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Dear Councillor

AUDIT AND GOVERNANCE COMMITTEE - WEDNESDAY, 19TH FEBRUARY, 2025

I now enclose, for consideration the following reports that were unavailable when the agenda was published.

Agenda No Item

6. **External Auditors Annual Draft Audit Completion Report (Pages 2 - 3)**

Amendment to Report Title

7. **External Auditors Annual Audit Report (Pages 4 - 29)**

Replacement Appendix

10. **Capital Strategy 2025/26 (Pages 30 - 32)**

Change to Recommendation



Report to: Audit & Governance Committee Meeting
19 February 2025

Director or Business Manager Lead: Sanjiv Kohli, Deputy Chief Executive, Director of Resources and S151 Officer

Lead Officer: Nick Wilson, Business Manager – Financial Services
01636 655317

Report Summary	
Report Title	External Auditors Audit Completion Report
Purpose of Report	To present the External Auditor’s Annual Audit Completion Report for Newark and Sherwood District Council for 2023/24.
Recommendations	<p>Members receive the External Auditors Annual Audit Completion Report for 2023/24.</p> <p>Members note the adjustments to the financial statements set out in the report.</p> <p>The letter of representation signed by the Director of Resources – S151 Officer and the chair of the committee, be approved.</p>
Reason for Recommendation	To ensure that the Committee discharges its responsibilities as per its delegated authority within the Councils constitution.

1.0 Background

1.1 The external auditor issues an Annual Audit Completion Report (ACR) in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Audit Completion Report, together with the action taken in respect of these findings. The report also gives the auditor’s opinion on the Statement of Accounts and the Value for Money conclusion.

2.0 Statement of Accounts

2.1 The Council’s Statement of Accounts for 2023/24 is considered elsewhere on this agenda.

2.2 The report confirms that the external auditor has issued an unqualified opinion of the 2023/24 Statement of Accounts.

2.3 The report asks the Committee to:

- consider the matters raised in the report before approving the financial statements;
- take note of the adjustments to the financial statements included in the report;
- approve the letter of representation on behalf of the Council (Appendix B).

4.0 Value for Money

4.1 The Annual Governance Report includes the external auditor's conclusion on whether the Council has satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion. The auditor considers whether the Council has proper arrangements for financial resilience

4.2 The external auditor is satisfied that they have not identified any significant weaknesses in the arrangement for Value for Money criterion and their full commentary is provided in the Auditor's Annual report.

3.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None



Auditor's Annual Report
Newark & Sherwood District Council – year ended 31 March 2024

February 2025

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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Introduction

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Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Newark & Sherwood District 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 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

We expect to issue our audit report in February 2025. Our opinion on the financial statements is expected to be unqualified.



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.



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Wider reporting responsibilities

We have not received any formal objections to the financial statements.
We are awaiting clarification on any final instructions on the Whole of Government Accounts return.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was 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. Our audit report, to be issued in February 2025 is expected to 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 Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

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.

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03

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 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.

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	Yes – see commentary on page 20
 Improving economy, efficiency and effectiveness	17	No	No	No

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 Financial Sustainability

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council's arrangements for financial Medium-Terminability brought forward from 2022/23. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2023/24.

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 plan to best meet the needs of the Council's service users.

The Council's financial planning and monitoring arrangements

Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we are satisfied that the Council's arrangements for budget monitoring remain appropriate, including regular reporting to Members. On the 9 March 2023 the Council presented the Medium-Term Financial Plan (MTFP) which showed a balanced budget for 2023/24. In its MTFP the council projected surplus for 2023/24 and 2024/25 and deficit in 2025/26 and 2026/27, where this would be funded by contributions from reserves, as follows:

	2023/24	2024/25	2025/26	2026/27
	£'m	£'m	£'m	£'m
Estimated expenditure	16.959	17.978	18.895	19.655
Estimated Income	17.528	18.422	14.042	14.209
Contribution (to) or from Reserves	-0.569	-0.444	4.853	5.446

Budget setting and the Medium-Term Financial Plan

The Council's report refers to the limitations caused by delays in the local government funding reform. The Government initially intended for these reforms to take effect from 2020/21 although has now delayed these reforms further to 2025/26 at the earliest. The Council has put forward its view that the impact of the government's decision to delay the reform to the system has not hindered the funding position of Newark and

Sherwood District Council: the delay in re-setting the NDR baseline has meant that expected NDR income in 2023/24 and 2024/25 is c£6.9m higher than forecast within the MTFP that was approved on 8 March 2022. At the same meeting the Council presented how it proposes to bridge the funding gaps. Some of the mitigating methods were dividends to be received from Arkwood Developments Ltd, contributions from Nottinghamshire business rates pool. The transfers into the MTFP reserve during 2023/24 and 2024/25, is expected to increase the balance to £8.471m.

