Draft Value for Money Commentary

South Derbyshire District Council – year ended 31 March 2025

November 2025

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Audit of the financial statements

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for South Derbyshire District Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
Our work on the 2024/25 statement of accounts is ongoing and due to conclude in February 2026.

Value for Money arrangements
Our work to conclude on value for money arrangements is ongoing. We have not identified any new significant weaknesses in arrangements and are following up on the prior year identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

Reporting to the group auditor
We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

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Audit of the financial statements

Audit of the financial statements

Background

The statutory backstop established a date in legislation by which local authorities were required to publish their financial statements irrespective of whether their external auditor had obtained sufficient appropriate audit evidence to issue a non-disclaimed audit opinion. The introduction of the backstop led to many local authority audits being disclaimed.

Audit suppliers have worked with the National Audit Office (NAO) and the Financial Reporting Council (FRC) to develop guidance to support local audit suppliers to rebuild assurance after previous audits have been disclaimed. In June 2025, the NAO issued its guidance to auditors (called LARRIG) on the special considerations for rebuilding assurance: www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/

LARRIG 06 makes clear the work required to rebuild assurance following a disclaimer of opinion may be significant and will vary between authorities.

Under normal circumstances and following a financial year where the auditor has given an unmodified opinion on the financial statements, auditors would usually rely on assurance obtained in the prior period to be satisfied that the opening balances in the current year are free from material error. Following the completion of audit procedures on in-year transactions, the auditor would usually be able to form an opinion on the current year's financial statements.

When a disclaimer of opinion has been issued in the prior periods, no such assurance can be taken and the auditor must design alternative audit procedures to be able to form a position on the current year's financial statements.

The audit reports issued to South Derbyshire District Council since 2020/21 are set out in the table below:

Year:	Backstop date:	Form of audit report:
2020/21	13-Dec-24	Unmodified
2021/22	13-Dec-24	Disclaimed
2022/23	13-Dec-24	Disclaimed
2023/24	28-Feb-25	Disclaimed

2024/25 audit of the financial statements

Our audit will be conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2025 and of its financial performance for the year then ended.

We are performing our work on 2024/25 financial statements and will report the outcome of our work to the Audit Committee no later than February 2026.

Annual Governance Statement

Based on the work performed to date, we have not identified matters where, in our opinion, the governance statement does not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

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VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	2023/24 Outcome	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11	Identified significant weakness in arrangements	No new matters arising.	To be confirmed in final report.	Yes
Governance	14	Identified significant weakness in arrangements	No new matters arising.	To be confirmed in final report.	Yes
Improving economy, efficiency and effectiveness	18	Identified significant weakness in arrangements	No new matters arising.	To be confirmed in final report.	Yes

VFM arrangements

Financial Sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Arrangements for identification of financial pressures and bridging gaps and planning finances to support the sustainable delivery of services

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2024/25. These confirm the Council undertook its responsibility to define the strategic aims and objectives, monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council Plan was updated for 2024-2028 and sits alongside the Medium-Term Financial Strategy and the Risk Register sets out the threats to achieving the corporate goals as well as any opportunities that the Council may seek to take. Progress against its strategic priorities is reported quarterly to the Finance and Management Committee with an Annual Report published, summarising financial and performance outcomes. From the work performed there is no indication that the Council's Medium Term Financial Strategy and budget setting process is not aligned to supporting plans.

Medium Term Financial Plan

We have reviewed the 2024/25 and 2025/26 Medium-Term Financial Plan (MTFP). The current iteration extends to 2029/30, albeit with the potential for local government reorganisation after 2027/28.

As shown in the table opposite, between setting the 2024/25 and 2025/26 MTFP, the budget gap for 2025/26 has fallen by £1.4 million and along with the £2.4 million surplus in 2024/25, short-term financial pressures have eased somewhat. However, in our view, the Council's financial outlook overall has worsened considerably. Before taking account of the 2024/25 surplus, the 2025/26 plan projects a cumulative budget gap of £19.4 million to over the five year period to 2029/30, compared to £14.3 million in the previous plan—a deterioration of £5.1 million. This adverse movement significant and reflective of challenging assumptions around funding reform, the withdrawal of transitional support, and major capital commitments such as the Leisure Centre and Civic Office project. The reliance on approximately £5 million of reserves to bridge gaps indicates growing financial pressure and reduced flexibility compared to last year.

As with other local authorities, the Council is awaiting the outcome of the Fair Funding Review and will need to factor in any changes to its budget for 2026/27. Notwithstanding this, the Council continues to face significant financial challenges that will require sustained effort to address.

