



Auditor's Annual Report **DRAFT**
Broxtowe Borough Council – year ended 31 March 2024

January 2025

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Introduction



Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Broxtowe Borough Council ('the Council') for the year ended 31 March 2024. 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 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

We have not yet issued our audit report. At the date of reporting, subject to satisfactory clearance of outstanding items, we expect to issue an unqualified opinion.



Value for Money arrangements

We did not identify any 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.



Wider reporting responsibilities

At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office

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Audit of the financial statements



Audit of the financial statements

Our audit of the financial statements

Our audit has been conducted in accordance with the requirements of the Code, and International Standards on Auditing (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 2024 and of its financial performance for the year then ended. As at the date of issuing this report, we have not yet issued our audit report, but we expect it will give an unqualified opinion on the financial statements for the year ended 31 March 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in our Audit Completion Report (ACR). In the ACR we also outline the uncorrected misstatements we identified and any internal control recommendations we made, as well as qualitative aspects of the Council’s accounting practices. All the detail was published as part of January 2025 Governance, Audit & Standards Committee papers on the Council's website

Other reporting responsibilities

Reporting responsibility	Outcome
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.
Wider responsibilities	<p>Our powers and responsibilities under the 2014 Act are broad and include the ability to:</p> <ul style="list-style-type: none">• 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 law; and• issue an advisory notice under schedule 8 of the 2014 Act. <p>We have not exercised any of these powers as part of our 2023/24 audit.</p>

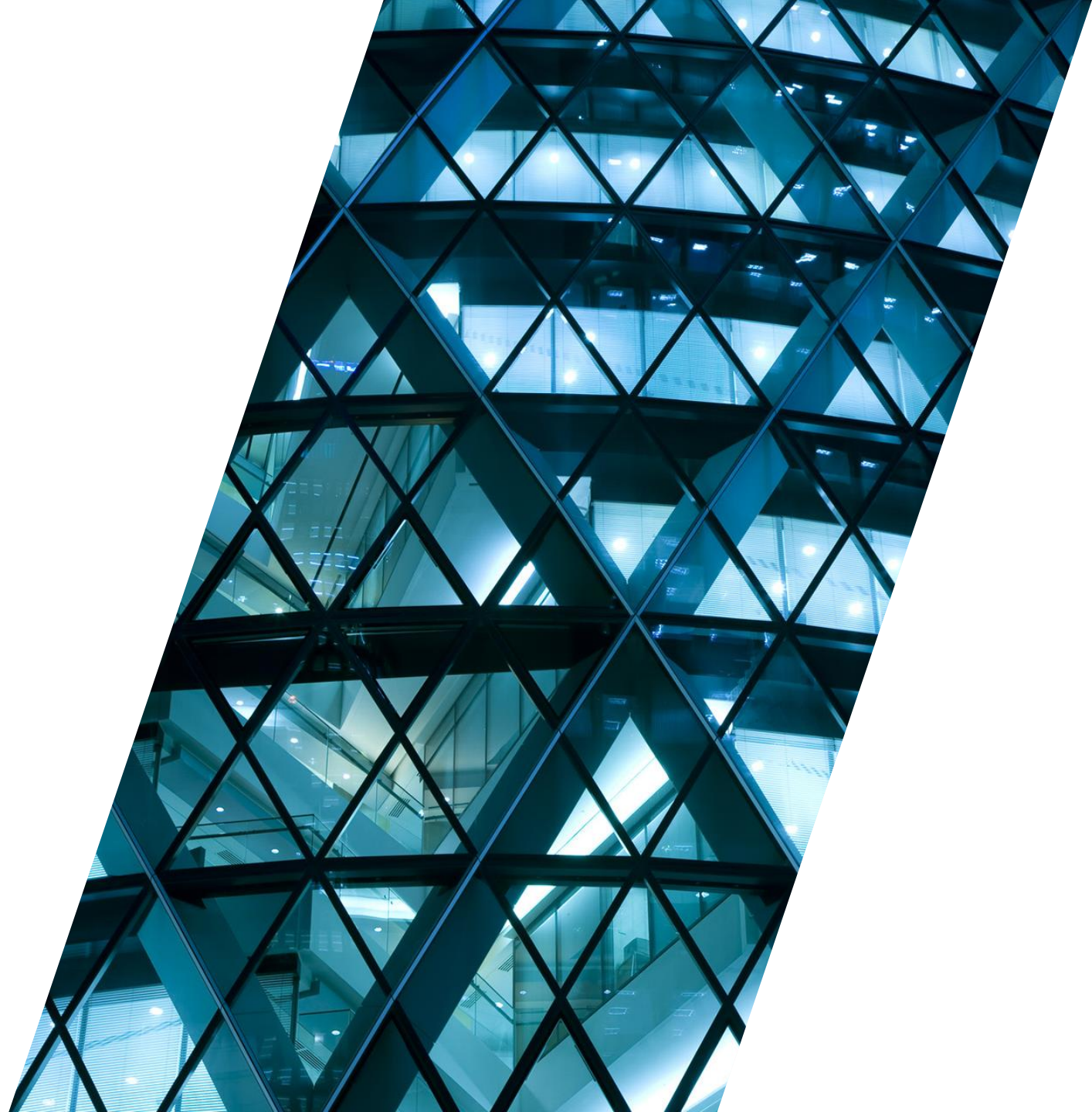
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Our work on Value for Money arrangements



