

# Tendring District Council

## Value for money

# Value for money

**For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its Statement of Accounts online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

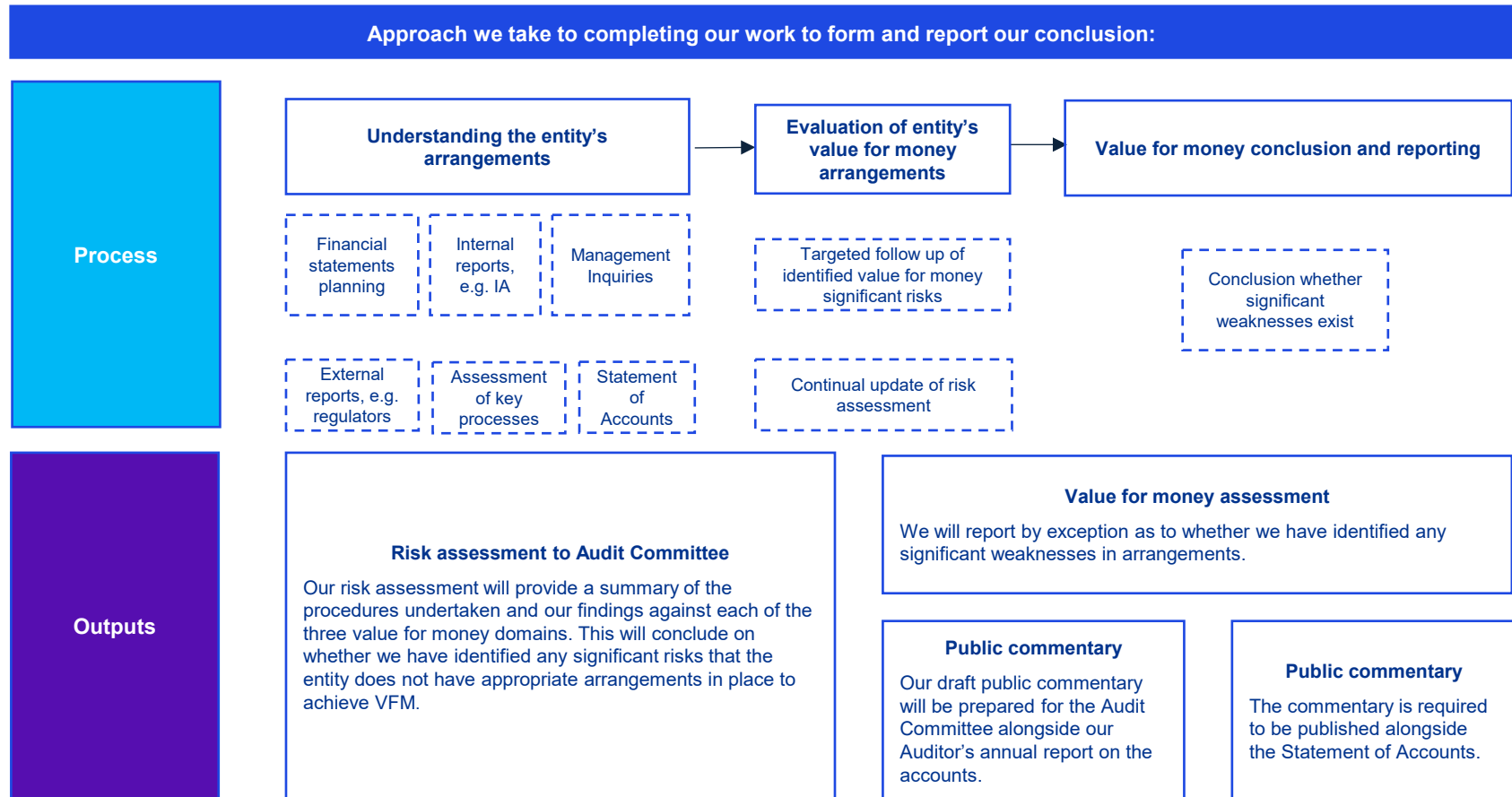
### Governance

*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money





# Summary of risk assessment

## Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	Two significant risks identified
Improving economy, efficiency and effectiveness	No significant risk identified

As a result of our risk assessment, we have identified two significant risks at this stage.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

### Summary of risk assessment

#### *Budget setting and monitoring*

A long term financial forecast was established in 2017 to cover an initial 10 year period, this is updated quarterly and reported to Cabinet where key budget assumptions are challenged. The budget cycle includes a review by the Council's Overview and Scrutiny Committee before final budget proposals are presented to full Council.

Each service area is supported via a Finance Officer within the Corporate Finance Service who supports other Service areas in undertaking budget monitoring during the year. A comprehensive review of fees and charges is carried out each year including a benchmarking exercise. Monthly management team meetings take place to review key financial issues, performance management and delivery.