Year	Budget Gap (£) 24/25 MTFP	Budget Gap (£) 25/26 MTFP	Closing Reserves (£) 25/26 MTFP
2025/26	1,549,207	119,329	17,967,086
2026/27	2,799,395	2,601,096	17,210,990
2027/28	4,297,825	4,583,106	15,917,883
2028/29	5,674,352	5,998,146	14,454,737
2029/30	—	6,108,662	12,881,075
Total	**14,320,779**	**19,410,340**	**—**

In our opinion, the assumptions underpinning the 2025/26 MTFP are prudent and appropriately cautious, factoring in risks such as the reset of the Business Rates baseline, potential reductions in New Homes Bonus, and redistribution of funding towards high-need authorities. This approach supports resilience planning. However, while the Sustainable Finance Programme is expected to deliver £14.7 million in savings, the remaining gap being met from reserves suggests structural dependence on one-off resources unless further efficiencies and income generation are achieved.

We consider the assumptions—such as a 3.5% pay award, limited inflationary uplifts, and council tax increases capped at 2.99%—to be reasonable and based on credible sources like OBR forecasts. However, in our view, worst-case funding scenarios beyond 2026 could materially worsen the position if realised. Early progress in procurement and treasury savings is positive, but some targets, particularly transformation and asset management, remain aspirational and will require strong governance to deliver.

Reserves are currently healthy at £18.1 million, forecast to reduce to £12.8 million by 2029/30 after supporting budget gaps. This remains above the Council's own risk-based threshold. We believe the Sustainable Finance Programme is well-structured and aligned with best practice, but its success depends on sustained delivery of savings and proactive management of funding risks to maintain long-term resilience.

We do not consider the MTFP to pose a risk to significant weakness to arrangements involving financial sustainability, but do raise a recommendation:

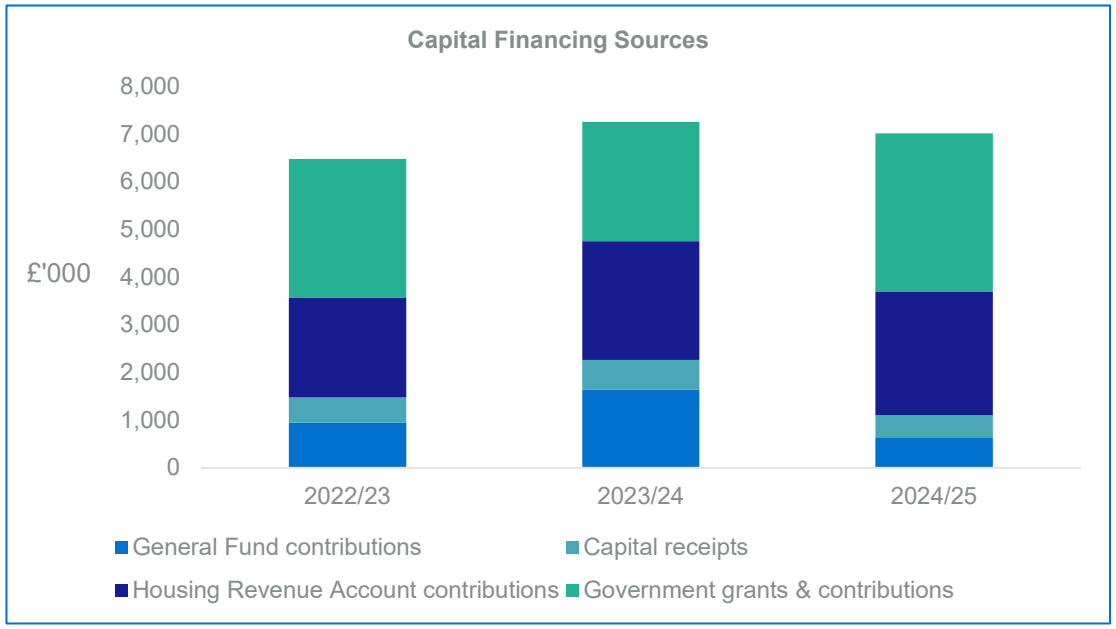
"Other" Recommendation: The Council should avoid over-reliance on reserves to bridge funding shortfalls; when setting the 2026/27 budget it must ensure the Sustainable Finance Programme funds services from available resources and is underpinned by a budget-gap mitigation plan of income generation, savings targets, detailed delivery schedules and risk assessments.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria continued

Capital Programme

We have reviewed Council's capital financing over the past three years has been broadly stable, ranging from £6.67m in 2022/23 to £7.46m in 2023/24, before slightly reducing to £7.05m in 2024/25. The composition of funding shows a heavy reliance on Housing Revenue Account (HRA) contributions, which have grown steadily from £2.09m to £2.60m, representing the largest single source each year. Government grants and contributions have also been significant, fluctuating between £2.91m and £3.32m, and remain a critical external funding stream. In contrast, General Fund contributions have varied considerably, peaking at £1.64m in 2023/24 but falling to £624k in 2024/25, reflecting tighter revenue budgets. Capital receipts have been modest and declining, suggesting limited scope for asset disposals as a sustainable source for either funding the capital programme or funding transformation spending through Flexible Capital Receipts.



