

AUDIT COMMITTEE

8 OCTOBER 2026

REPORT OF CORPORATE DIRECTOR (FINANCE & IT)

A.1 EXTERNAL AUDITOR'S INTERIM ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2026

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present for consideration the External Auditor's Interim Annual Report for the year ended 31 March 2026.

BACKGROUND AND CURRENT POSITION

- During the year, a number of reports are issued by the Council's External Auditor as part of their work associated with the Statement of Accounts and review of the Council's arrangements to secure value for money.
- The first such report is their Audit Plan and Strategy that was presented to the Audit Committee in June 2026. The report set out the various elements of the work that the External Auditor plans on undertaking in respect of the year ending 31 March 2026 and included their value for money risk assessment / approach that was set against the following three key elements:
 1. Financial Sustainability
 2. Governance
 3. Improving economy, efficiency and effectiveness
- Ordinarily this would be presented alongside the outcome of their work on the Council's Statement of Accounts within their final annual report for the year, but due to the backstop date arrangements introduced by the Government in response to the national recovery from previous audit delays, they are required to publish their value for money commentary for 2025/26 by 30 November 2026.
- The External Auditor will continue their work associated with the wider Statement of Accounts review, with the aim of reporting their findings within a final annual report for the year by the backstop date for the publication of the audited accounts, which for 2025/26 is 31 January 2027.
- To meet the 30 November 2026 deadline associated with reporting value for money issues highlighted above, the External Auditor has issued an interim Annual Report, which is attached and sets out the outcome of their work to date.
- As in the previous year, the outcome is welcomed, with no significant risks identified in relation to the Council's value for money arrangements across the three key areas highlighted above.

- The External Auditor has revisited the recommendations they made in the previous year within the attached interim report. The Council's on-going responses have now either been put in place or remain ongoing, which are reported separately to the Audit Committee as part of providing the necessary assurances.
- The External Auditor has made two recommendations within their report (page 14 of Attachment 1), which also includes management responses. Updates will be provided to the Audit Committee as part of their on-going work programme.
- The External Auditor is still undertaking the necessary activities associated with the Council's Statement of Accounts for 2025/26, with the outcomes planned to be presented to the Audit Committee in January 2027. Their ongoing work may identify issues that impact on their current value for money commentary and, if that is the case, an update will be reported within the External Auditor's final report for the year if necessary.

RECOMMENDATIONS

That in respect of the 2025/26 Statement of Accounts process, the Audit Committee formally notes the External Auditor's Interim Annual Report for the year ended 31 March 2026 and agrees the management responses to their recommendations set out in Attachment 1, along with the publication of the report as necessary.

REASON(S) FOR THE RECOMMENDATION(S)

To set out for consideration the External Auditor's Interim Annual Audit Report for the year ended 31 March 2026.

ALTERNATIVE OPTIONS CONSIDERED

Not applicable.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Careful planning to ensure financial stability underpins the Council's capacity and ability to deliver against its objectives and priorities. The outturn position and associated Statement of Accounts that are prepared each year reflect this broad aim and supports the successful financial planning process which includes communicating and consulting with relevant stakeholders.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The Government has put arrangements in place to clear the backlog of outstanding historical audit opinions.

The attached Interim Report reflects the Government's associated interventions, the Accounts and Audit Regulations and the applicable audit requirements, including the

planned publication of the value for money commentary for the year ended 31 March 2026 by 30 November 2026.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

There are no direct financial implications - the External Auditor's proposed fees are being supported by additional Government funding and will be kept under review as part of their on-going work and associated costs.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Detailed commentary on these matters is set out within the attached External Auditor's Report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) 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.	

MILESTONES AND DELIVERY

The information and activities set out within this report enable the Council's External Auditor to present their interim value for money commentary for the year ended 31 March 2026.

