest Corporate Objectives. We recognise the common practice to try and link risk to performance information and with the work commenced in December this can now take place. We will work with the Director of Performance and Partnerships (Interim) who as noted above is focused on compiling performance information.</p> <p>(b) Within the information reported to SLT and Audit Committee we have reduced the level of detail provided to more of a snapshot, and increased access to the live data. Service Leadership Teams regularly review their risks in more detail and can bring items to the DCC SLT outside of the core reporting should they feel it relevant. We do not consider at this time that adding a specific tag based on the Four T’s will add more than is recorded within the current information. Should this be added then it would be incumbent on the service areas to action.</p> <p>The creation of risk appetites was explored prior to 2020 but the level of effort vs reward was too high, making the process more complex. Risk Appetite has been built into the Policy under four main areas (See pages 4-5 of the Risk Management Policy). This shows that for example a lesser Risk Appetite is in place for risk that fall into Compliance, Regulation & Safeguarding or financial categories, ensuring recognition and a clear corporate wide approach. To strengthen this further the Target Risk Score is part of the Risk Management System, and this indicates the appetite on a risk-by-risk basis in a clear way. All staff including SLT can see this information, therefore, the findings presented in the VFM report are not representative of the policy and activity that takes place in relation to risk appetite.</p>

Progressing the actions management has identified to address the recommendations made will support the Authority in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Authority to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.


Improvement recommendation

Improvement Recommendation 4	We recommend that Internal Audit implements a tracking system for outstanding recommendations to ensure that all high, medium and low recommendations are effectively addressed within agreed timescales. This will ensure that the Council's control environment is adequate.
Summary findings	Internal auditors are responsible for providing independent and objective assurance to the organization's governance, risk management, and control processes. However, if internal audit does not follow-up on the implementation of its recommendations then it can reduce the effectiveness of internal audit.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	<p>Current arrangements take a risk-based approach to following up audit recommendations. Directors / Managers are responsible for delivering agreed actions. Additionally internal audit follows up as follows:</p> <ul style="list-style-type: none"> -Core financial systems and controls are audited every year. -Limited or No Assurance reports are followed up in the following year's audit plan or sooner if appropriate. -High risk rated recommendations for all reports are followed up on a timely basis by internal audit. <p>Implementing a new system of tracking will require additional resources however this will be explored further by the Finance & Public Value Leadership Team as the recommendation is supported in terms of providing further assurance.</p>



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


Improvement recommendation

Improvement Recommendation 5	<p>We recommend that the Council's Risk Management Strategy needs to be revised to clearly document:</p> <p>(a) the role of Devon Assurance Partnership in the Council's Risk Management (RM) Framework, and</p> <p>(b) how the annual independent assurance on the effectiveness of the Council's RM Framework will be provided to the Audit Committee by a suitably qualified third party.</p>
Summary findings	<p>Internal Audit should provide the Audit Committee with annual independent assurance on the effectiveness of the Council's risk management processes and procedures. However, Internal Audit, at the Council, is twin hatted and potentially conflicted in terms of its two risk management roles for managing the system as well and independently reporting on the effectiveness of the Council's PM framework.</p>
Criteria impacted	 Governance
Auditor judgement	<p>Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.</p>
Management comments	<p>Then risk management policy and strategy are due to be revised in 2024 due to broader contextual changes and the recommendations will be considered at that time.</p>



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

Improvement recommendation

Improvement Recommendation 6	The Audit Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year. The appointment of a co-opted independent member to advise the Audit Committee is recommended good practice to complement the knowledge and experience of existing members.
Summary findings	The annual self-assessment would allow the Audit Committee to report annually on how the committee has complied with the CIPFA Position Statement, discharged its responsibilities, and include an assessment of its performance. The appointment of a co-opted independent member to advise the Audit Committee is also good practice.
Criteria impacted	 Governance
Auditor judgement	Our work has enabled us to identify a potential improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	<p>The Council recognises it is accepted good practice to review the effectiveness of the audit committee and will undertake to develop arrangements for implementation during 2024/25.</p> <p>The Head of DAP has led on the appointment of an Independent Member, a preferred candidate has been chosen following a robust recruitment exercise, which will be reported at the February meeting of the Committee with a view to the appointment being confirmed. This process was started in autumn 2023 and the report going to Audit Committee in February 2024 is the final step. This will all be in place from the commencement of the 24/25 financial year.</p>



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

Improving economy, efficiency and effectiveness

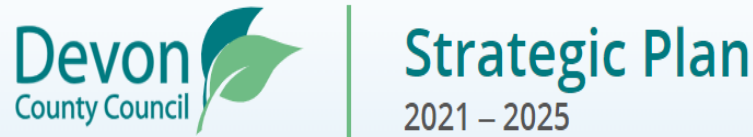


We considered how the Council:

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

Strategic planning

In July 2023, the Council reaffirmed the commitment to, and support for, the “Best Place” Strategic Plan 2021 – 2025 and agreed its six areas of focus for the Corporate Plan for the next 12 months. In addition, service area plans would be developed over three months linked to the: Strategic Plan 2021-2025, six areas of focus, key risks and the People Strategy – ‘People First’.