2023/24 Statement of Financial Position and financial outturn

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.

We carried out a high-level analysis of the financial statements subject to our audit, including to comparing the Councils general fund as a proportion of gross revenue and net revenue expenditure (27% and 101% respectively) to other districts. The Council fall just below average (33% and 109%) and we believe these to be stable. Other reserve movements (based on draft financial statements):

- General Fund Balance & Earmarked Reserves of £32.649m, up from £32.320m in the prior year
- HRA Balance & Earmarked Reserves of £6.227m, down from £7.115m in the prior year
- Capital Reserves of £11.316m, down from £15.421m in the prior year.

Our work to date has not highlighted any risks of significant weakness in arrangements or indicators of an immediate risk to the Council's financial sustainability. However, the use of reserves to bridge the MTFP cannot be a long-term solution and the Council will need to evaluate how either savings or income generation activity can support spending plans.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

2023/24 Statement of Financial Position and financial outturn (continued)

We have further reviewed the Council's outturn reports as presented to Cabinet on 23 July 2024, which explained the overall budget variance to be:

Area	Budget £'m	Outturn £'m	Variance £'m
Net Cost of Services	32.538	32.286	-0.252
Net Cost of Council Expenditure	8.511	7.632	-0.879
Net Cost of HRA Services	0.063	-0.084	-0.147
(Surplus)/Deficit on HRA Services	2.195	2.294	0.099

As reviewed above, the accounts show a favourable variance of £0.252m on service budgets, with a total favourable variance of £0.879m. The statutory General Fund balance has not varied during the year and remains at £1.500m, which is in accordance with the Medium-Term Financial Plan approved on 7 March 2024. The HRA Revenue outturn is not significantly different to budget and the deficit in (Surplus)/ Deficit on HRA services is mainly due to increased Finance & Investment expenditure than budgeted.

Although our testing of the financial statements identified material issues in relation to asset valuations, we are satisfied that the reported financial position presented to cabinet is not inductive of a risk of significant weakness in the Council's arrangements for financial sustainability.

The Council's capital expenditure and financing

Capital expenditure in the current financial year amounted £55.385m made up of £41.350 General Fund (including REFUS) and £14.035m HRA expenditure. Capital expenditure has been financed largely from External Grants and Contributions, Capital Receipts as well as Revenue Contributions.

In 2023/24, the Council spent £23.9m on capital additions and £31.6m of REFUS (Revenue Expenditure Funded from Capital Under Statute). Our testing of these balances did not identify any material issues.

As part of paying down the capital financing requirement, the Council charged £0.769m to the General Fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important

component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. We reviewed the Council's Policy for 2023/24 and its supporting calculations as part of our work on the financial statements audit.

- The Council's opening Capital Financing Requirement (CFR) is £134.6m and the split between General Fund (GF) and Housing Revenue Account (HRA) amounts to £28.0m and £106m respectively.
- The Council uses the asset life method to calculate its MRP with a General Fund charge of £0.769m which is 2.2% of the General Fund Capital Financing Requirement
- The Council also made a Voluntary Revenue Provision (VRP) of £0.4m in the general fund.

Additionally, a further £5.5m has been charged against the Major Repairs Reserve in respect of the repayment of HRA debt.