Looking ahead, the Council's Capital Strategy for 2025/26–2029/30 has been set up to prioritise affordability and risk management: taking a decision to favour internal borrowing over external debt, leveraging strong reserves to minimise interest costs.

We do not consider the capital programme to pose a risk to significant weakness to arrangements involving financial sustainability.

Minimum Revenue Provision

We have reviewed the Council's Minimum Revenue Provision (MRP) for 2024/25 in the context of its capital programme. We observed that the Council has revised its MRP method for 2024/25, moving from the Regulatory Method—charging a flat 4% of the authority's underlying need to borrow—to the Asset Life Method, which spreads repayment over the useful life of the asset.

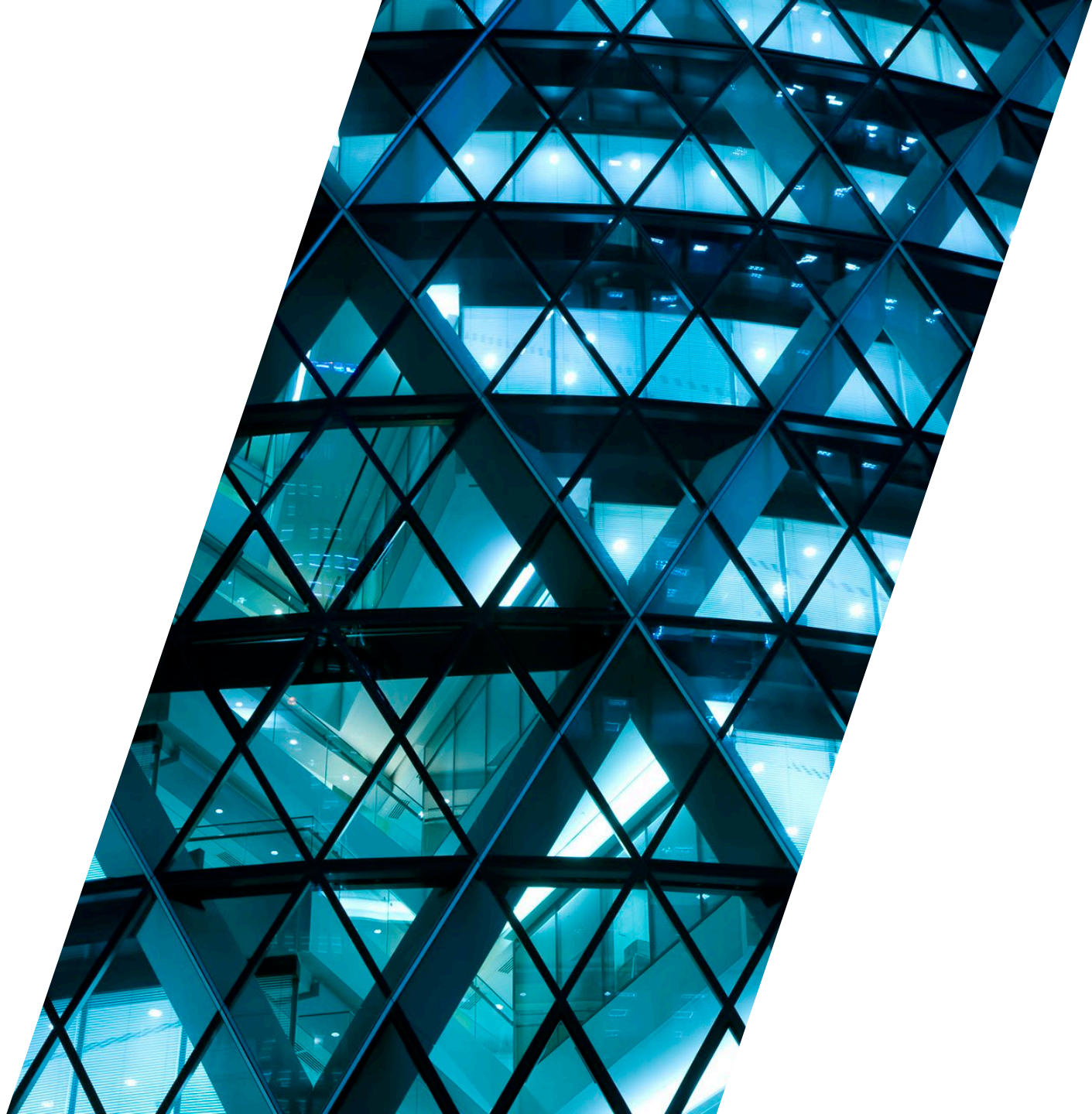
We believe this approach remains aligns with statutory guidance under the Local Government Act 2003 and the CIPFA Prudential Code. It ensures that repayment reflects asset consumption and supports intergenerational equity.

