

# Huntingdonshire District Council for 2024/25

Draft Auditor's Annual Report  
Year ended 31 March 2025  
**18 November 2025**



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Corporate Governance Committee  
Huntingdonshire District Council  
Pathfinder House  
St Mary's Street  
Huntingdon  
PE286 TN

18 November 2025

Dear Corporate Governance Committee Members

**2024/25 Draft Auditor's Annual Report**

We are pleased to attach our draft Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Huntingdonshire District Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25. This report has been issued as draft and will be finalised as part of issuing the 2024/25 audit report.

This report is intended to draw to the attention of Huntingdonshire District Council's Corporate Governance Committee any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance Committee meeting on 26 November 2025.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Claire Mellons

Partner, For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Corporate Governance Committee of Huntingdonshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Governance Committee and management of Huntingdonshire District Council those matters we are required to state to them in this 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 Corporate Governance Committee and management of Huntingdonshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary

## Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Huntingdonshire District Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

## Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 18 June 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Huntingdonshire District Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the Huntingdonshire District Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

## Responsibilities of the Council

The Council is responsible for the preparation of the financial statements, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



# Executive Summary (cont'd)

## 2024/25 conclusions

Financial statements	<p>As reported in our Audit Results Report issued in September 2025, we issued a disclaimer of opinion on Huntingdonshire District Council's 2022/23 and 2023/24 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement of the financial statements.</p> <p>We therefore anticipate issuing a disclaimed audit opinion for 2024/25.</p>
Going concern	<p>Audit work on the going concern is currently underway. At this stage, we have not identified any issues that indicate that the Corporate Director of Finance &amp; Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate.</p>
Consistency of the other information published with the financial statements	<p>Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.</p>
Value for money (VFM)	<p>We have identified a significant weakness in the VFM arrangements for governance. We have included our VFM commentary in Section 03.</p>
Consistency of the annual governance statement	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Council.</p>

# Executive Summary (cont'd)

## 2024/25 conclusions (cont'd)

Additional powers and duties	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	<p>We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Huntingdonshire District Council.</p> <p>Until we have completed these procedures, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.</p>

# Executive Summary (cont'd)

## Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

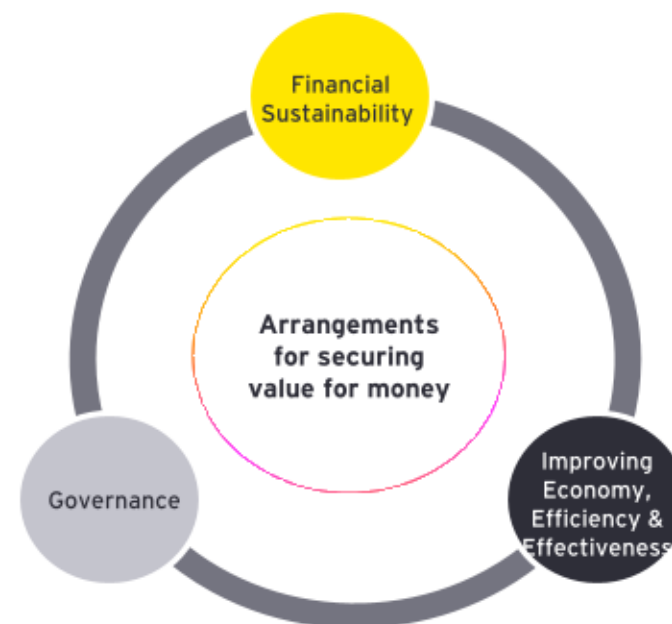
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified 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.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Corporate Director of Finance & Resources;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.





# Executive Summary (cont'd)

## Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this draft Auditor's Annual Report, which must be issued by 30 November. The recommendations we have agreed upon with the Council are included in Appendices A and B.