ASSOCIATED RISKS AND MITIGATION

The preparation, reporting and publishing of the Statement of Accounts follows a prescribed programme with various milestones along the way. Against this backdrop, the production of the accounts is required to be completed to the necessary standards and deadlines with the aim of preventing any significant issues arising from the audit process. This is in addition to key elements of work that need to be undertaken on an iterative process each year alongside the annual review of the Council's Governance arrangements, to ensure that the Council can continue to deliver positive value for money outcomes.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Not directly applicable.

EQUALITIES

There are no direct implications.

SOCIAL VALUE CONSIDERATIONS

There are no direct implications.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050

There are no direct implications.

OTHER RELEVANT IMPLICATIONS	
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.	
Crime and Disorder	Not applicable
Health Inequalities	Not applicable
Area or Ward affected	Not applicable
ANY OTHER RELEVANT INFORMATION	
There are no direct implications from this report. However, in respect of equality and diversity, the Council ensures that the Statement of Accounts and associated governance reports are accessible to all by advertising their availability and publishing them on the Council's website.	

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.
External Auditor's Audit Plan and Strategy 2025/26 – Item A.1 - Audit Committee 25 June 2026.
BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL
None

APPENDICES	
Attachment 1	External Auditor's Annual Report for the year ended 31 March 2026 – Interim Report
REPORT CONTACT OFFICER(S)	
Name	Richard Barrett
Job Title	Corporate Director (Finance & IT)
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Auditor's Annual Report for Tendring District Council – Interim Report

Year-ended 31 March 2026

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8 October 2026

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Key Contacts

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Our audit report is made solely to the members of Tendring District Council (the Council) as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for our auditor’s report, for this Auditor’s Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council’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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Executive Summary

Executive Summary

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2025-26 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 (the 'Code of Audit Practice') 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 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2025/26 ('the CIPFA Code').



Other information (such as the narrative report) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the 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 any valid objections received from electors.

Findings

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

Financial statements and other information	The Code of Audit Practice requires us to issue the Auditor's Annual Report no later than 30 November of each year. In order for us to comply with this requirement, we have issued this Auditor's Annual Report prior to the completion of our work in relation to the financial statements and other information. Consequently, we have not reached our conclusions in respect of these areas.
Value for money	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf. Note that, as we are still performing our procedures in relation to the financial statements, we may choose to exercise our other powers in relation to the 2025-26 audit in the future.

Executive Summary

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There are several actions we can take as part of our wider powers under the 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.

As at the date of this report, 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.

As at the date of this report, we have not applied to the courts.

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 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.

As at the date of this report, we made no recommendations under Schedule 7 of the Act.

As at the date of this report, we have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that 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.

As at the date of this report, 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.

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Value for Money

Value for Money

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Introduction

We are required to be satisfied that 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 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

We do not act as a substitute for the Council’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. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

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.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	9	11	13
Identified risks of significant weakness?	✗ No	✗ No	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2025-26 Findings	No significant risks identified	No significant risks identified	No significant risks identified
Direction of travel	↔	↔	↔

Value for Money

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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.

Local Government Reorganisation

The Government continued to progress local government reorganisation through the English Devolution and Community Empowerment Act. The reforms are intended to establish larger unitary authorities and expand devolution arrangements through County Combined Authorities (CCAs). Following the conclusion of the statutory consultation process in March 2026, proposals were developed for a number of areas across England, with implementation originally expected from 1 April 2028. These changes have the potential to affect governance arrangements, financial planning, service delivery and future Value for Money considerations.

On 7 September 2026, the Government announced a review of the local government reorganisation programme following updated legal advice and to consider how the proposals align with wider plans for devolution and public sector reform. Decisions relating to some areas were withdrawn and proposals affecting other areas have been paused pending the outcome of the review. As a result, the timetable and scope of local government reorganisation remain subject to further Government decisions.

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.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Planning and development services

Where relevant, summarise significant changes to the planning directorate, including leadership, structure, staffing capacity, decision-making arrangements, Local Plan delivery and planning application performance. Explain any resulting impact on governance, service delivery, financial plans, major development decisions or the delivery of housing and regeneration priorities.