For 2024/25, the actual MRP charge is £36k, which is less than 2% of the opening Capital Financing Requirement (CFR) of £6.607m. While this complies with statutory guidance (which requires a "prudent provision"), the relatively low charge introduces risks, including but not limited to: deferring repayment, increasing reliance on future budgets and exposure to interest rate volatility in subsequent years. To mitigate these risks, it will require robust forward planning to ensure future affordability and avoid over-reliance on reserves or additional borrowing.

We do not consider the minimum revenue provision to pose a risk to significant weakness to arrangements involving financial sustainability.

VFM arrangements

Governance: how the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Arrangements for monitoring and assessing risk

The Annual Governance Statement is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on the Council's governance, assurance and internal control frameworks for the financial year. We have reviewed the Council's 2024/25 Annual Governance Statement and noted a continuation of two risks of significant weaknesses brought forward from 2023/24. This relate to arrangements in improving economy, efficiency and effectiveness.

We have reviewed the Council's Annual Governance Statement ("AGS") for 2024/25, we can conclude it has been prepared in accordance with the CIPFA/SOLACE framework, which sets out seven core principles of good governance. The AGS demonstrates that the Council has embedded these principles into its governance arrangements, including integrity, stakeholder engagement, risk management, and transparency. The statement provides a clear narrative on the governance framework and outlines improvement actions identified through the annual review process, which is consistent with best practice guidance.

Overall, while the AGS reflects a structured approach to governance and demonstrates commitment to continuous improvement, the persistence of significant weaknesses in housing compliance and procurement controls means that the Council's arrangements cannot yet be considered fully effective.

We have reviewed the Councils semi-annual pross of actions to address weaknesses noted in their AGS which are reported to the Audit & Governance Committee. As of September 20205, the Council has made progress on the actions identified in the Annual Governance Statement (AGS) 2024/25, with 14 of 23 improvements completed and the remainder in progress under revised timelines. Completed actions include embedding new Council values into performance management, implementing a refreshed risk management framework, and strengthening procurement controls. Other improvements, such as developing a customer satisfaction survey framework, digitising corporate information systems, and reviewing committee report templates, are underway. Significant governance areas still being addressed include compliance with Housing Consumer Standards (target April 2026), implementation of the Planning Service review (target December 2025), and full compliance with the CIPFA Financial Management Code (target September 2025). Internal audit investigations into asset disposals, overtime payments, and agency staff procurement are ongoing, with remedial actions planned.

We believe there is a significant weakness in the Councils governance arrangements which is consistent with the weaknesses identified in the Annual Governance Statement see pages 19 and 20 and a recommendation.

"Other" Recommendation: Given that the Council has not undertaken a corporate peer review challenge or equivalent governance benchmarking exercise since 2019, in light of significant governance weaknesses in areas such as housing compliance and procurement controls and the increasing financial challenge, the Council should consider its overall effectiveness through an independent corporate peer review or an equivalent performance benchmarking exercise.

Risk management

We have reviewed the Council's Risk Management Framework (June 2024) and confirm that it provides clear, structured arrangements for monitoring and reporting risk. Quarterly reviews of the Strategic Risk Register and operational registers are undertaken, with significant risks escalated to the Risk Management Group and reported to the Finance and Management Committee, ensuring member oversight. Operational risks are managed by Heads of Service and discussed during one-to-one reviews with Executive Directors, creating a consistent escalation route. These arrangements demonstrate embedded governance, defined roles, and accountability supported by a regular reporting cycle.

Our review of quarterly reports for Q3 2024/25 through Q1 2025/26 shows compliance with these processes and progress on key risks. Procurement and contract management remained a significant risk, worsening in Q4 due to non-compliance issues but improving in Q1 following adoption of updated Contract Procedure Rules. Financial resilience continues to be a challenge, with revised Financial Procedure Rules approved and work on the HRA business plan progressing. Housing compliance, introduced as a new high-risk area in Q4, saw positive steps in Q1 with the Housing Transformation Plan approved and recruitment underway. Other areas, such as organisational change and cyber security, have advanced through implementation of transformation resources and ICT upgrades, while emergency planning improved with Business Continuity Plans finalised and published. Overall, these developments indicate that the Council is actively managing strategic risks and strengthening its control environment.

We have not identified any further risks of significant weakness in the Councils governance arrangements in relation to risk management procedures.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Arrangements for decision making and assurance

Internal Audit

Internal Audit issued an overall Reasonable Assurance opinion for 2024/25, confirming that governance and control arrangements are generally sound but require some improvement. Across both years, 26 audits were in scope: 2023/24 carry-forward audits (12) were all completed, with 4 rated Substantial and 8 Reasonable, while 2024/25 audits (14) include 6 finalised and 8 still in progress. No Limited or No Assurance ratings were reported. A total of 41 recommendations were made during 2024/25 (9 moderate risk, 32 low risk), with a 66% closure rate, but 24 actions remain outstanding (including 16 delayed future actions), alongside two legacy moderate-risk items from prior years—Land Charges data integrity and Rent Accounting energy cost recovery. While governance arrangements are broadly effective, delays linked to IT system upgrades and resource constraints highlight the need for stronger project management and oversight to ensure timely implementation of agreed actions.