The final version of this report will be issued alongside the signed audit report concluding on the 2024/25 year.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	<p>As set out in our Audit Report issued on 26 February 2025, we identified a significant weakness in Governance arrangements following an independent external review of the internal audit function that raised concerns in relation to independence and objectivity; ethics and professionalism, governance, risk management and control processes; engagement workpapers and supervision; and engagement communication.</p> <p>As this report was received during the 2024/25 financial year, we therefore considered there to be a risk that this weakness in arrangements was also present during 2024/25.</p>	<p>As a result of the concerns raised by the external review of Internal Audit for 2023/24, and the disclaimed internal audit opinion issued for 2024/25, we are unable to conclude that the internal audit function was operating effectively for the whole of 2024/25 and will therefore report a significant weakness in governance arrangements again this year.</p>
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

# Executive Summary (cont'd)

## Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## EY Transparency Report 2025

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2025:

[EY UK 2025 Transparency Report | EY – UK](#)



# 02 Audit of financial statements

# Audit of financial statements

## Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is currently in progress, with preliminary findings reported to the Corporate Governance Committee in September 2024. Any updates to the matters already reported will be included in a final Audit Results Report to be issued alongside our audit opinion.

Financial statement risks	
Significant risk	Conclusion
Misstatements due to fraud or error - Management override of controls	While the audit work on journals and related parties have been completed, the review of these areas is still underway. We have not identified any management bias in our work performed to date. We did not identify transactions which appears unusual or outside the normal course of business. We did not identify instances where management bias was present in the key accounting estimates and judgements in the financial statements
Misstatements due to fraud or error - capitalisation of revenue expenditure	<p>The work in this area is complete, subject to final senior manager and partner review of Revenue Expenditure Funded by Capital Under Statute ('REFCUS') and the audit team addressing review comments on the testing of additions to property, plant and equipment. Subject to completion of these procedures, we concluded that:</p> <ul style="list-style-type: none"><li>▪ We did not identify any instances of inappropriate capitalisation of revenue expenditure.</li><li>▪ We did not identify any journals that inappropriately transfers from revenue to capital codes in the general ledger.</li></ul>
Valuation of Land and Buildings, and Investment Property	<p>The work in this area is complete, subject to the audit team clearing senior manager review comments and final partner review. We have no matters that we would like to raise at the time of writing this report, other than the following.</p> <ul style="list-style-type: none"><li>▪ Included in property plant and equipment is an item (mobile home park) where the valuation has been overstated by £0.2 million due to the valuer using incorrect income information in the valuation. Management has agreed to adjust for this misstatement in the final version of the financial statements.</li><li>▪ Property, plant and equipment includes an item of land (Paxton Pits) where, in the view of our EY Real Estate team, the valuation is overstated by £1 million. We recognise that the valuation of this asset is an area of estimation and different valuers may take different assumptions. Management are comfortable with the valuation provided and do not want to adjust the financial statements and, as the estimation difference is not material, we are satisfied with this approach.</li></ul>

# Audit of financial statements

## Financial Statement reporting assessment

Management, and the Corporate Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 16. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