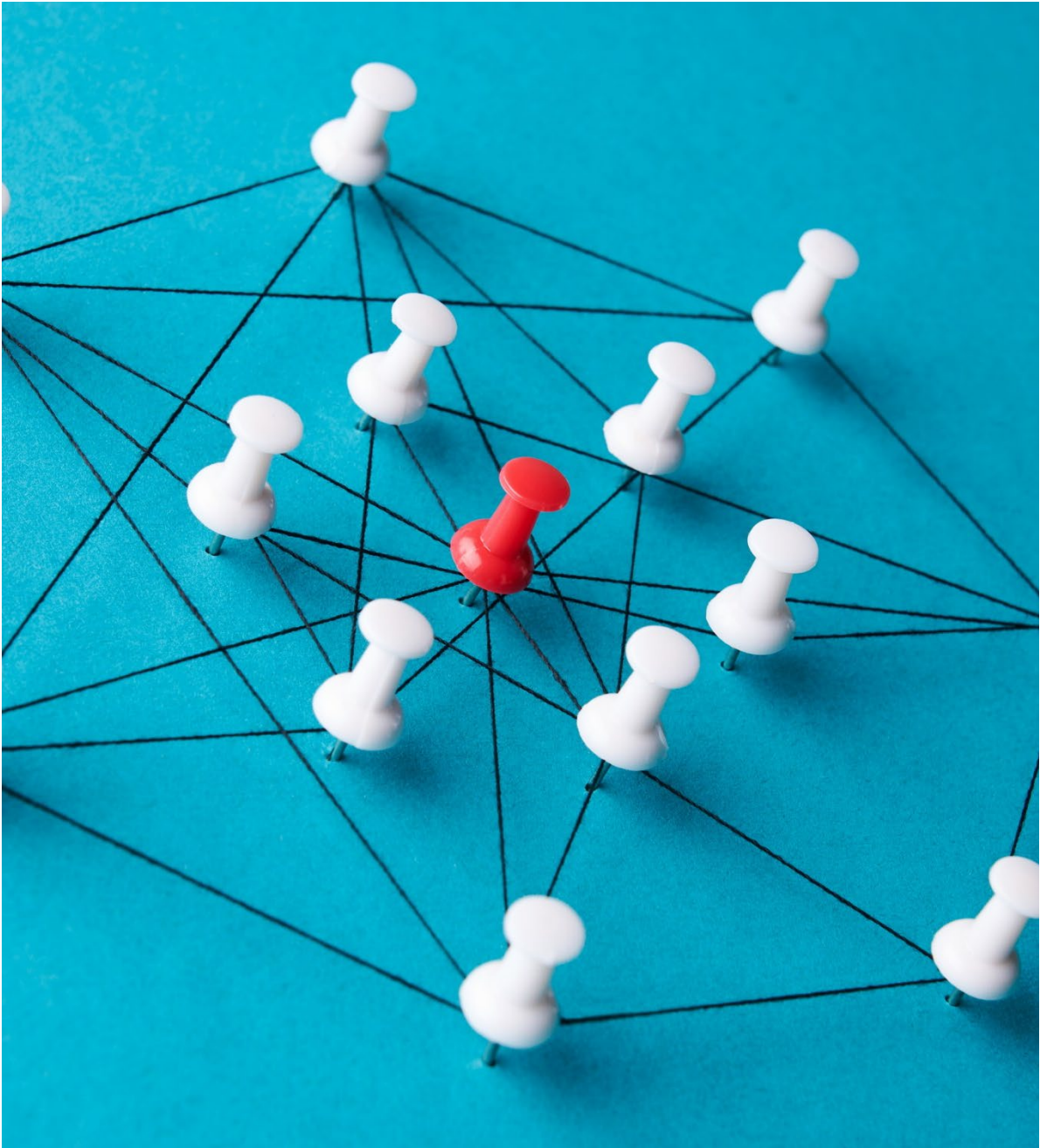
We note that the 2023/24 closing CFR also includes £3.3m of capital expenditure incurred during the year with any MRP charge only commencing in the year after acquisition, in line with Council policy.

We are satisfied the Council's capital expenditure and capital financing does not give rise to a risk of significant weakness in arrangements, however, the importance and impact of the MRP is often poorly understood outside of finance teams and can lead to significant issues affecting the financial sustainability of a local authority.

VFM arrangements

Governance

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



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 Governance brought forward from the previous year and overall arrangements are not significantly different in 2023/24.

The Council's Governance structure

This governance arrangement is detailed in the Council's Constitution and the summary is included in the Annual Governance Statement. The Council's governance structure prioritises seven core principles as identified in the Framework. These are:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

We have attended the Council's Audit and Governance Committee meetings; we have reviewed minutes from the different committees against our understanding of the Council as part of our audit. Our review of Council and committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear. Minutes are published and reviewed by Cabinet and Committees to evidence the matters discussed, challenge and decisions made. Based on our work we are satisfied that the Council has established adequate governance arrangements in line with that expected for a district council.