Our review has highlighted two risk of significant weakness in arrangements relating to Internal Audit's conclusions on 2024/25. See pages 19 and 20.

Governance Structure

We have reviewed the Councils constitution updates that were approved by Council in May 2024 and 2025. The Council's governance arrangements reflect a strong focus on value for money by rationalising structures and clarifying roles to reduce duplication and improve oversight. The 2025 review introduced the merger of the Standards Committee and Audit Sub-Committee into a single Audit and Governance Committee, enabling streamlined governance and better resource utilisation. We have attended numerous meetings of the Audit & Governance Committee during the year. We have considered minutes of meetings and supporting reports. Based on our attendance, the Committee is adequately serviced and attended by officers as required.

Similarly, the creation of the Place & Prosperity Committee and Environment and Communities Committee, alongside updated delegations for Executive Directors—such as grant acceptance up to £150,000 and enhanced authority over RIPA authorisations—ensures revised arrangements are in place for decision making within the governance structure.

We have reviewed the Overview and Scrutiny Committees annual report for 2024/25. The report demonstrates that governance arrangements for scrutiny are in place and functioning, with clear terms of reference, scheduled meetings, and a defined process for call-ins and work programme setting. The Committee reviewed a broad range of policy and operational issues, including budget setting, service delivery, and compliance matters, and provided feedback to decision-making bodies. While this supports transparency and accountability, the report indicates that the Committee's impact is largely advisory, with limited evidence of measurable outcomes or systematic tracking of recommendations. Forward challenges acknowledge the need for stronger alignment with corporate priorities and more robust scoping and evaluation of work programme items, suggesting that while the governance framework is sound, its effectiveness in influencing strategic decision-making could be strengthened.

We do not believe there is a risk of significant weaknesses of governance in relation to the revised governance structure.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Budgetary Setting & Monitoring

We reviewed the 2024/25 budget-setting approach presented to the Finance and Management Committee demonstrates that the Council has appropriate arrangements in place for good governance. It is underpinned by a robust Medium-Term Financial Strategy and a five-year rolling financial plan, ensuring alignment with strategic priorities and long-term sustainability. The process incorporates clear principles—such as budget stability, procurement-led savings, asset investment linked to income generation, and maximising income through a Corporate Charging Policy—supported by transparent incremental budgeting and detailed reporting of changes. Furthermore, the approach includes early engagement with Members, structured scrutiny through policy committees and Overview & Scrutiny, and a six-week public consultation, all of which reflect best practice in accountability and stakeholder involvement. Overall, these features provide assurance that the Council's financial planning and decision-making processes are well-governed and strategically focused.

Council approved the 2024/25 budget and MTFP on 28 February 2024 there was also appropriate budget monitoring arrangements in place with quarterly reports presented to the Finance and Management Committee.

2024/25 Outturn

We have reviewed the Council's 2024/25 outturn shows a strong financial position compared to the approved budget and mid-year forecasts. The General Fund moved from an expected deficit of £228k to a surplus of £2.409m, driven by higher investment income (£1.392m), increased business rates (£892k), and service underspends (£670k).

Similarly, the Housing Revenue Account improved from a forecast deficit of £1.435m to a surplus of £309k, supported by savings on depreciation (£1.119m), additional investment income (£330k), and reduced bad debt provisions (£104k). Capital expenditure was £8.67m against a budget of £11m, with underspends largely due to timing rather than structural issues. Reserves remain robust, with £19.6m earmarked and minimum statutory levels comfortably met.

These results indicate that the Council has appropriate arrangements for financial sustainability, underpinned by strong reserves, effective cost control, and prudent financial management. However, some favourable variances—such as high interest income and depreciation savings—are non-recurring, and reliance on reserves for one-off pressures (e.g., £162k Green Homes Grant shortfall) should be monitored. Continued forward planning, stress-testing against interest rate volatility, and timely delivery of capital projects will be essential to maintain resilience and support long-term sustainability.