Information about the performance of the Council’s services and activities was also published in various forms and formats, but the Cabinet did not currently receive regular reports on the performance of the Council’s services or progress against the “Best Place Strategic Plan 2021-2025”.

The agreed six areas of focus for the Corporate Plan for the next 12 months are:

1. Governance and performance review.
2. Value for money and financial sustainability covering Staffing, Contract management, Efficiency of services, Income generation and full cost recovery, Use of assets and buildings;
3. People strategy.
4. Replacement systems (FINEST and CareFirst).
5. Equality, diversity and inclusion.
6. Devon, Plymouth and Torbay devolution deal.

Performance and financial information

Information about the performance of the Council’s services and activities was published in various forms and formats and the Cabinet did not receive regular reports on the performance of the Council’s services or progress against the “Best Place Strategic Plan 2021-2025”. Our previous VFM report recommended that the Council’s performance management framework could be enhanced by:

- introducing a proportionate framework of high level strategic KPIs to monitor the Council’s delivery of strategic objectives.

In December 2023, Cabinet agreed the proposal for the introduction of a corporate performance framework in June 2024.

The Proposed Framework will be introduced at three levels : Strategic performance, Directorate/service performance and Change and improvement plans and programmes. The next steps for implementation will be for the Strategic Leadership Team to put the following in place :

1. Regular reporting to Cabinet from April 2024 onwards to provide data and information that enables:

- o Assessment of performance against the goals and priorities of the “Best Place Strategic Plan 2021-2025”
- o Performance management of service areas where decisions are required about improvement.

2. Annual performance report to Council on 23 May 2024.

3. Local Government Association Corporate Peer Challenge (w/c 10 June 2024) to review progress.

4. Ensuring that staff appraisals are linked to the Council’s key performance indicators.

Improving economy, efficiency and effectiveness (continued)

It is envisaged that these four steps will be the first stage in the establishment of the corporate performance management framework with the next stages to include:

- The use and reporting of performance indicators and metrics to assess progress with Directorate plans.
- Using a digital performance dashboard to complement the risk management dashboard.

Data Quality

The basis for good performance information is assurance that the information is based on good quality data. Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management .

Improvement recommendation 7: The Council should develop a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's, with a view to including an assessment/rating of specific data sets within performance reports.

Benchmarking

The Council has developed tools such as using PowerBI for benchmarking performance, including comparing ASCOF indicators against other comparable authorities or regions. These tools enable the council to drill down into survey data to better understand people's lived experience. The council's annual report also includes benchmarking of activity, cost and spend data, which informs financial planning and provides an evidence base to develop their strategies and delivery plans. The council have now developed over 100 PowerBI tools using national and local data to inform their performance management, needs analysis, market shaping and other activities.

Assessing performance and identifying improvement

Workforce planning

Workforce issues exists within the Council in terms of manageable workloads, an over reliance on agency staff in some key services, ensuring stability in teams and wellbeing supervision as well as pay compared to other councils in some services. In response, a strategic Workforce Strategy has been developed for 2022/23 . The strategy details four key areas of focus as Reward, Resourcing, Inclusion, Voice with specific budget allocation for 2022/23 for three of the four areas.

Next steps are for the specific workforce planning undertaken with service areas to feed into a longer-term workforce strategy [integrated with financial planning] that will enable the delivery of the Best Place Strategic Plan with the aim to create a trusted, innovative and inclusive culture.

There is also a separate Workforce Strategy in place for SEND which is available on the Councils website. The " People First" Strategy 2023 -2025 was launched in June 2023. Through feedback and engagement with staff and members six themes were identified in developing the strategy that will impact on performance and culture. These are recruitment, wellbeing, reward, belonging, learning and voice.



Workforce

Local government faces multiple workforce challenges including skill shortage in areas like social work and planning and the lessening attractiveness of local government as a career choice when staff can be paid more for less stressful work in other sectors. This trend has seen an increase in the use of more expensive agency staff and use of interims. At the Council

The need for future workforce planning to ensure the Council has the appropriate staff, with the right skills, at the right time to deliver sustainable council services is therefore clear.