# Audit of financial statements

## Financial Statement reporting assessment

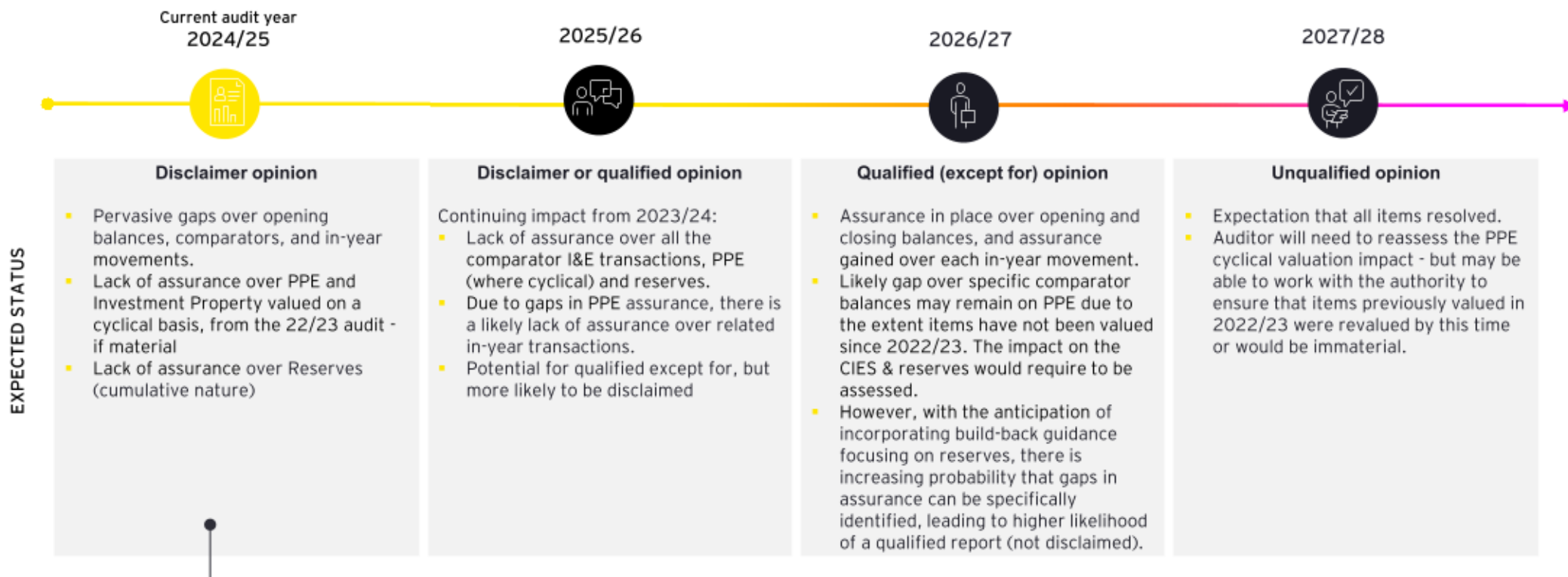
Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements			Effective	The financial statements were published on 19 June 2025, in advance of the 30 <sup>th</sup> June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements			Effective	We have not identified any material issues relating to the quality and completeness of the draft financial statements.
Delivery of working papers in accordance with agreed client assistance schedule			Effective	Working papers were provided to the agreed timetable.
Quality of working papers and supporting evidence			Effective	Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates			Effective	Audit evidence was largely submitted to us on time and was of a good quality, with a small number of matters requiring additional follow up.
Access to finance team and personnel to support the audit in accordance with agreed project plan			Effective	There were no significant issues with access to the finance team and key personnel. In instances when certain personnel were not available management informed us in advance to enable us to redeploy our audit resource and minimise the impact on our audit.
Volume and value of identified misstatements			Requires improvement	A number of non-material misstatements were detected as a result of our work, some of which have been corrected by management.
Volume of misstatements in disclosure			Effective	Our work did identify some misstatements in disclosure which management have agreed to adjust, but the volume is lower than what we typically see in the audit process.



# Appendix A – Progress to full assurance

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



### CURRENT AUDIT STATUS OF HUNTINGDONSHIRE DISTRICT COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01.
- This is because *no procedures* were completed in 2022/23. In addition, not all of the balance sheet procedures for the prior have been completed resulting in limited or no assurance obtained for that year.
- The prior year disclaimer impacts the current year opening balances and movements for the year, therefore, we still expect a disclaimer outcome for the current year.



# 03 Value for Money commentary

# Value for Money

## The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.




As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

## Our responsibilities

Under the revised NAO Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary over-page:

# Value for Money

## Our responsibilities

		Significant risk identified	Significant weakness identified
	<b>Financial sustainability</b> How the Council plans and manages its resources to ensure it can continue to deliver its services.	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>
  	<b>Governance</b> How the Council ensures that it makes informed decisions and properly manages its risks.	<ul style="list-style-type: none"> <li>As set out in our Audit Report issued on 26 February 2025, we identified a significant weakness in Governance arrangements following an independent external review of the internal audit function that raised concerns in relation to independence and objectivity; ethics and professionalism, governance, risk management and control processes; engagement workpapers and supervision; and engagement communication.</li> <li>As this report was received during the 2024/25 financial year, we therefore considered there to be a risk that this weakness in arrangements was also present during 2024/25.</li> </ul>	As a result of the concerns raised by the external review of Internal Audit for 2023/24, and the disclaimed internal audit opinion issued for 2024/25, we are unable to conclude that the internal audit function was operating effectively for the whole of 2024/25 and will therefore report a significant weakness in governance arrangements again this year.
	<b>Improving economy, efficiency and effectiveness</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services.	<ul style="list-style-type: none"> <li>No</li> </ul>	<ul style="list-style-type: none"> <li>No</li> </ul>



# VFM commentary: Financial Sustainability

## Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the body 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 body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the body 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 body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2023/24.

## Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.





# Financial Sustainability considerations

## Medium Term Financial Strategy

In February 2024, Huntingdonshire District Council presented its 2024/25 Budget alongside a Medium-Term Financial Strategy (MTFS) covering the period from 2025/26 to 2028/29. The MTFS highlights ongoing financial uncertainty within the sector, driven in part by the Local Government Settlement announced in December 2023, which provided only a single year of funding. Additional uncertainty stems from the anticipated reset of the National Non-Domestic Rates (NNDR), expected to negatively impact the Council's finances when implemented in 2025/26.

Key challenges identified in the MTFS include rising employee costs due to inflation and increased expenses in areas such as waste processing. To address these pressures, the Council plans to raise fees and charges by 4% to 5% in both 2025/26 and 2026/27. Targeted services for additional income include One Leisure centres, car parking, licensing and planning services, and the Garden Waste Subscription service.

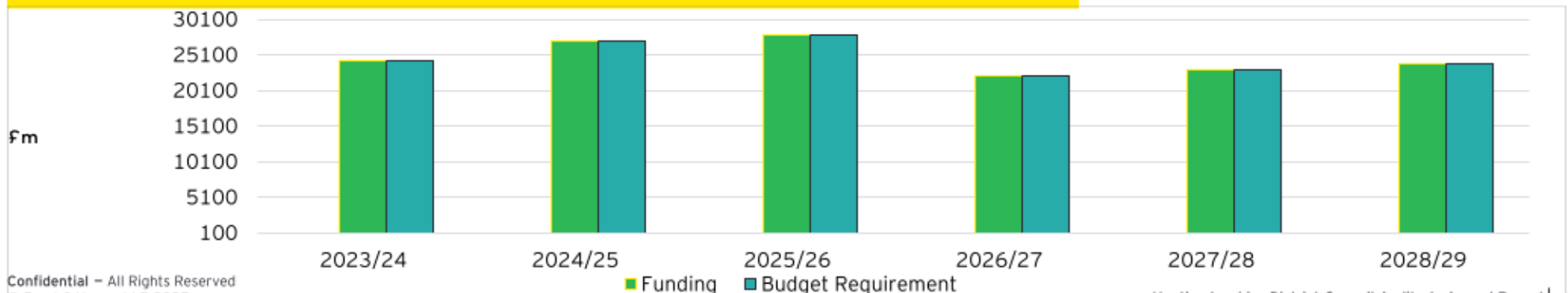
The Council also intends to review its Commercial Investment Strategy, having recently upgraded two investment properties in Fareham. This strategy is projected to boost property revenue by 7% in 2025/26, with further annual increases of 1% to 2% throughout the MTFS period.

The Council's budget requirement (net expenditure) rose by 11.5% to £27 million in 2024/25, but this growth is expected to slow to 3.5% in 2025/26 and decrease further in subsequent years. This anticipated reduction is largely due to the planned measures such as increasing fees and charges (including the Garden Waste Subscription), review of the operations of One Leisure facilities, reviewing the Commercial Investment Strategy, and using other income streams like car parks, licensing and planning services.

To close the funding gap management has drawn on earmarked reserves, gradually increasing Council Tax, and using the expected increase in fees and charges. As a result, the Council projects that there is no funding gap and forecasts that this balanced position will continue throughout the MTFS period.

The Council's original capital budget for 2025/26 was £26.1 million. This figure included £13.3 million of rephased expenditure carried forward from the previous year, which increased to £18.9 million by year-end. An additional £0.2 million in spending was also added, bringing the total current budget to £31.9 million. For 2024/25, the capital outturn was £16.8 million, with £15.86 million rephased into 2025/26. Most of this rephasing relates to the Housing Delivery and Regeneration service, where the majority of projects are now expected to complete in 2025/26. In addition, delays in the Hinchbrook Country Club project have contributed to rephasing within the Insights and Delivery service.