We do not believe there is a risks of significant weaknesses of governance in relation to budget setting/monitoring throughout 2024/25

VFM arrangements

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

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the reporting criteria

Corporate planning and performance management arrangements

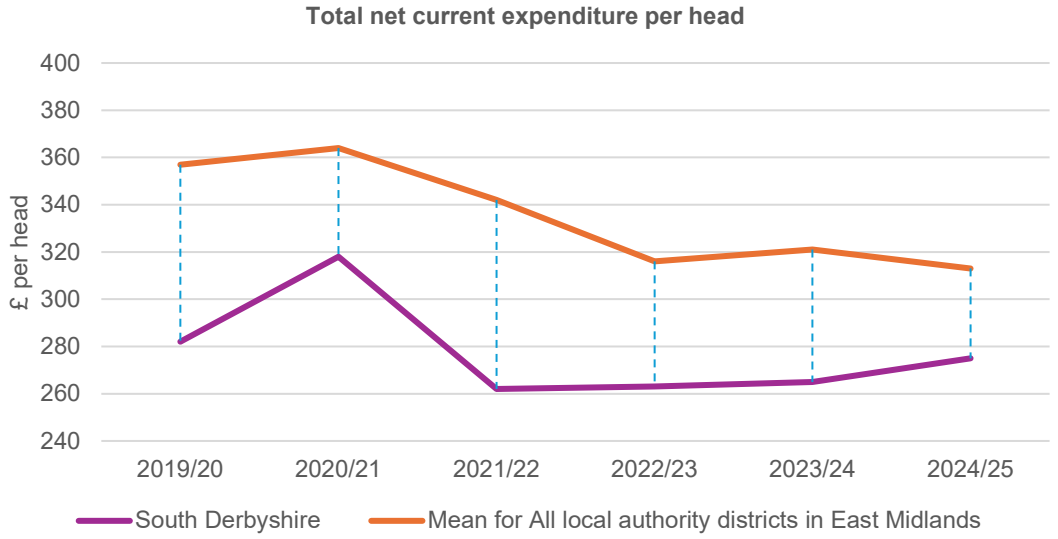
The Council Plan was updated for 2024-2028. We have reviewed the progress against the plan, which is monitored quarterly by the Finance and Management Committee. Reporting for Q1 2025/26 shows that most projects are on track. Key performance indicators such as recycling rates (54% against a 46% target) and business support sessions (68 delivered in Q1) demonstrate tangible progress, although some initiatives, such as affordable housing completions and empty homes strategy, are behind schedule.

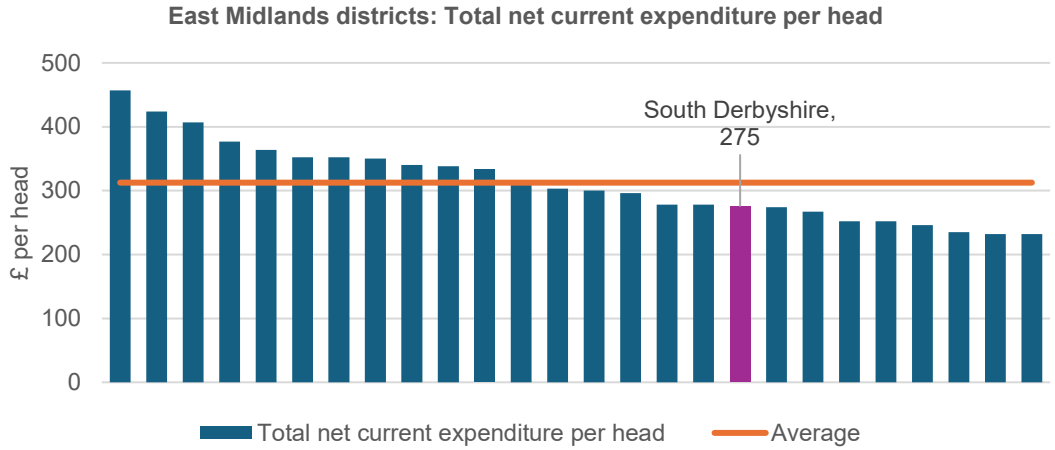
The Plan includes arrangements that promote economy, efficiency, and effectiveness, evidenced by its integration with the Medium-Term Financial Plan, quarterly performance monitoring, and projects aimed at securing value for money—such as procurement-led savings, digital service improvements, and asset optimisation. Governance is strengthened through quarterly reporting to policy committees and benchmarking against national standards (e.g., recycling rates, planning performance).

We do not believe there is a risks of significant weaknesses of arrangements to improve economy, efficiency or effectiveness in regard to the Councils Plan.

VFM profiles

We have considered external profiles published by vfm.lginform.local.gov.uk and reproduced the charts opposite using the data publicly available. We are satisfied there is no evidence of a risk of significant weakness in arrangements.





VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the reporting criteria

Procurement

From our review of the Annual Governance Statement and meetings with officers, the Council's procurement arrangements exhibited a continuing significant weakness throughout 2024/25, particularly in relation to compliance with Contract Procedure Rules (CPRs) and the Public Contracts Regulations 2015 for agency staffing. Internal audit confirmed that, although remedial actions from the prior year were implemented, further breaches occurred during 2024/25, indicating that governance and control measures were not fully embedded. This issue was disclosed in the Annual Governance Statement and remains under active review by internal audit, with findings expected to confirm historic non-compliance. The weakness posed a risk to transparency and value for money and is recorded on the Strategic Risk Register (SR1 – Contracts not properly procured and managed). While the Council maintained service continuity, the persistence of these issues during the year demonstrates that procurement governance was not operating effectively to secure economy, efficiency, and effectiveness.