Risk management

The Council has a cross-service Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this, a Fraud Risk Register is in place with a refresh taking place during 2023/24. This was presented to the Audit and Governance Committee at its meeting in July 2024. Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

We have reviewed the risk registers and noted that these are reviewed regularly, with each strategic risk identified being assigned a 'risk owner' in order for there to be accountability. The 'risk owners' would then review their allocated strategic risks at quarterly intervals. Additionally, the strategic risks are also communicated to the Audit and Governance Committee for additional scrutiny. Similar actions are taken with operational and fraud risks. Our work has not identified any significant weakness in arrangements for risk management.

VFM arrangements – Governance

Overall commentary on Governance

Internal controls

We have considered arrangements for assurance over the effective operation of internal controls, including the prevention and detection of fraud. We considered the role of Internal Audit, which is provided by an outsourced team of internal auditors, led by the Head of Internal Audit. Internal Audit undertake a series of key control assignments throughout the year which look at the critical areas of business for the Council. The main reason for these audits are to ensure that internal controls surrounding these key tasks are working effectively. The planned tests are compiled into an annual audit plan which is agreed with management at the start of the financial year and is reviewed by the Audit and Governance Committee prior to final approval.

We have reviewed minutes, reports and attended committee meetings to confirm that Internal Audit progress reports are presented to each Audit and Governance Committee meeting including follow up reporting on recommendations from previous Internal Audit reports. We are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework based on the work completed during the year. For the 2023/24 financial year, the opinion of the Head of Internal Audit is that the Council is that "Reasonable assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently."

We made specific enquiries of management and internal audit regarding fraud and corruption and have not been made aware of any significant issues.

Effectiveness of the Audit Committee

In our view, good governance forms the foundation of resilient and sustainable organisations and enhances stakeholder confidence. The Audit and Governance Committee is a critical component of good governance and should function without political bias.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022, sets out that "The [audit] committee should:

- be directly accountable to the authority's governing body...
- in local authorities, be independent of both the executive and the scrutiny functions...

- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided."

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."

The Council's Audit & Governance Committee comprises 12 members, which is more than any other district in Nottinghamshire (including Nottingham City Council). Reports and minutes are published on the Council's website, including a broadcast of the meetings that take place.

We have attended numerous meetings of the Committee during the year. We have considered minutes of meetings and supporting reports. We have also met with the chair of the committee on 18 October in a private meeting, where we discussed having future meetings "in private" as an area of best practice and also discussed initial feedback from the recent LGA peer review.

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.

Overall, whilst we do not believe there is evidence that there is a significant weakness in arrangements, there have been numerous occasions when questions and discussion have veered into political debate and the effectiveness of the Committee has not been consistently at the standard it should be.

VFM arrangements – Governance

Overall commentary on Governance

2024/25 Budget setting and the Medium-Term Financial Plan (MTFP)

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years and our review is supported by discussions with officers during the year and experience from prior year audits. We read the report to Council in March 2024, where a balanced budget was set. We are satisfied that the reports contain an adequate amount of detail regarding assumptions and that these are not unreasonable. The Council reflects on the limitations of medium-term financial planning through the one-year local government finance settlements.

The General Fund Budget, Medium-Term Financial Plan and capital programme was appropriately approved by Council in March 2024.

The table below reproduces the MTFP table highlighting funding shortfalls have reduced compared to the previous MTFP.

Year	2024/25 £'m	2025/26 £'m	2026/27 £'m	2027/28 £'m
Estimated Expenditure	19.879	22.097	22.968	23.626
Estimated Income	-20.673	-20.808	-18.959	-19.257
Contribution (to) or from Reserves	0.994	0.272	0.278	0.283
Funding shortfall prior to mitigations	0.200	1.551	4.277	4.642

Although the Council have sufficient reserves to combat the shortfalls in the medium terms, they have confirmed they understand that the use of reserves cannot be a long-term solution and already have started putting in place plans to generate efficiency savings and income generation, evidenced by the Council's Commercialisation Plan and service reviews carried out/planned by the Transformation Business Unit. Management also recognise that further work will be required in 2024/25 to identify ways of reducing the Council's net budget requirement.