## Exhibit A: The Council's MTFS outlines forecasts no budget gap up to 2028/29







# Financial Sustainability considerations

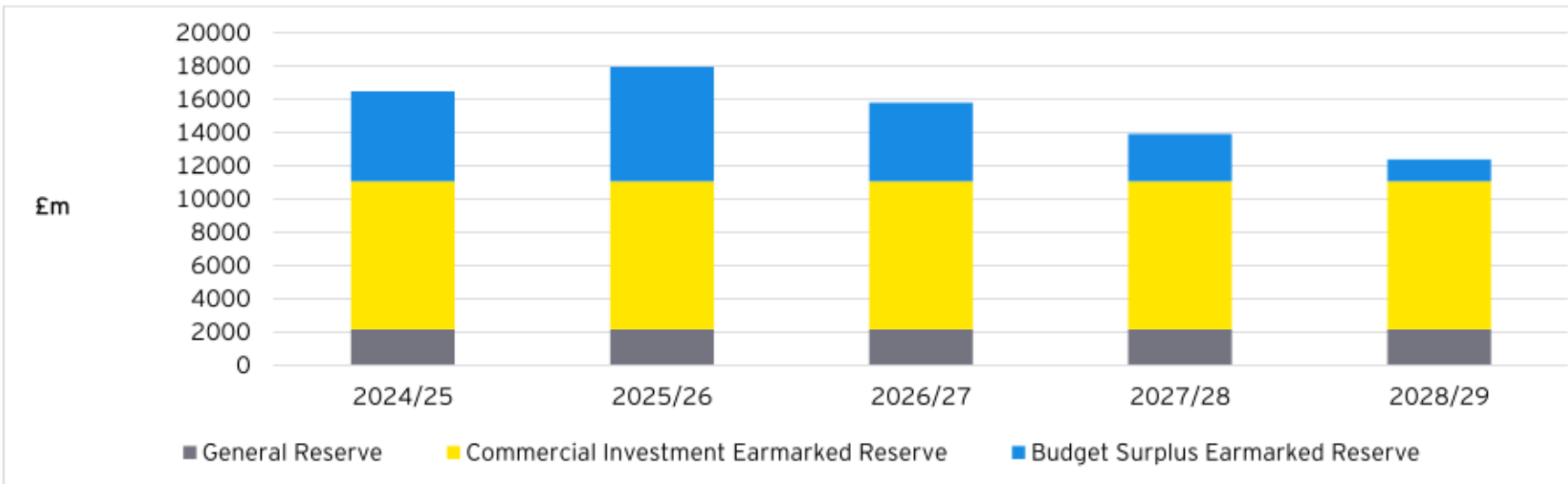
## Reserves position

The Council has decided to maintain a fixed General Reserve threshold of £2.2 million, consistent with previous years, and plans to keep this level throughout the Medium-Term Financial Strategy (MTFS) period. In addition to the General Reserve, the Council also holds a Budget Surplus Reserve and a Commercial Investment Reserve as part of its earmarked reserves.

The Budget Surplus Reserve is used to absorb any service underspends that would otherwise push the General Reserve above the £2.2 million threshold, and it can also be used to cover future estimated deficits. When reserves are needed to address unforeseen events, the Council's policy is to use the General Fund Reserve first, followed by the Budget Surplus Reserve, and, as a last resort, the Commercial Investment Reserve.

While the balances of the General Fund Reserve and the Commercial Investment Reserve are expected to remain stable, the Budget Surplus Reserve is projected to increase in 2025/26 and then gradually decrease. This trend is mainly due to the NNDR reset, which will be implemented from the 2026/27 financial year. Business rates income is expected to fall sharply from £14.6 million in 2025/26 to £10.4 million in 2026/27, remaining at this lower level for the rest of the MTFS period. Additionally, government funding is anticipated to decline from 2026/27 onwards. To help offset this reduced income, the Council plans to increase Council Tax by 4% per year, use the expected increase in fees and charges, and has set aside £3.5 million to prepare for the expected reduction in government funding.