A live cost pressure list is also maintained with regular updates from Senior Managers and reflects aims and objectives set out in operational plans. Finance reports to Cabinet are sufficiently detailed to highlight in-year issues and variances to budget and enable informed decision making by Cabinet members. Issues such as inflation and escalating energy costs are well known and considered when completing future budgets.

In 2023-24, the Council issued quarterly financial reports to Cabinet to monitor the forecast and delivery on savings. The Council has developed a savings plan for 2025/26 onwards including identification of options to deliver a sustainable position.

The Council also have a forecast risk fund of £6.4m (2023/24) in place to support the timing issues associated with annual budget setting including the delivery of savings, this includes the use of reserves. However, we do note that the Council have a General Fund Earmarked reserves balance of £34m 2023/24. At the date of our risk assessment, the forecast risk fund was estimated to remain in a surplus position over the remaining life of the current forecast period (up to and including 2026/27).

The Council have 'Highlight Priorities' and a performance outturn report which sets out the Council's strategic ambitions and delivery against these. The performance outturn report is aligned to the Council's long term financial forecast, for example on the delivery of capital projects.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and
- Performance for the year to date against the financial plan.

### Summary of risk assessment (cont.)

The Council have numerous risks relating to financial sustainability and performance within its Corporate Risk Register. These include lack of capacity to deliver core services, financial strategy and failure to collect levels of income required from council tax and non-domestic rates. The Corporate Risk Register is monitored bi-annually by Audit Committee and our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We do, however, recommend that risks around building safety, fire and mould which are current sector issues should be captured in the Corporate Risk Register. Additionally, some improvement is required to monitor service-line risks alongside the Council wide Risk Register.

#### *Budget outturn*

The Council reported a £15.3m underspend in 2023/24 mostly due to carried forward projects into 2024/25, £15.3m was therefore added to the General Fund Reserve in-year. HRA reserves also increased by £2.8m due to carried forward projects and an additional contribution to HRA reserves in-year. The net underspend is £1.829m excluding carry forwards requested by Services.

At the date of our risk assessment, the on-going savings required to deliver financial sustainability was set to increase from £1.15m in 2024/25 to £4.25m in 2025/26, the Council have developed the new savings plan to reflect this

#### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;
- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- Controls in place to prevent and detect fraud;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

### Summary of risk assessment

#### *Risk management*

The Council assessed and managed risks through its Risk Management Framework and Corporate Risk Register during the financial period. As the Risk Management Framework was last updated in 2018 we recommend updating.

The Council has created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities which feed into the Corporate Risk Register. The Risk Register is owned by the Management Team and operational risks are recorded in registers maintained by each department of the Council. Corporate Directors also provide monthly updates to corporate services on risks.

The Audit Committee receives reports on risk management at least twice each year and the Resources and Services Overview and Scrutiny Committee also provide challenge around risk actions for financial risks and pressures.

Risks are allocated a risk owner, target and review date, risk rating and commentary on movement. Risks are scored 1-25 based on likelihood and potential impact. We deem the Corporate Risk Register to be sufficiently detailed to enable appropriate monitoring of risks.

#### *Budget monitoring*

The final 2023/24 budget was approved by Full Council on 14 February 2023. We have provided further commentary on the Council's budget setting process at page 5.

The Council operate a one month budget monitoring cycle. On a monthly basis, key financial issues, performance management and delivery of budget is monitored at the monthly management meeting. The monthly management team meeting then has a standing agenda item as reported to the Audit Committee in order to escalate any significant performance issues or delivery hold ups. We note that there were no significant adverse variances in 2023/24.

From our risk assessment, we identified unauthorised expenditure in relation to a capital project in 2023/24, as well as budget overspends on a number of capital projects subsequent to their original budget. We also identified issues raised in relation to project management as a result of internal audit findings. We have therefore raised two significant risks in relation to this at pages 10 and 11.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

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- Processes for monitoring performance against budgets and taking actions in response to adverse variances;
- Controls in place to prevent and detect fraud;
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- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

### Summary of risk assessment (cont.)

#### *Counter fraud*

The Council's counter fraud and anti-corruption arrangements are included within the Council's Anti-Fraud and Corruption Strategy which is monitored via the Audit Committee, additionally, the roles and responsibilities of Council employees and Committees regarding fraud are included within the Council's Constitution. The strategy was last updated in January 2024 and reviewed at Audit Committee on 25 January 2024.

#### *Compliance with laws and regulations and standards and behaviour*

The Council's Staff Handbook includes a Gifts and Hospitality Policy and a Code of Conduct Policy which documents the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. Staff are required to report any arising conflicts of interest and each service department is responsible for maintaining a register of declarations of interest.

#### *Decision making processes*

The Council's decision making processes are derived from the Constitution. The Constitution notes that a 'key decision' means incurring expenditure/making savings in excess of £100,000 or is significant having regard to the local authority's budget for the service or function or be significant in terms of its effect on communities. If there is a decision which is deemed to be a 'key decision' (primarily for procurement decisions), and requires a call-in, there is a letter sent to the relevant councillor outlining the key decision and requirement to sign and return a concurrence letter which provides appropriate challenge and scrutiny. Key decisions are published on the Council's website for transparency.