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 2025/26 with numerous projects such as Government Grant Funded Capital Regeneration Projects and Levelling Up Fund Projects carried forward into 2026/27 due to spanning financial years.

Financial Sustainability

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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 the 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.

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. The Council do not undertake regular external benchmarking against other Council's, we have reiterated this performance improvement observation in the current year.

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 2025-26, the Council issued quarterly financial reports to Cabinet to monitor the forecast and delivery on savings. Due to Local Government Reform (LGR), a review of the length of the financial planning cycle is currently being undertaken, although the Council had commenced the move to a two year financial plan based on the Government's original LGR timescales. The Council has developed a savings plan for up to 1st April 2028 totalling £3.575m, including identification of options to deliver a sustainable position.

The Council also have a forecast risk fund of £7.235m (2025/26) in place to support the timing issues associated with annual budget setting including the delivery of savings, this includes the use of reserves. The Council also have a General Fund Earmarked reserves balance of £44.368m 2025/26. The forecast risk fund is estimated to remain in a surplus position until 2029/30.

The Council reported a £3.389m net underspend in 2025/26 after allowing for requested revenue carry forwards totalling £19.779m, this favourable variance is currently being held in the Revenue Commitments Reserve.



Financial Sustainability

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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. As part of our ongoing procedures, we will consider how the Council ensures its financial plan is consistent with workforce and investment planning.

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.

Conclusion

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

Key financial and performance metrics:	2025-26	2024-25
Planned surplus/(deficit), excluding HRA	839	(449)
Actual surplus/(deficit), excluding HRA	4,146	5,477
Planned HRA surplus/(deficit)	(1,043)	418
Actual HRA surplus/(deficit)	(267)	(872)
Usable reserves	72,894	64,234
Gross debt compared to the capital financing requirement	0.80:1	0.83:1
Year-end borrowings	29,461	32,145
Year-end cash position	5,771	5,589

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

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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 assesses and manages risks through its Risk Management Framework and Corporate Risk Register. Ownership of the Risk Register is led 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. 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.

During our work, we noted that the Corporate Risk Register has not been updated since January 2025. However, our review of the Audit Committee minutes during the 2025-26 year evidenced updates provided in September 2025 as a result of senior management meetings where the risk register is a standing agenda item and challenge to red-rated risks during March 2026. We also note that work has been undertaken, alongside internal audit, during the 2025-26 year to improve existing risk arrangements with a revised corporate risk register and improved audit committee ownership planned for 2026-27. As a result, we have raised a performance improvement observation in this regard.

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

Budget setting and monitoring

The final 2025/26 budget was approved by Full Council on 11 February 2025. 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 new significant adverse variances in 2025/26.

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.

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 subject to call-in, there is a letter or report sent to the relevant councillor outlining the key decision and requirement to sign and return a concurrence letter or executive decision form which provides appropriate challenge and scrutiny. Key decisions are published on the Council's website for transparency.

Our review of a decision made within 2025/26 for the beach huts proposed fees for 2026/27 confirmed that the correct process was followed, including full report of Assistant Director with executive summary, recommendations, alternative options considered, implications of the decision, legal requirements, finance and resource implications, associated risks and appropriate documentation on Tendring's website including purpose, decision and alternative options considered.

Conclusion

Based on the procedures performed we have not identified any significant risks associated with governance

	2025-26	2024-25
Control deficiencies reported in the Annual Governance Statement	3 as per Section 4 of the AGS	2 as per Section 4 of the AGS
Head of Internal Audit Opinion	Adequate Assurance	Adequate Assurance
Local Government Ombudsman findings	1 upheld complaint	1 upheld complaint
Housing Ombudsman findings	1 upheld complaint - maladministration by the landlord in its complaints hand	1 upheld complaint - maladministration by the landlord in its complaints hand



Improving economy, efficiency and effectiveness

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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.

We considered the external review of the LGA in the context of a corporate peer review. The last CPC report was issued by the LGA to TDC in 2018 with the next report due on or before 2023. As this is now three years overdue, we have raised a performance improvement observation on page 14.

