



Auditor's Annual Report for Tendring District Council

Year-ended 31 March 2024

—

26 February 2025

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This report is addressed to Tendring District Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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01

Executive Summary



Executive Summary



Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of Tendring District Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



Narrative report - We assess whether the narrative report is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimed opinion on the Council accounts on 26 February 2025. This means we do not express an opinion on the financial statements. Due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. In summary, this includes limitations set by the backstop date for gaining sufficient appropriate audit evidence over some 23/24 balances and opening balances. In addition to this, the errors in the valuation of property, plant and equipment cannot be quantified. We have provided further details of the key risks we identified and our response on page 8.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the Council does not have appropriate arrangements in place due to the 1 significant weakness identified in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 17 onwards.
Other powers	See overleaf.

Executive Summary



There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have raised 5 other recommendations relating to Governance. For further details see pages 19 and 20.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements



Audit of the financial statements



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

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We issued a disclaimed opinion on the Council accounts on 26 February 2025. This means we do not express an opinion on the financial statements. Due to the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. In summary, this includes limitations set by the backstop date for gaining sufficient appropriate audit evidence over some 23/24 balances and opening balances. In addition to this, the errors in the valuation of property, plant and equipment cannot be quantified. We have provided further details of the key risks we identified and our response on page 8.

Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>Fraud risk related to unpredictable way management override of controls may occur</p>	<ul style="list-style-type: none"> - Evaluate the selection and application of accounting policies - In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments - Analyse all journals through the year and focus testing on those with a higher risk 	<p>We did not identify any material misstatements relating to this risk</p> <p>We raised a recommendation relating to the review of journals.</p>
<p>Valuation of post retirement benefit obligations</p> <p>The Council is a member of the Essex Pension Fund, a Local Government Pension Scheme. Accounting standards require that the value of the liabilities to be paid to current and future pensioners. The valuation of these liabilities is subject to complex actuarial judgements and assumptions. This means that a small change in an assumption or judgement can have a significant impact on the valuation reached.</p>	<ul style="list-style-type: none"> - We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; - We evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; - We challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; - We confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice; and - We assessed the level of surplus that should be recognised by the Council - We considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions. We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed. 	<p>We did not identify any material misstatements relating to this risk. We considered the estimate to be balanced based on the procedures performed.</p>

Audit of the financial statements (cont.)



The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Planned procedures	Findings
<p>Valuation of land and buildings</p> <p>The carrying amount of revalued Land & Buildings differs materially from the fair value</p>	<p>We planned to perform the following procedures designed to specifically address the significant risk associated with the valuation. We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop:</p> <ul style="list-style-type: none"> - We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2024; - We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. - We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information; - We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; - We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement; - We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; - We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and - Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>We have been unable to perform procedures over the significant risk associated with the valuation of land and buildings. The issues identified are detailed in the Year End Report to the Audit Committee.</p>

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Value for Money



Value for Money



Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance: How the Council ensures that it makes informed decisions and properly manages its risks.



Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	15	21
Identified risks of significant weakness?	✗ No	✓ Yes	✗ No
Actual significant weakness identified?	✗ No	✓ Yes	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↑	↔

Value for Money



National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable. Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

Tendring District Council covers north-east Essex, including the principal towns of Clacton-on-Sea, Frinton, Walton and Harwich, and has over 36 miles of coastline.

Tendring is one of the most deprived districts in England and large parts of the district, particularly on the south east coast, are some of the most deprived areas nationally. The Council expect to receive significant earmarked funding in coming years for regenerating Clacton and Dovercourt town centres.

Currently, the Council have sufficient reserves including a surplus balance of General Fund and HRA reserves, this is forecasted to remain in surplus.

The Council have delivered on their capital programme for 2023/24 with numerous projects such as the Disabled Facilities Grants and Carnarvon House Demolition carried forward into 2024/25 due to spanning financial years. The capital programme is set to expand with the upcoming Levelling Up funding.

Financial Sustainability



How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

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

Budget setting and monitoring

A long term financial forecast for the Council 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 note that the Council have a General Fund and 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.

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.

Financial Sustainability

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.