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 of 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 staff and directors

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.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

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 outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	17	No	No	No

Financial Sustainability

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

Significant weaknesses identified in 2023/24	No
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VFM arrangements – Financial Sustainability

Overall commentary on Financial Sustainability

Position brought forward from 2022/23

We reported in our Annual Auditor's Report for 2022/23, that we had:

- Reviewed the 2022/23 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2023/24 General Fund Budget.
- Reviewed the Council's Annual governance Statement for any significant issues and considered the general findings from our audit work in other areas.

As set out in the table above, there are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from 2022/23. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2023/24, with an established set of processes for budget setting, monitoring and financial control, including arrangements for scrutiny, consultation and integration with business plans to produce the annual budget.

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 2023/24. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

The Council monitors performance by service, integrating finance and performance management to provide a complete overview against Business Plan objectives. We have reviewed reports provided to Cabinet. Our review of reports confirms that Members receive information that adequately explains the main variances to budget on the Housing Revenue Account and the General Fund, which allows Members to challenge and gain assurance on services.

2023/24 Budget Setting and the Medium-Term Financial Strategy

We considered the 2023/24 budget setting process, including the Medium Term Financial Strategy as part of our work on the 2022/23 review of arrangements, with no significant concerns arising:

- We were satisfied that the Budget Report for 2023/24 adequately explains revenue and capital budgets,

with a sufficient link to specific business units, as well as an explanation on the impact to the general fund balance.

- The Council's budget setting and medium-term financial strategy is drafted by the Cabinet in line with the Budget and Policy Framework rules, which is then reviewed by Overview & Scrutiny Committee and approved by the Council. The arrangements in place for budget setting and updating the Medium-Term Financial Strategy are as expected for a District Council, with arrangements for the evaluation of financial risk, alignment to business plans and sources of funding.
- There is no indication of excessive use of capital flexibilities to support revenue expenditure. Furthermore, there is no indication that the Council's Medium Term Financial Strategy (MTFS) and budget setting process is not aligned to supporting plans.
- We reviewed the Council's balanced budget for 2023/24 where it was confirmed that the s151 Officer was satisfied that the budget was appropriately prudent and, if delivered, will leave the Council's General Fund Working Balance at £4.5m by 2023/24, which is above the £1.5m minimum level set by the s151 Officer
- We read the Medium-Term Financial Strategy (MTFS) as included in reports to Cabinet and Council in February 2023. As in previous years, it covers five financial years. In our view, these include an adequate level of detail over the assumptions and cost pressures facing the Council, which are consistent with our experience at similar sized authorities and not unreasonable. In addition, there is sufficient narrative to explain the rationale and key financial risks. After taking into account all those risks and factors, the general fund reserves balance is assessed to be £2.508m by the end of 2026/27, being the last year in MTFS, which meets the s151 Officer's minimum level.
- In both the 2022/23 MTFS and the 2023/24 MTFS, the Council has shown the final year of the MTFS to be the year after which the general fund working balance falls below the Council's acceptable levels. The MTFS is clear that work and action will take place to manage the financial position over the five years where balances remain above the minimum, which does provide time to develop and implement said actions.