We believe there is a risks of significant weaknesses of arrangements to improve economy, efficiency or effectiveness in regard to the procurement. See page 23.

Housing Regulator

Our review of the Council's arrangements for housing services highlights that compliance with the Housing Ombudsman's Complaint Handling Code and the Housing Consumer Standards remains an area of concern. While the Council has taken steps to strengthen governance—such as revising its Complaints and Feedback Policy, introducing a dedicated monitoring system, and approving a Housing Service Transformation Plan—the persistence of maladministration findings during 2024/25 indicates that these arrangements were not fully effective in practice. Complaints upheld by the Ombudsman for damp and mould handling, record-keeping, and complaint management demonstrate weaknesses in operational delivery and oversight. These issues expose the Council to regulatory, reputational, and financial risk and undermine its ability to secure economy, efficiency, and effectiveness in housing services.

We believe there is a risks of significant weaknesses of arrangements to improve economy, efficiency or effectiveness in regard to social housing. See page 24.

Partnerships: Local Government Reorganisation

Local government reorganisation (LGR) is a complex undertaking that requires strategic foresight, collaborative leadership, and robust planning. It presents both opportunities and challenges for councils seeking to improve service delivery, financial sustainability, and democratic accountability. Effective planning is essential to ensure a smooth transition and long-term success.

The Council has produced an option for consideration in November 2025.

Crucially, the Council will need ensure it puts in place robust arrangements to oversee the agreement and implementation of an agreed plan. This includes effective governance and committed leadership, such that there are clear arrangements for decision-making and manage relationships between partners, especially in joint or competing proposals.

During the transition period, each council will retain full sovereignty over its assets and liabilities. However, MHCLG expects local leaders to collaborate in establishing voluntary agreements that ensure prudent, coordinated, and value-for-money decisions on expenditure as proposals are developed.

There are a range of other factors to incorporate into future planning, including but not limited to:

- Robust financial planning, managing transition costs, but also addressing existing deficits and future funding uncertainties.
- Supporting the workforce, including engagement, morale and more detailed determination of employee contracts, redundancies and retention. This includes Ensuring there is sufficient resources available to implement programme management on the delivery of the finally agreed case.
- Maintaining continuity in services, but identifying opportunities/threats on duplication, gaps and service delivery models. This would also include effective consultation and engagement with residents, service users and other stakeholders.
- Considering the impact of technology as a barrier and enabler, including data protection, cyber resilience and ability to integrate systems.

"Other" Recommendation: The Council needs to maintain effective and transparent governance arrangements in the progression of plans for local government reorganisation, including effective leadership and the audit & governance committee should seek specific assurance, once plans are finalised, over the key controls in place to support the transition to a new organisation.

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VFM arrangements

Identified significant weaknesses in arrangements and our recommendations

VFM arrangements – Overall summary

Risks of Significant Weakness: progress against significant weaknesses and recommendations made in a prior year

Risks of Significant Weakness	Reporting criteria	Recommendations(s) for improvement	Our views on action taken to date	Overall conclusions
Arrangements to approve the HRA and Capital Budgets The Council's Constitution states that each annual Housing Revenue Account and Capital budgets must be approved by the Full Council, but in 2023/24 these budgets were not formally received and approved by Full Council as part of its overall budget setting process in February 2023. This lack of following the requirements of the Constitution had been raised by Internal Audit in December 2021, but the recommendation made was not put in place. Whilst the 2024/25 budget was prepared and approved in line with the Constitution, in our view, the Council has contravened its own Constitution for budget setting and taken an excessive amount of time to address the initial 2021 finding from Internal Audit. Without an effective process to ensure the requirements of its own Constitution are followed and recommendations made are addressed, the Council risks being challenged on the basis of its decision making process.	This is evidence of a significant weakness in the Council's governance arrangements in how it makes properly informed decisions arising from failure to fully address previously identified weaknesses.	The Council should: • ensure future budgets are developed and approved in line with its Constitution. • commence a review of the Constitution to ensure it remains fit for purpose and that Officers and Members understand and follow the required procedures. • ensure the Audit Sub-Committee fully understands its role in challenging the progress made against recommendations made by Internal Audit, including any delays in implementation.	The Council addressed previously reported issues on the HRA and Capital Budgets in setting the 2024/25 Budget in February 2024. The Council has updated the Constitution and replaced the Audit Sub-Committee with an Audit & Governance Committee.	Work is currently ongoing.