Other activities

We have not identified any materially under-performing services in 2025-26 and the Council has not initiated any commercialisation activities such as borrowing to invest or setting up subsidiaries to conduct novel commercial activity.

The re-tendering for a new waste and recycling collection and street cleaning contract has been completed and has been awarded to Veolia ES (UK) Ltd, we reviewed documentation in relation to the waste procurement exercise and did not identify any deviation from the appropriate process. We note that no other new significant procurement or outsourcing arrangements have been initiated in 2025/26. As part of our ongoing procedures, we will consider how the Council are monitoring the waste contract in order to achieve expected benefit.

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. Following a prior year recommendation, a central Tender Waiver Register is now also 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. In order to manage the delivery of these projects, the Project Delivery Unit prepares highlight reports to track progress, key risks, issues, financials, and timelines for the Project Board and Regeneration Capital Delivery Board, measured against the Project Initiation Document.

Conclusion

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

Performance improvement observations

The performance improvement observations raised as a result of our value for money procedures are included below:

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Priority rating for observations			
①	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	②	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
③	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	①	The Corporate Risk Register was not updated in financial year 2025/26 The Council should embed its risk management process and ensure the Audit Committee reviews the Corporate Risk Register regularly. The register was last reviewed and updated in January 2025 and was not reviewed again until March 2026. Audit Committee oversight should ensure all risks are captured, new risks are identified, and risk ratings are escalated where appropriate. This extended period without review increased the risk that the Audit Committee did not have complete oversight of ongoing risks. We recommend that the Council reviews and updates the Corporate Risk Register at least bi-annually.	The importance of this issue has been acknowledged during the year with the most recent update presented to the Audit Committee meeting in June 2026. It is also important to highlight that risks within the Corporate Risk Register did remain subject to review throughout the period since the January 2025 date mentioned, especially the higher 'rated' items to ensure that there was reasonable oversight of on-going risks etc. Given the importance of this issue as recognised above, and that the Council was keen to strengthen its arrangements via an assurance led approach, a commitment was made to ensure a revised corporate risk register and framework was presented to the September 2026 meeting of the Committee. With this in mind, a separate associated item is planned to be set out elsewhere on the agenda. In addressing the last element of the External Auditor's recommendation, the Corporate Risk Register is already subject to six-monthly review 'cycle'. As set out with the Committee's annual work programme.
2	③	Corporate Peer Challenge (CPC) As part of our VFM risk assessment, we considered the external review of the LGA in the context of a corporate peer review. The last CPC report was issued by the LGA to TDC in 2018. The next report was due in or before 2023. This is outstanding and therefore 3 years overdue. Whilst we acknowledge that the Council had a joint peer review of their work with Colchester and the Health Alliance, undertaken by the LGA, this is not in the formal capacity of a CPC. We recommend that the Council undertakes a CPC from the LGA.	The Council has remained actively aware of / alert to this issue and the Council has been in discussion with the LGA on timings, whilst also acknowledging that the Government's original LGR programme may lengthen associated timescales. Given the proximity of the original LGR timescales, a peer review was not planned ahead of the formation of a new Unitary Council from the initially expected date of 1 April 2028. Following the Government's recent announcement relating to LGR and associated 'pause' and follow up review, this issue will remain under on-going consideration, albeit remaining subject to further LGR announcements by the Government, which may still impact on the timing of a future peer review. It is however worth highlighting the helpful comment, made by the External Auditor within their recommendation, relating to the work undertaken in partnership with Colchester and the Health Alliance and LGA in the interim period.