Budgets are appropriately monitored throughout the year. At the end of months 4, 6 and 8 a report is taken to

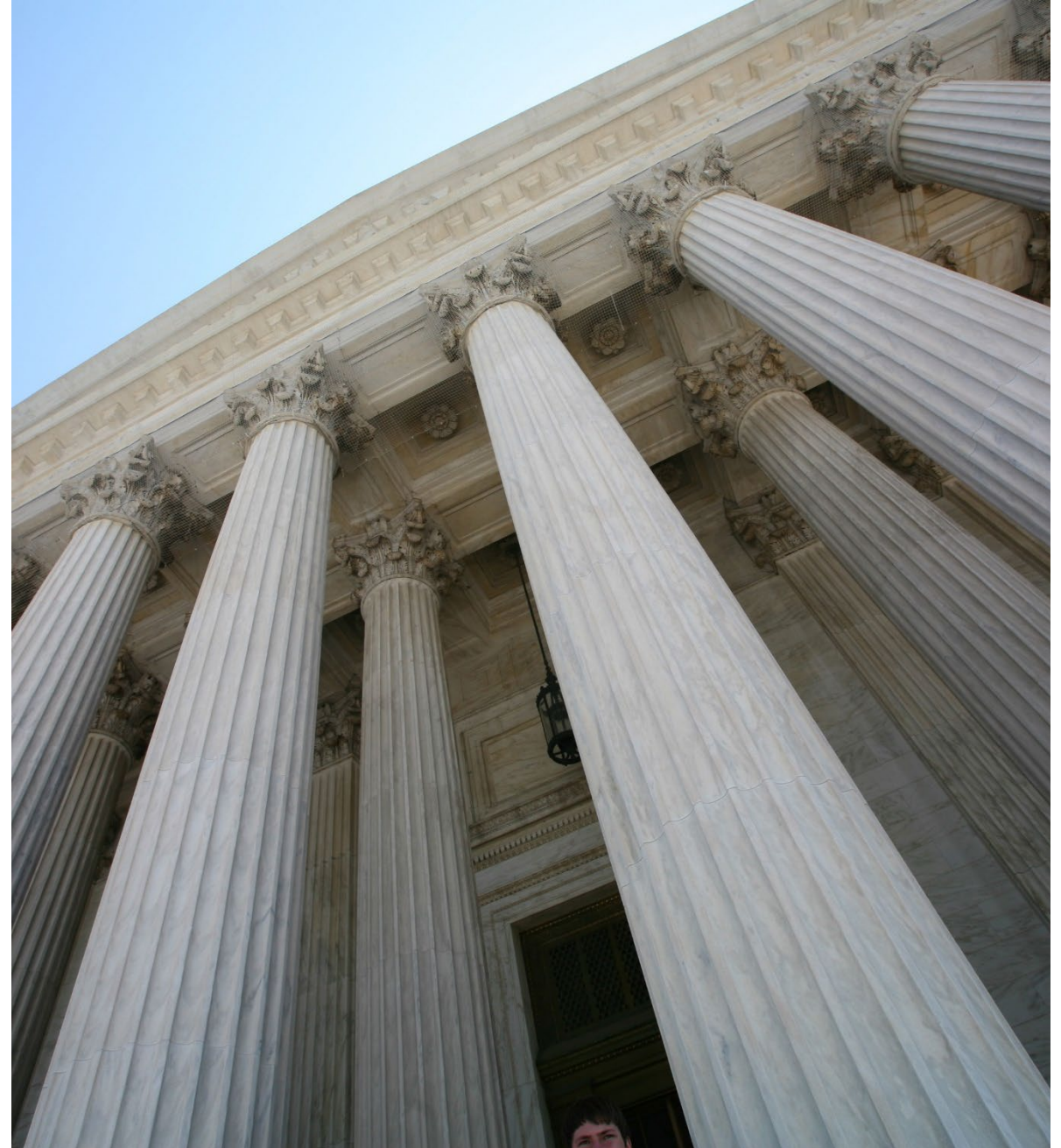
Policy Performance and Improvements Committee and then onto each individual committee and Policy and Finance on the overall Council position. This details variances against the revised budget and the impact on the General Fund, HRA and Capital positions should the variances occur at year end. This is to ensure that service committees are updated with relevant financial monitoring information on the committees' budgets.

Our work has not identified a risk of significant weakness in the Council's arrangements for governance.

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 Improving Economy, Efficiency and Effectiveness

Position brought forward from 2022/23

There are no indications of a significant weakness in the Council's arrangements brought forward from the prior year and the Council's arrangements are not significantly changed since the prior year.