VFM arrangements – Overall summary

Risks of Significant Weakness: progress against significant weaknesses and recommendations made in a prior year

Risks of Significant Weakness	Reporting criteria	Recommendations(s) for improvement	Our views on action taken to date	Overall conclusions
Non-compliance with Housing Consumer Standards During 2023/24, the Council carried out a self-assessment against the Housing Consumer Standards that highlighted concerns do to not having an up-to-date stock condition survey making it difficult to determine the current condition and safety of the stock on a property-by-property basis and consequently, it made a self-referral to the Regulator of Social Housing (RSH) in April 2024. Consequently, in August 2024 the regulator stated that "there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed specifically in relation to outcomes in our Safety and Quality Standard and our Transparency, Influence and Accountability Standard", this was based on: • Fewer than half of the homes requiring a fire risk assessment have one in place. Moreover, a number of homes did not have a valid electrical safety certificate, and more than 100 homes required further works due to unsatisfactory certificates. • The Council also failed to demonstrate a sufficient understanding of its tenants' homes and the RSH could not be assured that the Council is providing homes of decent quality, with the last stock condition survey taking place in 2018. Without proper arrangements in place to identify and address potential safety issues in its housing stock, the Council risks further regulatory action, and reputational risk, including failing to deliver decent housing. Whilst the Housing Consumer Standards came into force from April 2024, the RSH's judgement is evidence of a significant weakness in arrangements for the year ended 31 March 2024.	Governance and how the Council ensures that it monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements. Improving economy, efficiency and effectiveness and how the Council uses information about its costs and performance to improve the way it manages and delivers its services.	We recommend that the Council put in place arrangements to ensure the actions identified in its improvement plan are being delivered on time and are having the required impact on the quality of service provided to, and the safety of, its housing tenants. In addition, there should be oversight of the progress at an appropriate level within the Council.	We note that the Council has initiated improvement measures, including restructuring the housing service, developing a 30-year Housing Revenue Account business plan, and implementing a 5-year asset management plan to transition from reactive to planned maintenance. Enhanced tenant engagement and a commitment to evidencing learning from complaints are positive developments. However, these actions were still in progress at year-end and have not yet delivered demonstrable outcomes. On this basis, we conclude that the arrangements for housing services remain at risk of being a significant weakness for 2024/25, requiring continued oversight and timely implementation of planned improvements to achieve compliance and deliver sustainable service quality.	Work is currently ongoing.

VFM arrangements – Overall summary

Risks of Significant Weakness: progress against significant weaknesses and recommendations made in a prior year

Risks of Significant Weakness	Reporting criteria	Recommendations(s) for improvement	Our views on action taken to date	Overall conclusions
As part of a routine procurement spend analysis in November – December 2023 the Council identified that when acquiring temporary staff through agency arrangements the Council's required procurement framework had not been followed since 2019. This has led to a risk of non-compliance with procurement arrangements over the five-year period from 2019 to 2024. Over a five year period up to and including the financial year ended 31 March 2024, the Council did not recognise the risk of non-compliance with procurement legislation when purchasing staff through agency arrangements and as a consequence, we believe this to be a significant weakness in the Council's arrangements.. Without adequate arrangements in this area there is potential for the Council to face legal challenges, financial penalties, reputational damage, and/or potential contract disputes	Governance (how the Council monitors and ensures appropriate standards where it procures or commissions services) Improving Economy, Efficiency and Effectiveness (where the Council commissions or procures services, how it ensures that this is done in accordance with relevant legislation, professional standards and internal policies)	We recommend that the Council puts in place arrangements to ensure the actions identified in its improvement plan are delivered and ensures all agency spending is incurred in line with agreed contracts. In addition, given the issues that the Council has experienced, the Council should consider how it monitors its procurement effectiveness, including whether the Audit Committee should receive an annual review of procurement effectiveness to confirm arrangements are compliance with regulations and delivering value for money.	We have reviewed recent actions and note that these represent a marked improvement but were introduced late in the reporting period and therefore did not fully mitigate the weakness during 2024/25. These include appointing a permanent Procurement Lead, updating CPRs to reflect the Procurement Act 2023, implementing an e-tendering portal (Proactis), and launching quarterly procurement reviews with Heads of Service. The new Procurement Strategy 2025–2028 sets out a modernised framework prioritising compliance, social value, and sustainability, supported by targeted training and external expertise from V4 Services. The first Annual Procurement Effectiveness Report evidences progress such as a refreshed contract register, procurement pipeline, and improved governance tools. While these developments strengthen the Council's capacity going forward, the fact that non-compliance persisted during 2024/25 means there is a risk that the weakness was real and material for that year, requiring continued monitoring to ensure full cultural and procedural embedding.	Work is currently ongoing.

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Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any formal correspondence.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

Contact

Forvis Mazars

Mark Surridge
Partner
mark.surridge@mazars.com