VFM arrangements – Financial Sustainability

2023/24 Financial Statement performance

The Council reported its financial outturn position in the 2023/24 Statement of Accounts. General fund outturn was £1.8m under budget, mainly caused by £0.4m underspend on salaries through vacancy savings and £0.5m additional investment income from favourable rates

In 2023/24, the Council spent £17.8m on capital expenditure as per Note 33 of the financial statements. Our testing of these balances did not identify any concerns. Furthermore, there is no indication of excessive use of capital flexibilities to support revenue expenditure, nor has our work on the financial statements highlighted any concerns regarding the Council's policy for setting the Minimum Revenue Provision.

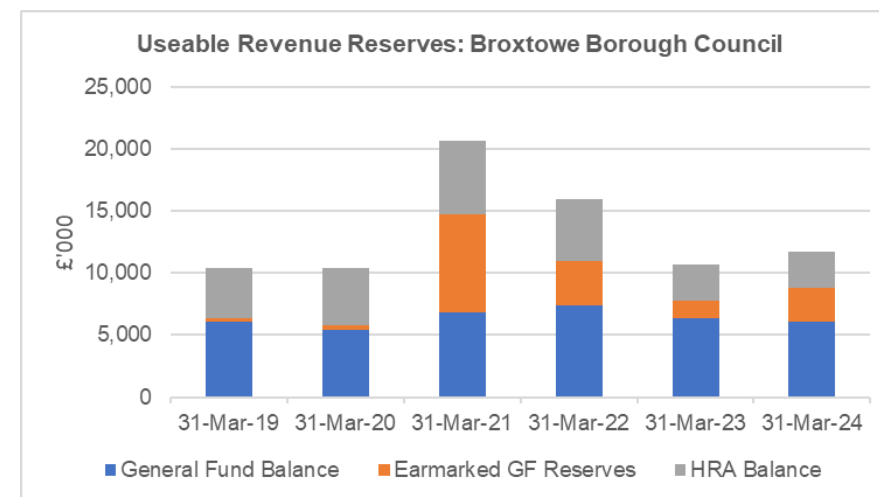
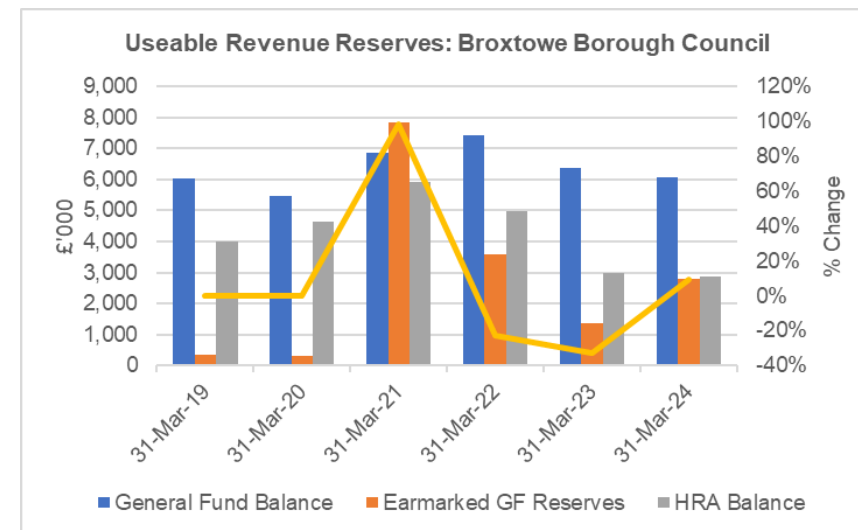
We have carried out a high-level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, the Balance Sheet and Movement in Reserves Statement. The Council's balance sheet position does not highlight any concerns. The Council's useable reserves have decreased from £21m to £19m in 2022/23, with:

- Combined General Fund & Earmarked Reserves of £8.8m, up from £7.8m in the prior year;
- HRA Reserve of £2.9m, down from £3m in 2022/23;
- Capital Reserves of £6.3m, down from £7.6m in 2022/23 in line with funding of capital expenditure.

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves, are set aside for specific purposes.

Through a review of the financial statements, we have considered the Council's revenue reserves over time as shown in the charts below. Overall, we are satisfied that the Council's Reserves position does not give rise to an immediate risk of significant weakness in arrangements to secure financial sustainability. It is however, an area of particular focus for the Council to consider as part of its 2024/25 outturn and effect on the Medium Term Financial Strategy for 2025/26 onwards and the Council will need to ensure that any use of reserves to smooth the financial position over the next few years is properly planned because the use of reserves cannot be relied on to provide a long-term solution to funding gaps.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2024.