Our review of a decision made within 2023/24 for Pantomime Procurement confirmed that the correct process was followed, including record of officers decision, letter of concurrence, completed consent form for use of special urgency procedure and appropriate documentation of purpose, decision and alternative options considered.

#### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have identified two significant risks associated with governance, further detail is set out on pages 10 and 11.



# Value for money arrangements

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with other stakeholder and wider partners in development of the organisation;
- How the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

#### *Performance reporting*

Non-financial performance is measured in the annual report per the 'Highlight Priorities' and performance outturn report by delivery of commitments. This is underpinned by the Council's key priorities for local residents and communities going forward.

#### *Other activities*

We have not identified any materially under-performing services in 2023-24 and the Council has not initiated any commercialisation activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

We note that no new significant outsourcing arrangements have been initiated in 2023/24.

The Council has a process where waivers can be obtained from the Council's procurement process, for instance if there is an urgent or specific reason to bypass the procurement process. All tender exemption decisions must be approved and are published as separate decisions on the Council's website. We note that a register of Central Tender Waiver Register is not maintained by the Council.

#### *Partnership work*

The Council have a number of partnership arrangements including Levelling Up Partnerships and the Procurement partnership with Essex County Council. The Council have brought the work to deliver the Levelling Up Project in-house and additional capacity has been put in place to support this. We did not identify any significant risks in relation to these projects in 2023-24, but we note that there is potential future risk of deliverability as the projects increase in size.

### **Risk assessment conclusion**

Based on the risk assessment procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.

# Value for money

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## Unauthorised expenditure and overspend on capital projects

Significant Value for Money risk linked to the domain of governance



### Significant Value for Money Risk

Our risk assessment procedures identified unauthorised expenditure of £386k in 2023/24 on the Spendells capital project. Expenditure and legally binding instructions being given without the necessary budget in place can lead to pressure on the financial sustainability of the Council, specifically in relation to the Housing Revenue Account which is being used to fund the additional required budget to complete the Spendells Project. In addition to this, a number of capital projects have overspent beyond their original budget in 2023/24.

An addendum report to review the unauthorised expenditure in-year was taken to Cabinet on 24 May 2024. As well as unauthorised expenditure, the cost of the project has significantly escalated beyond the existing budget. We do note that a full independent investigation is underway and the Council have been transparent in their reporting of the issue. In response, a letter to all Senior Officers was also sent out by the Chief Executive speaking to the issue of unauthorised expenditure and the importance of following process to follow where overspends are expected or required.

Additionally, the Council have held a Senior Management Forum in September 2024 to refresh senior management on their roles and responsibilities, including budgets and financial procedure rules, procurement rules and the consequences of getting this wrong.

The unauthorised expenditure in the year, combined with the overspends on a number of capital projects, raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.



### Our response

We will perform the following procedures:

- Review the process in place in 2023-24 for budget overspend to take place
- Understand the failure in control that led to the overspend and unauthorised expenditure
- Review and understand the actions the Council have taken since the issue was raised.

Our findings:

We note that the unauthorised expenditure highlights that appropriate governance procedures to monitor approved expenditure on projects were not in place during 2023/24. We will therefore raise a significant weakness in relation to this. We note that with the upcoming Capital Programme and Levelling Up funding, there is increased potential value for money risk in the future.

# Value for money

## 2 Failure to deliver projects on time and within budget

Significant Value for Money risk linked to the domain of governance



### Significant Value for Money Risk

The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance.

Due to the scale of overruns on capital projects, including Spendells and Sunspot, it will only take a few projects to create disproportionate variances which the Council needs to cover and we note this may require HRA reserves to be used.

The main internal audit findings included a lack of updates for major projects, failure to complete projects on time and within budget and a lack of central software to track project progress. We note that the Council have an action plan in place to address the internal audit findings, including a new Project Report, officer training on the requirements of the constitution and a new Project Board. Significant progress has been made against these actions, including investment in developing a project delivery unit agreed by Cabinet in July 2024 and a formal response sent to all officers setting out the rules, regulations and standards when managing projects to be sent out by the project lead once appointed.

The scale of overruns on capital projects and the internal audit findings noted on project management raises the risk that there were not adequate arrangements in place in 2023/24 in relation to governance.



### Our response

We will perform the following procedures:

- Understand the internal audit findings in relation to Project Management
- Review the action plan the Council have put in place to respond to the internal audit findings
- Understand and review the progress made against the actions agreed

Our findings:

The report from internal audit had two major findings, however, there is an adequate action plan in place to address the issues found and therefore, we will not raise a significant weakness. However, with the significant weakness identified in relation to unauthorised expenditure and the upcoming Capital Programme and Levelling Up funding, it is important that the actions agreed with internal audit are put in place to ensure future projects are robustly managed.



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