The workforce strategy needs to be clearly linked with strategic objectives and financial planning. Without a corporate workforce plan, Councils cannot take a strategic view of how the needs of the council in terms of human resources will develop over the medium term and appropriate development through training and recruitment may not be undertaken.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement (continued)

Children's Services

Children's Services have been rated "Inadequate" by Ofsted. The Council continues to invest in the service and indications are that some progress is being made. As expected it will be several years before all improvements are complete and the "Inadequate" rating removed. Our assessment is therefore that there continue to be significant weaknesses in arrangements in this area.

The Council's Children's Services was rated as "inadequate" in an Ofsted Inspection Report in January 2020. This repeated a conclusion of inadequate in relation to the service for care leavers initially dating back to 2015, and although a focused visit in 2018 recognised some improvements, a joint inspection by Ofsted and the CQC in 2018 led to a Written Statement of Action for SEND in 2019. The recent conclusion from the SEND revisit, in May 2022, was that "The area has not made sufficient progress in addressing any of the significant weaknesses." Despite significant investment by the Council, a revised Statutory Declaration for DCC Children's Services was put in place on 10 October 2022 as the Council's was still failing to perform to an adequate standard. This statutory declaration appointed a new Commissioner for Children's Services until the Council achieve an adequate rating.

During 2022/23, there has been senior leadership change in Children's Services as the Council acts on implementing improvements. The Chief Officer for Children's Services left in November 2022 and the subsequent Acting Director of Children and Young People's Futures left in February 2023. The Children's Services Improvement Partnership Board monitors the implementation of both the Social Care Improvement Plan and the Partnership Improvement Plan at its monthly meetings. This includes consideration of the performance measures agreed for each of those plans. In March 2023 the Council's Children's Improvement Board, which reports to the Scrutiny Committee, agreed to reset its focus and approach so as to:

- clarify and create shared understanding of the role and purpose of the Board, particularly with new system leaders and Board members
- create the conditions for Board meetings to focus on key outcomes and associated actions
- create partnership priorities, outcomes and actions to become part of the Devon Children's Services Improvement Plan.

The headline findings from an Ofsted visit in April 2023 stated that the "Quality of social work practice across Devon remains inconsistent. Most Children in care experience delays in securing permanent homes. this is mostly due to social workers lacking the confidence, professional curiosity and guidance required to understand children's needs and plan for their futures. Weak Management oversight through supervision, insufficient challenge by independent reviewing officers, gaps in recording and poor care planning are often the root cause of delays. Quality assurance through auditing still lacks sufficient impact in driving improvements in practice and has required a significant restart".



Improving economy, efficiency and effectiveness (continued)

Children's Services (continued)

The outcome of the Ofsted visit in September 2023 on Care leavers concluded that "Quality assurance, including audits, have yet to make a substantial impact on practice for this group of young people but the plan for increasing volume, standardisation of what 'good' looks like and the sharing of themes is making steady progress from a very low starting point"

The "Devon Childrens Services Improvement plan April 2023- March 2024" has been developed which sets out actions for :

- Children's Services, developed by SLT, through knowledge, data and understanding, and through the operational work of the Children's Services Heads of Service;
- corporate services which are created and governed through a regular strategic Quality Performance and Review Meeting;
- Improvement partners including social care, education, health and police which are developed and governed through the Improvement Partnership Board.

The Improvement plan details key priorities and actions and sets out the Quality Assurance Framework for monitoring including:

- Data Performance Information
- Workforce Development
- Service User Feedback
- Peer review and challenge
- Practice evaluation activity

In terms of reporting on the outcomes of the work of the Children's Improvement Board, we found that the December 2023 Children's Scrutiny report could have better summarised. Achievements against plan, risks to performance and next steps could have been highlighted in a narrative report to better enable members to gain assurance on the progress being made in developing an adequate children's service. On review of the table of "Social Care Improvement Plan Measures" reported to member, we could see that

were 11 red rated KPIs, 6 amber KPI and 12 green KPIs, however there were 10 KPIs for which no RAG rating was provided; as shown in a report extract below:

Reference	Measure	Apr-23		Nov-23		
		Baseline	Target	Actual	Number	DoT (to target)
1.0	Contacts to children's social care (per 10,000)	392	450	459	2039	↑
1.1	Conversion contact to referral	30%	TBC	31%	632 / 2039	
1.2	Conversion contact to Assessment	28%	TBC	19%	387 / 2039	
1.3	Number of referrals	409	TBC	599	599	
1.4	% of referrals which are repeat referrals	23%	19%	22%	132 / 599	↑
2.0	Initial Assessments completed in the period (per 10,000)	391	425	381	466	↑
2.1	% initial assessments with outcome Case to Close	41%	38%	59%	275/466	→
2.2	% of initial assessments completed in 45 days	85%	90%	79%	368/466	↓
3.0	Section 47 enquiries (per 10,000)	222	190	201	246	→
3.1	% S47s that progress to ICPC	26%	35%	8%	16 / 246	↓
3.2	ICPCs (per 10,000)	71	58	51	62	↓
3.3	% ICPCs completed within 15 days of S47	67%	80%	77%	48	→

The Council has made significant financial investment in Children's Services during 2022/23 and 2023/24. It needs to enhanced its governance and oversight arrangements with progress reports which set out the improvement areas identified by Ofsted and the SEND review. For each of the areas identified there needs to be a number of actions with a Lead Officer, deadline, narrative of progress, a risk rating, expected outcomes and Key Performance Indicators that are used to monitor progress. Members need better assurance that the Children's Services are improving and the estimated timescales for achieving an adequate rating.

The Council is making progress as demonstrated by some improvements in performance. However, there is clearly more work to do and, as expected, the process will take a number of years to fully complete. Arrangements have not progressed sufficiently during 2021/22 or 2022/23 to conclude that there is no longer a significant weakness in arrangements. **We have therefore raised a key recommendation in terms of improving the governance and oversight of Children's Services. There is a continuing risk of significant weakness in relation to children's social care in 2022/23.**

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council has appropriate arrangements in place for working in partnership. There are a number of successful partnerships in which the County Council participates. The most significant of these as being the Better Care Fund whereby Devon County Council has joined with its NHS partner, NHS Devon Integrated Care Board or ICB (formerly NHS Devon CCG) in the provision of services to support reduced hospital admissions and length of stay.

Other examples of key partners are :

- The Devon Youth Justice Team
- The Devon Children and Families Partnership
- Adopt South West (a Regional Adoption Agency)



Partners are managed by the relevant service area and we observed that local plans and strategies are developed and delivered in close co-operation with partners. For example the System development and Improvement winter update report described the challenges being experienced across the Devon Health & Social Care system including staff strikes, increased periods of demand and on-going infection prevention and control issues and the delivery of goals to be achieved through whole system collaboration involving NHS Devon (the Integrated Care Board), the One Devon Partnership, social care partners, Local Care Partnerships (LCP) and Provider Collaboratives, including partners across public services and the third sector.

Commissioning and procurement

The Council has effective arrangements in place to manage procurement. The procurement policy (in the Constitution) is supported by a Procurement Strategy which is published on the Council's website. Implementation of the strategy is executed by the Strategic procurement team known as Devon Procurement Services. The team also facilitate the Southern Construction and Consultancy Frameworks for any public sector body across south of England. The procurement team, work within a comprehensive framework using category management principles.

A variety of mechanisms are in use, proportionate to the significance of the contract, to ensure that procurement activity is properly managed. These include toolkits, corporate negotiating groups, 'meet the buyer' events, a delivery model appraisal, risk assessment and structured checklists (such as the Procurement Key Themes Checklist which links back to the Procurement Strategy).

The Council has comprehensive procurement arrangements in place, with a large team of procurement specialists who provide services to Devon CC and beyond. An up-to-date strategy is in place, supported by a Lifecycle Category Management and Strategic Sourcing Model and toolkit which together provide a clear governance framework for procuring and commissioning services.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement (continued)

Response to Climate Change

The Council has created a dedicated page on its public website called Energy and Climate Change Reducing emissions and improving resilience. In line with this, the Devon County Council has declared a climate emergency and committed to reducing Devon's carbon emissions to net-zero by 2050 at the latest. To achieve this, the council is leading a partnership that aims to create a Devon Carbon Plan and a Devon, Cornwall, and Isles of Scilly Adaptation Plan in response to the Devon Climate Emergency.



The council also reports its carbon footprint annually and has a plan to become net-zero carbon by 2030, including emissions from the goods and services it purchases. To coordinate regional action on climate adaptation, the Devon, Cornwall and Isles of Scilly (DCIoS) Climate Impacts Group (CIG) is working with environmental consultants RSK to progress the Adaptation Strategy. This work has included a review of the Climate

Change Risk Register, identification of strategic adaptation options, and the creation of an Action Plan for regional collaboration on adaptation over the next five years. The Adaptation Strategy was published for public consultation in May 2023 and was published in November 2023.