Governance

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

Significant weaknesses identified in 2023/24	No
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VFM arrangements – Governance

Overall commentary on Governance

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council's arrangements for financial sustainability brought forward from the previous year and the council's arrangements in 2023/24 have not significantly

The Authority's governance structure

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

Based on our work, we are satisfied that the Council has established governance arrangements, consistent with previous years, in place. These are detailed in the Statement of Accounts and Annual Governance Statement. We have considered both documents against our understanding of the Council as part of our audit.

Risk management and internal control

The Council has an established risk management strategy and systems in place which are built into the governance structure of the organisation. The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. The Council's Risk Management Strategy was recently revised in May 2024 and it sets out a five step process for risk management:

1. Identification
2. Analysis
3. Treatment
4. Completing the risk register
5. Monitoring, reporting and reviewing risk

The Council's arrangements to execute the Risk Management Strategy include a Strategic Risk Management Group that meets frequently prior to updating the Strategic Risk Register and presenting the outcome to Members. 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. The Governance, Audit & Standards Committee are responsible for review of the Council's Annual Governance Statement. No significant weaknesses in internal control have been identified from our work to date and Internal Audit has not identified or raised any significant concerns. We reviewed the Annual Governance Statement as part of our work on the financial statements with no significant issues arising.

Internal Audit

We have met with management and the Head of Internal Audit during the year, reviewed Governance, Audit & Standards Committee reports and attended Committee meetings to observe the performance of Internal Audit and the Committee. We also confirmed that the Head of Internal Audit Opinion has been adequately reflected in the Annual Governance Statement. No issues arose from our review to indicate there is a significant weakness in the Council's arrangements for governance.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Governance, Audit & Standards Committee

In our view, good governance forms the foundation of resilient and sustainable organisations and enhances stakeholder confidence.

The Council has an established Governance, Audit & Standards Committee that incorporates the functions of an Audit Committee. We have confirmed the Committee meets regularly and reviews its programme of work to maintain focus on key aspects of governance and internal control. We have attended Committee meetings and reviewed supporting documents and are satisfied that the programme of work is appropriate for the Council's requirements. Based on the work we have performed, the Committee is adequately serviced and attended by officers as required and there is evidence of challenge by members of the Committee.

However, our attendance at committee has identified occasions where discussions have turned to political debate and strayed from the agenda and we would draw attention to the MHCLG published a policy paper "[Local authority financial reporting and external audit: government response to the independent review](#)" in December 2020, which included a recommendation that "The governance arrangements within local authorities be reviewed by local councils with the purpose of... consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee."

In addition, the Local Government Association's [Ten questions for audit committees](#), sets out that:

- "The role of the audit committee is normally to seek assurance that the council's financial reporting, internal controls, governance, and risk management are effective and can be relied upon by councillors and citizens..."
- The audit committee is most effective when it is unencumbered by other tasks, such as scrutiny, 'general purposes' or standards...
- The audit committee is also independent and, as the matters it deals with are normally apolitical, it should rise above politics. The Chair of Audit needs to ensure that the committee is not used to make political points."

Key observation: the Council ought to consider more clearly labelling items on the agenda to differentiate between governance, audit and standards items and ensure members are reminded of the purpose and function of an Audit Committee and to not confuse responsibilities with scrutiny. Whereas Scrutiny is concerned with the review of policy, its formulation and implementation, audit operates to ensure that the

governance and risk environment within the Council is effective and that financial management is fit for purpose. Proposals from the Redmond Review recommended independent members on Audit Committees to ensure membership included an adequate level of skill and experience to be able to challenge the complexities of local government finance and governance. This is something the Council may wish to consider for 2025.

Medium Term Financial Strategy 2024/25

The Council has an established set of arrangements in place for budget setting and control including updating the Medium Term Financial Strategy. The process is set out and approved through the Constitution, which encompasses the budget setting rules and financial procedures. We have reviewed the budget setting arrangements through observation and discussions with Officers and no matters have been identified indicating a significant weakness in arrangements.

An updated Medium Term Financial Strategy (MTFS) was presented to Cabinet on 6 February 2024 which highlighted a potential shortfall in resources of £4.498m from 2024/25 through to 2027/28. This is consistent with the 2023/24 MTFS which had a shortfall of £4.4m. In order to mitigate the effect of the shortfall of resources, the Council annually updates its Business Strategy (November 2023) and uses this to build in efficiencies and additional sources of income. There is no evidence of inappropriate use of one-off means to balance the budget, nor inappropriate assumptions as indicators of a significant weakness in arrangements.