## Exhibit C: The Council's forecast reserve position in the MTFP





# Financial Sustainability considerations

## Outturn position

Overall, the Council overspent its budget by £0.06 million in 2024/25. The main factors contributing to this overspend were:

- **Corporate Leadership:** Additional costs arose from the creation of the transformation and community health funds, as well as increased employee expenses.
- **Operational Underspending:** Operations saw underspending, largely due to higher-than-expected income from Green Bin subscriptions, Street Cleansing, and CCTV services.

Looking ahead, the Medium-Term Financial Strategy (MTFS) for 2025/26 to 2028/29 highlights several challenges, including reduced income from NNDR and government grants, alongside rising costs. In response, the Council is focusing on diversifying and increasing other income streams, such as those from One Leisure centres, car parking, licensing and planning services, and the Garden Waste Subscription service. The Garden Waste subscription, introduced in 2024/25, allows residents to continue receiving the service for an annual fee rather than discontinuing it.

To further strengthen its financial position, the Council has appraised the One Leisure centres to ensure commercial viability and has planned a review of its Commercial Investment Strategy in 2024/25. While the budget anticipated increased waste processing costs due to the materials recovery facility (MRF) contract, delays in this contract and the Climate Change project resulted in lower-than-expected expenditure.

## Exhibit D: The Council recorded a marginal overspend against budget in 2024/25

Service area	Budget £m	Expenditure £m	(Underspend) /Overspend £m
Chief operating officer	5.93	6.13	0.2
Chief planning officer	0.78	0.83	0.05
Corporate leadership team	0.71	2.25	1.54
Corporate services	8.45	7.94	(0.51)
Economic development	0.35	0.22	(0.13)
Housing strategy	0.21	0.21	-
Leisure & health	0.35	0.23	(0.12)
Operations	5.55	4.42	(1.13)
Strategic insight & delivery	0.69	0.96	0.27
3CICT shared service	2.98	2.88	(0.10)
<b>Total</b>	<b>26.00</b>	<b>26.06</b>	<b>0.06</b>



# VFM commentary: Governance

## Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body 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 body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

## Significant risks identified during planning procedures

- As set out in our Audit Report issued on 26 February 2025, we identified a significant weakness in Governance arrangements following an independent external review of the internal audit function that raised concerns in relation to independence and objectivity; ethics and professionalism, governance, risk management and control processes; engagement workpapers and supervision; and engagement communication. As this report was received during the 2024/25 financial year we therefore considered there to be a risk that this weakness in arrangements was also present during 2024/25.

## Overview of our conclusions

Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to the effectiveness of the internal audit function.

### Recommendation

- We recommend that the Corporate Governance Committee should regularly monitor the implementation of actions taken by management to strengthen the internal audit function, to obtain assurance that the necessary improvements in the control environment are implemented and embedded across the Council.



# Governance considerations

## Internal audit and risk management arrangements

As part of our 2023/24 value for money work we reviewed the conclusions of the external review of the Internal Audit Service commissioned by management in preparation for an External Quality Assessment. The review raised several concerns in the following areas:

- Independence, ethics, and professionalism
- Governance, risk management, and control processes
- Engagement working papers and supervision
- Engagement communication

The timing of receipt of this report, combined with the fact that the Council was without an Audit Manager until July 2024 (with the Section 151 Officer covering the role in the meantime), meant that the concerns extended into the 2024/25 financial year. The ability to progress recommendations to address the concerns raised in the review was further impeded by the fact that the Interim Audit Manager left the Council in December 2024. Management therefore appointed RSM to temporarily fill the Internal Audit Manager role and strengthen the audit function and risk management in January 2025.

RSM, in their role as Head of Internal audit of the Council have reported that, at the time of their appointment, four high and 2 medium priority actions raised in the review commissioned in advance of the External Quality Assessment had not been actioned, highlighting that concerns raised were relevant for most of 2024/25. Further RSM issued a disclaimed Head of Internal Audit opinion for 2024/25 as internal audit coverage over the year had not been sufficient to follow public sector internal audit standards. Points of note in relation to the 2024/25, include:

- An internal audit plan for 2024/25 was derived by the previous audit manager using a risk management framework that had not been subject to internal audit review and evaluation since 2022/23, and in 2022/23 a limited assurance opinion was by the Head of Internal Audit on the risk management arrangements.
- The planned internal audit work for 2024/25 has been subject to various postponements / cancellations, and a total of 11 reviews initially planned were deferred to subsequent financial years and not replaced with other reviews in year.