Conclusion on improving economy, efficiency and effectiveness

The continuing inadequate rating and the intervention of a commissioner for Children's Services highlight the significant weakness in the Council's arrangements. We have made a key recommendation to improve governance and oversight arrangements with progress reports for Cabinet which set out the improvement areas identified by Ofsted with expected outcomes and Key Performance Indicators to monitor progress. Members need better assurance that the Children's Services are improving and the estimated timescales for achieving an adequate rating.

Improvement recommendation


Improvement Recommendation 7

The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in the new corporate performance framework, with a view to including an assessment of specific data sets within performance reports.

Summary findings

Good quality data is data that is fit for purpose. That means the data needs to be good enough to support the outcomes it is being used for. Data values should be right, but there are other factors that help ensure data meets the needs of its users, such as data governance, design, data management. The Council does not have a Data Quality Strategy articulating how it will obtain assurance over the quality and integrity of the data used to inform KPI's,

Criteria impacted

 Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Part of establishing a Corporate Performance Framework will be considering a data quality strategy to assure the quality and integrity of data used to demonstrate the improvement and performance of the authority. An audit is being prepared to consider the data quality of information held within the Eclipse system and how this is used to report performance across Children's Social Care. This audit will also feed into the specification of a new Case management system being developed for a joint system across adults and children services.





Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained in Appendix B.


Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
2022/23 Key recommendations from Significant Weaknesses			
<p>Financial Sustainability The Council has a strong record of financial management and is already responding to these matters. However, given the increased level of financial stress it is facing all members need to ensure that there is a robust response to financial matters and that officers are supported in making the changes needed. Progress in delivering savings, transformation plans and the DSG Safety Value Plan should be tracked by Cabinet and Scrutiny Committees each month.</p>	Key	February 2024	<p>The Council continues to place high importance on maintaining financial sustainability and continues to respond robustly to financial challenges. Delivery of savings will continue to be highlighted in bi-monthly reports to Cabinet. Management will review reporting requirements for 2024/25 to deliver improvements in reporting on the delivery of savings and will consider more frequent reporting either by routine or by exception considering risk and volatility.</p> <p>Clear governance and reporting requirements regarding SEND improvements and deficit management has been established in the autumn 2023 and has been incorporated in the Council's submission to Government through Safety Valve discussions. Should a Safety Valve agreement be reached it is envisaged this will require significant regular reporting.</p>
<p>Improving economy, efficiency and effectiveness. The Council needs to enhance its governance and oversight arrangements over Children's Services with progress reports which set out the improvement areas identified by Ofsted and the SEND review. For each of the areas identified there needs to be a number of actions with a Lead Officer, deadline, narrative of progress, a risk rating, expected outcomes and Key Performance Indicators that are used to monitor progress. Members need better assurance that the Children's Services are improving and the estimated timescales for achieving an adequate rating.</p>	Key	February 2024	<p>Financial sustainability and improved outcomes for children and young people is a top priority for the Council. In Summer 2023, DCC revisited its DSG management and sustainability plans and has since developed an improved governance framework to oversee the delivery of the SEND Transformation Programme. This includes the governance structure, defined programme and project management and action plans with clear responsibilities, and with risk management embedded.</p> <p>The Council will maintain these governance arrangements, with potential adjustments to the reporting and meeting schedule to align with the proposed DfE Safety Valve monitoring arrangements. The Council is developing a Safety Valve Dashboard to support monitoring arrangements. Reporting is proposed to include reports to DCC Strategic Leadership Team (SLT) bi-monthly, Cabinet approximately 3 times per year, with scrutiny provided through our Overview & Scrutiny Committee at least twice a year.</p>


Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	
Financial Sustainability				
	<p>1 Given the Council’s significant financial challenges, we suggest that Cabinet should receive monthly updates on the Council’s financial position in-year so that it may be informed of the monthly service and corporate variances to budget and remedial actions being taken by management.</p>	Improvement	February 2024	<p>Management is satisfied that its current arrangements for public reporting to committee on financial performance on a bi-monthly basis is sufficient. SLT and cabinet members meet frequently and receive updates monthly, or indeed immediately if quicker action is required, enabling ongoing visibility and control to be applied by the Council’s leadership. Management does not consider this leadership is impaired by only reporting publicly to committee every two months. Current monitoring in the interim months, when no formal committee report is provided, only focusses on high-risk, high-value budgets not the entire budget that is incorporated in bi-monthly reports.</p>
<p>2 We suggest that savings plans are RAG (Red, Amber, Green) rated, as part of the reporting on the progress of achievement of savings so that officers and members are aware, in monthly financial reports to Cabinet, of the high risk schemes that are less likely to be delivered; and what alternative savings plans are in place to address any financial in-year deficits.</p>	Improvement	February 2024	<p>The Council is currently reviewing its arrangements for reporting savings through an internal audit and will take on board recommendations from both the internal auditor and external auditor in designing future improvements to reporting arrangements. Management agrees that including a RAG rating can help focus attention and provide assurance in a recognised simple and accessible format.</p>	
Governance				
	<p>3 We recommend the:</p> <p>(a) integration of performance management and risk management through the mapping of strategic risks to the achievement of corporate objectives and associated Key Performance Indicators (KPIs).</p> <p>(b) discussion and documentation on the “risk appetite” for each of its strategic risks after the application of the “4 T’s” (ie treat, transfer, tolerate and terminate) outlined in its Risk Management Strategy.</p>	Improvement	February 2024	<p>(a) Risks are already linked to corporate objectives via the “Themes” section in the Risk Register, we can review that to ensure that they are linked to the latest Corporate Objectives. We recognise the common practice to try and link risk to performance information and with the work commenced in December this can now take place. We will work with the Director of Performance and Partnerships (Interim) who as noted above is focused on compiling performance information.</p> <p>(b) We do not consider at this time that adding a specific tag based on the Four T’s will add more than is recorded within the current information. Should this be added then it would be incumbent on the service areas to action. The creation of risk appetites was explored prior to 2020 but the level of effort vs reward was too high, making the process more complex. Risk Appetite has been built into the Policy under four main areas (See pages 4-5 of the Risk Management Policy).</p>

Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date
 Governance			
<p>4 We recommend that Internal Audit implements a tracking system for outstanding recommendations to ensure that all high, medium and low recommendations are effectively addressed within agreed timescales. This will ensure that the Council's control environment is adequate.</p>	Improvement	February 2024	<p>Current arrangements take a risk-based approach to following up audit recommendations. Directors / Managers are responsible for delivering agreed actions. Additionally internal audit follows up as follows:</p> <ul style="list-style-type: none"> -Core financial systems and controls are audited every year. -Limited or No Assurance reports are followed up in the following year's audit plan or sooner if appropriate. -High risk rated recommendations for all reports are followed up on a timely basis by internal audit. <p>Implementing a new system of tracking will require additional resources however this will be explored further by the Finance & Public Value Leadership Team as the recommendation is supported in terms of providing further assurance.</p>
<p>5 We recommend that the Council's Risk Management Strategy needs to be revised to clearly document:</p> <p>(a) the role of Devon Assurance Partnership in the Council's Risk Management (RM) Framework, and</p> <p>(b) how the annual independent assurance on the effectiveness of the Council's RM Framework will be provided to the Audit Committee by a suitably qualified third party.</p>	Improvement	February 2024	<p>Then risk management policy and strategy are due to be revised in 2024 due to broader contextual changes and the recommendations will be considered at that time.</p>
<p>6 The Audit Committee should carry out a self-assessment of its effectiveness each year and report on the outcome at the end of the financial year. The appointment of a co-opted independent member to advise the Audit Committee is recommended good practice to complement the knowledge and experience of existing members.</p>	Improvement	February 2024	<p>The Council recognises it is accepted good practice to review the effectiveness of the audit committee and will undertake to develop arrangements for implementation during 2024/25.</p> <p>The Head of DAP has led on the appointment of an Independent Member, a preferred candidate has been chosen following a robust recruitment exercise, which will be reported at the February meeting of the Committee with a view to the appointment being confirmed. This process was started in autumn 2023 and the report going to Audit Committee in February 2024 is the final step. This will all be in place from the commencement of the 24/25 financial year.</p>


Action plan for 2022/23 recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
 Improving economy, efficiency and effectiveness				
7 The Council should develop a data quality strategy articulating how it will obtain assurance over the quality and integrity of the data used for the KPI's in the new corporate performance framework, with a view to including an assessment of specific data sets within performance reports.	Improvement	February 2024	Part of establishing a Corporate Performance Framework will be considering a data quality strategy to assure the quality and integrity of data used to demonstrate the improvement and performance of the authority. An audit is being prepared to consider the data quality of information held within the Eclipse system and how this is used to report performance across Children's Social Care. This audit will also feed into the specification of a new Case management system being developed for a joint system across adults and children services.	


Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
Key recommendations from Significant Weaknesses				
Financial Sustainability. The Council needs to agree and implement the DSG Recovery Plan. Delivery must be closely monitored and prompt corrective action taken to ensure that plans remain on track. This work needs to be carried out in conjunction with the Devon Education Forum who therefore need to 'buy in' to the action plans and we have made separate improvement recommendation on this.	Key	March 2023	We recognise that our intended approach did not fully deliver in 2021/22. Therefore additional rigour will be applied to future processes including more robust modelling and analysis, involving a wider breadth of officers.	Follow up in 23/24
Improving economy, efficiency and effectiveness. The Council needs to ensure that the direction of travel for children's social care services continues in the right direction and that the planned new practice model and action plans are implemented and monitored. The ambitions in the strategic plan should be connected to clear goals and actions.	Key	March 2023	The recommendations are noted. The Council has taken steps to bring new leadership into Children's Services whilst also focussing all services across the Council onto supporting Children's Services to drive improvement as a matter of urgency.	Follow up in 23/24
Financial Sustainability				
1 The Council should complete an operational effectiveness review of the Devon Education Forum.	Improvement	March 2023	Management recognises the recommendation and will give due consideration to the objectives, benefits and responsibility for a review of the operational effectiveness of the Devon Educational Forum, at the next scheduled evaluation of the Authority's internal audit plan.	No
2 The Council needs to ensure that <ul style="list-style-type: none"> robust savings plans are made to deliver <u>recurrent</u> savings and that implementation is properly tracked and monitored, with actions taken to ensure that the plan remains on track; and progress on savings delivery (for both service area budgets and the Financial Sustainability Programme) are reported to Members with brief explanations of variances and changes. 	Improvement	March 2023	The Council has taken action to establish a cross organisation Financial Sustainability Programme which involves senior officers designing, testing, and scrutinising savings and income proposals and income solutions across different directorates for added assurance. We have also strengthened accountability for savings delivery and financial management at the Council's Strategic Leadership Team. Performance against budget is carefully monitored on an ongoing basis which reflects delivery against estimates and assumptions for all <u>spend and income</u> including anticipated savings.	No


Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
3 The Council should distinguish between statutory and discretionary spend to identify choices being made by the Council in what it chooses to fund and why.	Improvement	March 2023	We do not recognise the binary difference between statutory and non-statutory services. The efficient delivery of services in order to fulfil the statutory duties of a county council is a complex matter with only a hypothetical distinction between statutory and non-statutory services or degrees of service provided.	No
 Governance				
4 The Council should consider refining the risk management arrangements to align with its strategic priorities.	Improvement	March 2023	Management accepts this recommendation and we have taken steps to implement strategic priorities into our risk management process.	Yes – IR on risks mapped to delivery of corporate objectives and KPIs
5 There is an opportunity to enhance risk management by including sources of assurance as part of the Risk Management Annual Report.	Improvement	March 2023	The recommendation is accepted, and officers will incorporate further information in its Annual Report	No
6 More detailed narrative should be provided on the savings delivery in the 2022/23 Financial Sustainability Programme, including an indication of whether the savings are recurrent. This should also be considered for the budgeted savings.	Improvement	March 2023	Given the timing of this report it is not proposed to retrospectively report on 2022/23, however management will consider the opportunity to reflect more granular reporting on the delivery of savings from 2024/25 onwards.	Follow-up in 23/24
7 The implementation of the annual renewal of declarations of interest should be strengthened with a robust timetable and more timely reminders. Non-respondents should be followed up promptly.	Improvement	March 2023	The recommendation is accepted, and processes will be updated to strengthen controls in reporting of declarations of interest.	Follow-up in 23/24

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
 Improving economy, efficiency and effectiveness				
8 The performance management framework could be enhanced by: <ul style="list-style-type: none"> introducing a proportionate framework of high level strategic KPIs to monitor the Council's delivery of strategic objectives developing a systematic approach to the oversight of the work of significant partners. 	Improvement	March 2023	Management is confident in the robustness of existing frameworks across the Council but recognises that there are benefits to developing overarching performance management frameworks. There are challenges in developing an efficient and timely process for this, but schedules replacement programmes of the Council's aged financial system and adult care management system (both of which are underway) will bring forward opportunities to address this.	Yes
9 The Council should ensure that a Workforce Strategy is adopted and implemented and that it is properly integrated with financial plans given the current recruitment challenges and the impact of the National Living Wage on budgets.	Improvement	March 2023	The COVID19 pandemic has had a detrimental impact on planned renewal of strategies, but workforce – People First – is recognised as a priority and is currently being addressed by the new executive Strategic Leadership Group of the Council.	Follow-up in 23/24
10 The Council should ensure that it uses and acts on the benchmarking data and reports available to it and ensure that this work is progressed in a structured way.	Improvement	March 2023	Management recognises the value that external benchmarking and sharing of practice can bring. The Council has recently invested in CFO Insights, a local authority benchmarking tool, and promoted within the organisation including at leadership level. Management will continue to develop external awareness and comparison across the sector to inform our strategic decision making and augment our Key Lines of Enquiry in our financial planning exercises.	No – evidence of benchmarking provided for 22/23 audit