We reviewed the Cabinet report from December 2024 which showed that, as at Q2 2024/25, the Council's general fund budget was underspending by £0.7m, mainly due to vacancy savings.

In November 2024, Cabinet received a report on the Medium Term Financial Strategy that showed a general fund shortfall in 2027/28 of £1.8m and of £4m in 2028/29. The draft business strategy for 2025/26 includes proposals for £0.95m in additional income if approved prior to adoption of the 2025/26 budget that would begin to bridge the gap with time to address the remaining gap during 2025/26 in the lead up to the 2026/27 budget.

The Council's financial position, as set out in our commentary on financial sustainability arrangements, does not present an immediate risk of significant weakness in arrangements, however there is an increasing need to identify, agree and implement a plan to close the widening the financial gap.

Based on the above considerations we are satisfied there is not a significant weakness in the Council's arrangements in relation to financial sustainability for the year ended 31 March 2024.

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

Significant weaknesses identified in 2023/24

No



VFM arrangements – Governance

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council's arrangements brought forward from the previous year.

Corporate Plan

The Council's arrangements are consistent with the prior year, which were deemed adequate, with the Council's Corporate Plan setting out what it wants to achieve for local residents and communities through to 2024.

The Corporate Plan for 2020-2024 was approved in March 2020 and sets out the Council's priorities to achieve its vision to make "A Greener, Safer and Healthier Broxtowe where everyone prospers." Over the period, the Council will focus on the priorities of Housing, Business Growth, Community Safety, Health and Environment. The Corporate Plan prioritises local community needs and resources are directed toward the things they think are most important. These needs are aligned with other local, regional and national plans to ensure the ambitions set out in the Corporate Plan are realistic and achievable.

We have discussed performance monitoring arrangements with officers and reviewed a selection of business plans and compare considered together following the year-end as part of the Council's commitment to committee reports. The Council monitors its performance using the Pentana Risk performance management system. Members have been provided with access to the system enabling them to interrogate the system on a 'view only' basis.

Business Plans detail the projects and activities undertaken in support of the Corporate Plan for each priority area. These cover a three-year period and are revised and updated annually. Detailed monitoring of progress against key tasks and outcome measures in the Business Plans is undertaken regularly by the relevant Committee. This includes an annual report where performance management and financial outturns are considered together following the year-end as part of the Council's commitment to closely align financial and performance management.

Regulators / Inspections

Our work has not identified any adverse findings from inspectors leading to any intervention action at the Council.

The Regulator of Social Housing put into effect new standards for social housing landlords, designed to protect tenants and improve the service they receive from 1 April 2024. The regulator has not assessed the Council against these standards.

Procurement

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, has not identified any issues relating to procurement.

Partnerships and procurement

Whilst the Council was involved in the Devolution Deal proposals with other Derbyshire and Nottinghamshire authorities and the East Midlands Mayor is now in situ, from May 2024, we identified no significant changes in arrangements for 2023/24 regarding partnership working.

Overall, we have not identified any indicators of a significant weakness in the Council's arrangements relating to the Improving Economy, Efficiency and Effectiveness criteria for the year ended 31 March 2024.

04

Other reporting responsibilities



Other reporting responsibilities and our fees

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 did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. As at the date of writing, instructions regarding sampled components have not yet been received.

Other reporting responsibilities and our fees

Fees for our work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit, Governance & Standards Committee. Having completed our work for the 2023/24 financial year, we can confirm that our fees, subject to PSAA approval, are as follows:

Area of work	2022/23 (£)	2023/24 (£)	2024/25 (£)
Planned fee in respect of our work under the Code of Audit Practice	44,890	144,729	159,380
Additional fees in respect of additional testing undertaken to comply with increased regulatory requirements relating to: IAS19 pension liabilities; and valuation of land, buildings and council dwellings..	4,300	N/A – included in the scale fee	N/A – included in the scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 540 estimates)	3,590	N/A – included in the scale fee	N/A – included in the scale fee
Additional fees in respect of additional work from the introduction of new auditing standards (ISA 315)	5,000	15,000	N/A – included in the scale fee
Group Accounts	2,900	5,400	
Other additional testing:			
• Testing of land and buildings (including council dwelling beacons)	5,131	3,000	
Additional fees in respect of the VFM Commentary	7,000	N/A – included in the scale fee	N/A – included in the scale fee
Total fees	72,811	168,129	159,380

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

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