Taking the above factors in consideration are unable to conclude that the internal audit function was operating effectively for the whole of 2024/25 and have therefore reported a significant weakness in governance arrangements again this year. We do, however, note that management have continued to address areas of concern in 2025/26 and we will consider this as part of our work on the VfM arrangements for 2025/26.





# Governance considerations

## Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfil statutory duties. According to MHCLG guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorized to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.



# VFM commentary: Improving economy, efficiency and effectiveness

## Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

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

## Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25 to the prior years.

## Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.





# Improving economy, efficiency and effectiveness considerations

## Financial and performance information

The Section 151 Officer prepares and submits a Medium-Term Financial Strategy ('MTFS') to the Council and Cabinet. The MTFP provides a projection of the costs of delivering services over the proceeding 4 years. It also identifies any budget gaps that the Council will need to address through savings plans or the generation of additional income.

The Council continues to operate in a difficult economic environment, with inflation and cost pressures affecting service delivery. As a result, service expenditure has increased steadily from the prior year and is expected to continue increasing as per the MTFS. In terms of the strategy, Local Government Settlement has provided some additional funding to assist with escalating costs in 2024/25, however, it only assists for one-year.

Net expenditure has increased by 17% per the Revenue Outturn and is expected to increase by 1% - 2% from 2025/26 onwards.

In order to mitigate unforeseen events, the Council has maintained its General Fund reserve at a minimum of £2.175 million. Overall, the Council was able to maintain its total reserve balances.

## Procurement and commissioning of services

The internal audit Council's Code of Procurement for 2024/25 resulted in a Limited Assurance opinion, highlighting significant gaps and weaknesses in governance, risk management, and control. Key issues identified include the need to update the Code of Procurement and related procedures to align with the new Procurement Act to be effective from April 2025, limited awareness and inconsistent application of procurement requirements across service teams, incomplete internal contracts registers, and a lack of periodic sample checks to ensure compliance with procurement rules. The audit also found that there was no formal documentation of approval hierarchies, insufficient post-award contract management, and that the procurement team was understaffed, which hindered the implementation of robust controls.

Despite these weaknesses, the audit noted areas of good practice, such as the procurement team's motivation and the existence of a Procurement Excellence Plan and Aide Memoire. Management has already begun addressing the findings, including recruiting additional staff and drafting updated documentation. Seven key actions were agreed, focusing on updating procedures, improving training and awareness, enhancing contract and payment alignment, strengthening post-award monitoring, documenting approval limits, and reviewing procurement team resources. These actions were scheduled for completion by April and May 2025, aiming to bring the Council's procurement processes in line with best practice and the new regulatory requirements that came into effect.

## Partnership working

The Council has joint arrangements with other local authorities to exercise the Council's Executive and/or Non-Executive functions. Where the arrangements are to exercise the Council's statutory functions, the terms of reference and functions of these joint committees are set out within the Constitution. The Council also maintains Partnership Agreements, Service Level Agreements, or memorandums of Understanding for each significant partnership that is monitored through day-to-day operational functions and reviewed and reported on at Board Meetings or Performance Meetings.



# 04 Appendices

# Appendix A – Recommendations from current year

## Recommendations from 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance	We recommend the that the Corporate Governance Committee should regularly monitor the implementation of actions taken by management to strengthen the internal audit function, to obtain assurance that the necessary improvements in the control environment are implemented and embedded across the Council.	

# Appendix B – Recommendations from previous years

## Recommendations brought forward from previous years

The table below sets out the recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year. All recommendations have been agreed by management.

Issue	Recommendation	Progress made in 2024/25
Governance	Implement the action plan developed in response to the findings of the independent review of internal audit, within the agreed timeframes, and report progress to the Corporate Governance Committee.	<p>As highlighted in the body of this report, progress has been made to address the concerns raised in relation to the Internal Audit Service, but the areas of concern were relevant for the majority of 2024/25.</p> <p>We have refined our recommendation, to reflect the current status of the Council, on the previous slide.</p>

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