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

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit), excluding HRA	(13,518)	(21,123)
Actual surplus/(deficit), excluding HRA	1,782	(1,719)
Planned HRA surplus/(deficit)	(2,497)	(1,152)
Actual HRA surplus/(deficit)	96	839
Usable reserves	61,034	60,693
Gross debt compared to the capital financing requirement	0.86:1	0.86:1
Year-end borrowings	34,472	35,930
Year-end cash position	7,102	6,820

HRA: Housing Revenue Account, a ring-fenced fund relating to social housing

Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.

Governance



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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

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 ee 13.

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 the revenue budget in 2023/24.

In terms of capital budgeting, 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 17 and 18.

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.

Governance



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.

Based on the risk assessment procedures performed we have identified two significant risks associated with governance, further detail is set out on pages 17 and 18.

	2023-24	2022-23
Head of Internal Audit Opinion	Adequate Assurance	Adequate Assurance
Local Government Ombudsman findings	4 upheld complaints	2 upheld complaints
Housing Ombudsman findings	None	1 complaint
Ofsted rating	Tendring District Council Career Track – Good	No inspection carried out

Significant Value for Money Risk



1 Unauthorised expenditure and overspend on capital projects

Risk that value for money arrangements may contain a significant weakness linked to 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 A Further Update on Spendells House and Review of Budget and Reference under Section 5 of the Local Government and Housing Act 1989 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 performed 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

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.

Conclusion

Based on the findings above we have determined that there is a significant weakness in arrangements relating to Governance.

Significant Value for Money Risk

2

Failure to deliver projects on time and within budget

Risk that value for money arrangements may contain a significant weakness linked to 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 performed 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

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.

Conclusion

Based on the findings above we have not identified a significant weakness in arrangements relating to Governance.



Value for Money: Recommendations



The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Significant	<p>We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24.</p> <p>The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation.</p>	<p>The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.</p> <p>In respect of the reference to capital projects overspending their budget in 2023/24, unlike the Spendells project where unauthorised expenditure was incurred, these broadly relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase.</p> <p>It is also important to highlight that the Council has acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit recently being established.</p>

Value for Money: Recommendations



Below we have set out our findings from following up recommendations identified in prior periods:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	The Council should expediate the implementation of solutions identified to prevent any risk of being in breach of GDPR laws	Management response is that the arrangements to address the risk, have all been implemented post May 2023 local elections under the newly elected Council

Improving economy, efficiency and effectiveness



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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council 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; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

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: Recommendations



The recommendations raised as a result of our work in respect of performance observations in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	Other	<p>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.</p> <p>The report from internal audit on Project Management had two major findings, however, there is an adequate action plan in place to address the issues found. We recommend that the Council continue to implement and closely monitor the progress of the action plan.</p>	<p>Please see management response set out on page 19 for additional details. As recommended, the Council will continue to implement the necessary actions and monitor the progress of the action plan that will be complemented by the outcomes from the Spendells investigation and any other learning from other major projects that will be reported to members as set out in the Annual Governance Statement.</p>
2	Other	<p>Risks around building safety, fire and mould which are current sector issues are not currently captured in the corporate risk register. The Council also do not currently monitor service-line risks alongside the authority-wide risk register. We recommend that the Council ensure that health and safety risks are adequately captured in the risk register and service-line risks are monitored alongside the authority-wide risk register.</p>	<p>It is acknowledged that there is always a balance between operational / service risks and those captured within the Corporate Risk Register. The Council's current corporate risk register does capture Health and Safety and the Management of Assets as high level risks, but further consideration will be given to the recommendations made in terms of achieving this overall balance.</p>
3	Other	<p>Although the Council make tender exemption decisions individually, a central tender waiver register is not held. We recommend that the Council hold a central tender waiver register to be reviewed annually by Cabinet and the Audit Committee.</p>	<p>This will be considered as part of the upcoming annual governance review.</p>
4	Other	<p>The Council's risk management framework is now 6 years old, we recommend that this is reviewed and updated as required.</p>	<p>Although this will be considered as part of the on-going Corporate Risk Management activities and associated reports to the Audit Committee, it is important to highlight that it is broadly subject to review on a six monthly basis as part of the same process.</p>



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