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Further action?
 Improving economy, efficiency and effectiveness				
11 The Council must continue to robustly monitor its delivery partners and other stakeholders for signs of financial stress and/or failure to deliver.	Improvement	March 2023	The Council continues to operate a robust process of supplier monitoring, for example through the procurement service working with commissioning leads / contract managers. Some underlying market challenges are resulting in provider failures or lack of continuity, and anticipating the pandemic's impact on supplier financial resilience, an internal audit was commissioned to review the Council's approach and provide assurance. A risk-based prioritisation is incorporated within the monitoring approach which identifies providers considered strategic or on which DCC is more dependent. Detailed financial reviews also take place ahead of contract novation.	No
12 The Council needs to ensure that an appropriate balance is kept between achieving value for money in procurement and prioritising procurement resourcing to achieve that.	Improvement	March 2023	The Council is satisfied with arrangements to prioritise resources to support key activities. Audit opinion that the Council has effective arrangements to manage procurement is welcomed, the comments are fair. The Council must ultimately operate within finite resources and maintain procurement arrangements that are both affordable and deliver value for money. This balance is managed on an ongoing basis through service planning and budgeting. Service capacity has reduced through deletion of vacancies and scaling within affordable budget; however, mitigation includes taking some income generation opportunities to help sustain core capacity and replacing staff leavers via a 'develop and train' strategy. Management is satisfied that sufficient resources are in place to maintain compliant procurement which helps to provide ongoing assurance.	No

Opinion on the financial statements



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

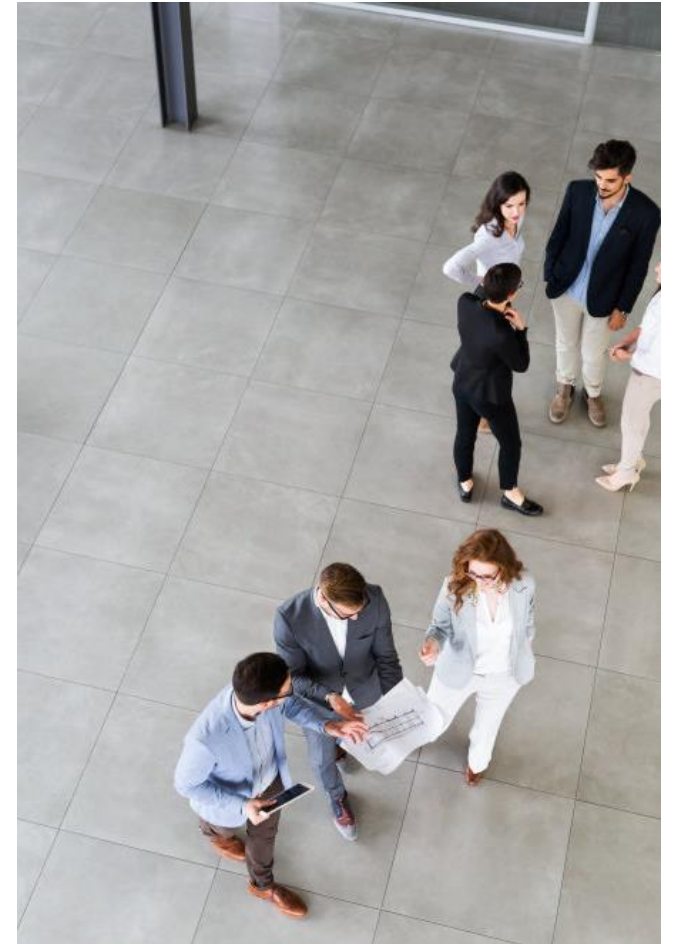
- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- We conducted 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 Authority in accordance with applicable ethical requirements, including the Financial Reporting Authority's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on your 2021/22 financial statements on 2 November 2023.

Our work on the 2022/23 financial statements is well progressed and we will present our Audit Findings Report setting out the findings from our detailed work to Audit Committee in late February 2024. We anticipate issuing an unqualified opinion on these statements shortly afterwards.



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 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 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 – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the [type of body]. We have defined these recommendations as ‘key recommendations’.	Yes	<ul style="list-style-type: none"> • Financial sustainability – page 7 • Improving economy, efficiency and effectiveness – page 8
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	<ul style="list-style-type: none"> • Financial sustainability – page 17 and 18 • Governance – page 24,25,26 and 27 • Improving economy, efficiency and effectiveness – page 34