Performance improvement observations – follow up from prior year

DRAFT



The performance improvement observations raised as a result of our value for money procedures in the prior year are included below:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Update as of September 2026
1	③	External benchmarking As part of our VFM risk assessment, we considered how external data and benchmarking is used to assess the Council's cost base and noted that external benchmarking is not undertaken on a corporate basis, only through ad-hoc external reviews and self-assessment. External benchmarking against other Council's and particularly neighbouring authorities is useful context to measure the Council's performance. Performance indicators, as an example, may include collection rates, invoices paid within 30 days or rent and service charge arrears as a % of the annual rent debit. We recommend that the Council implement regular external benchmarking reports to better understand the Council's relative performance, as well as to identify areas for improvement.	Although in principle such benchmarking can be positive, it can also be time consuming and costly that therefore comes at the expense of other key activities and the delivery of priorities for example, especially when there is already limited capacity / resources within the organisation. A balance therefore needs to be maintained between these two key elements, and although it is not proposed to introduce a corporate wide approach to benchmarking, the opportunity to learn from other councils will be considered as part the Council's Departmental Planning processes, best value responsibilities and alongside the work associated with LGR, which will include working with authorities across Essex.	KPMG: outstanding Updated management response: The Council remains committed to consider / undertake actions that enable it to learn from others as highlighted last year. As part of its wider response to the new era of Social Housing Regulation, a move to a more formal benchmarking approach is underway in respect of the Council's housing function. As part of its approach to continuous improvement in terms of meeting obligations within its Best Value duty, the Council has acknowledged and remains alert to the need to consider using outcomes-based / performance and other data to regularly self-assess performance etc. This is an area that the Council aims to develop further in 2026/27 and beyond, including working with its Essex neighbours as appropriate, regardless of the outcome of the Government's current review of LGR.

Performance improvement observations – follow up from prior year

DRAFT

The performance improvement observations raised as a result of our value for money procedures in 2023-24 and reiterated in 2024-25 are included below:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Status - February 2026	Update as of September 2026
2	1	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. 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.	As recommended, the Council continues to take forward the necessary actions along with monitoring their progress as part of existing governance / reporting arrangements.	Partially implemented: The Internal Audit action plan remains ongoing and updates will be provided during 2025/26.	KPMG: partially implemented, ongoing Updated management response: The necessary updates / actions have been set out within Internal Audit Action plans that have been reported to the Audit Committee. It is important to highlight that they will effectively be subject to further review as part of the future annual work plans of Internal Audit as necessary.

Performance improvement observations – follow up from prior year

DRAFT

The performance improvement observations raised as a result of our value for money procedures in 2023-24 and reiterated in 2024-25 are included below:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Status - February 2026	Update as of September 2026
3	③	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.	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 is being given to the recommendations made as part of the current / on-going risk register review.	Outstanding: Remains under review with updates to be provided during 2025/26.	KPMG: Implemented Updated management response: This has been considered as part of the current review mentioned earlier, which is planned to be reported elsewhere on the agenda. It is not proposed to have a specific detailed item within the Corporate Risk Register, but the wider assurance requirements are included within the 6 Strategic Risks identified as necessary. Alongside the management of risks at a service /operational level, it is important to highlight that a quarterly report is presented to the Council's Senior Management Team that sets out a number of assurance / health & safety related issues that would capture any significant matters accordingly. In terms of the specific risks identified that relate to building safety, fire and mould, these also form an integral part of the monitoring and reporting arrangements associated with the new Social Housing Regulatory regime and are therefore expected to be captured via the associated processes and reporting mechanisms during the year as necessary.

Performance improvement observations – follow up from prior year

DRAFT

The performance improvement observations raised as a result of our value for money procedures in 2023-24 and reiterated in 2024-25 are included below:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Status - February 2026	Update as of September 2026
4	3	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	Following the associated review, a register has now been established and it is proposed to report this annually to the Audit Committee. In terms of reporting to Cabinet it is proposed that this remains subject to the annual review of the Audit Committee highlighted above.	Outstanding for 2024-25: We note that this has subsequently been implemented during 2025-26.	KPMG: Outstanding in 2025-26, implemented in 2026-27 Updated management response: This has now been implemented, with the first 'waiver register' reported to the Audit Committee in June 2026. Further opportunities to strengthen the presentation and reporting of the register will be undertaken as necessary during 2026/27 and beyond.



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