Community Plan and performance monitoring

The Council adopted the Community Plan during the current financial year which was approved at Council on the 12 December 2023. The Community Plan spans the medium term from 2023 through to 2027. The Community Plan includes 8 objectives, which are:

- Improve health and well being
- Increase the supply, choice, and standard of housing.
- Raise peoples' skills levels and create employment opportunities for them to fulfil their potential
- Reduce crime and anti-social behaviour.
- Protect and enhance the district's natural environment and green spaces.
- Reduce the impact of Climate Change.
- Celebrate and invigorate community spirit, pride of place and a sense of belonging.
- To be a top performing, modern and accessible Council.

The Council has a performance monitoring process in place. We have reviewed minutes of the Policy and Performance Improvement Committee on the 24 June 2024 where the Council reviewed performance against the set indicators. We noted that performance is assessed through achievement of objectives and activities within the Community Plan. The report adequately indicates the target set for the financial period, and thereafter shows the Council's performance against the target as well as comparatives for the previous two financial periods. Performance is also colour coded where green indicates good performance whilst red is reflective of where improvements are needed. A narrative is also included to show how the

Council plans to improve results where necessary.

On an annual basis, the Council's overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council's progress against its ambitions, highlighting key successes and risk areas. This provides the public with an overall assessment of the Council's activities for the financial year.

We have reviewed a sample of targets as reported in the Q4 report for 2023/24 and confirmed that this report is in line with what has been reported in the financial statements. The quarterly reports demonstrate that performance has been managed throughout the 2023/24 year and any significant variances have been justified.

Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

Procurement

The Council has specific arrangements through standing financial instructions and purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies in these areas.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

We have not identified any significant weaknesses in arrangements. We have, however, identified one “Other” recommendation for improvement

Description	Financial sustainability	Governance	Improving the 3Es	Recommendation(s) for improvement	Our views on the actions taken to date
<p>Effectiveness of the Audit Committee As described on page 16, our presence at Audit and Governance Committees have highlighted that improvement is required and that the Council isn't aligned with best practice.</p>		●		<p>Ultimately, the functioning and effectiveness of the Audit & Governance Committee requires improvement, and we recommend the Council performs a formal review of effectiveness that considers, but is not limited to:</p> <ul style="list-style-type: none"> • Committee make-up and size, including number of members and whether a suitably qualified independent member be appointed. • A programme of training for all members, ensuring all do attend. Training for the chair on the role and purpose of an Audit Committee and how to lead an assurance committee effectively. • Formal reminder at the beginning of each meeting over the purpose and behaviour required from members, particularly the need to be apolitical. • Formal review of effectiveness using and mix of qualitative and quantitative assessment. 	<p>The Council are currently implementing changes to improve the functioning of the Audit and Governance Committee.</p>

04

Other reporting responsibilities

Other 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 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. We have yet to submitted this information to the NAO.

05

Audit fees and other services

Audit fees and other services

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. Having completed our work for the 2023/24 financial year, we can confirm that our fees, subject to PSAA agreement, are as follows :

	2022/23	2023/24	2024/25
Scale Fee	£49,797	£148,208	£162,977
Additional fees in relation to the VFM Commentary	£8,960	N/A included in scale fee	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA540 Estimates)	£3,181	N/A included in scale fee	
Additional fees in respect of additional work from the introduction of new auditing standards (ISA315 Planning and Risk Assessment)	£5,991	£9,410	
Additional costs arising in testing material new grant income schemes (Towns Deal Fund) and material errors in asset valuations and group consolidation	£6,546	-	
Additional fees in respect of Group Accounts	£6,361	£11,000	
Additional costs arising from material errors in asset valuations and additional testing due to errors from cut-off testing	-	£19,600	
Total	£80,836	£188,218	£162,977

Fees for other work

We confirm that we have undertaken one assurance related service for the Council in the year: Assurance return on the pooling of housing capital receipts for £5,600. We are satisfied there are adequate safeguards in place regarding our independence and objectivity.

Contact

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Report to: Audit & Governance Committee Meeting 19 February 2025

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Nick Wilson, Business Manager Financial Services on ext 5317

Report Summary	
Report Title	Capital Strategy 2025/26
Purpose of Report	To seek Committee approval to the Capital Strategy 2025/26, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.
Recommendations	<p>That Committee approves each of the following key elements and recommends these to Full Council on 6 March 2025 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:</p> <ul style="list-style-type: none"> • The Capital Strategy 2025/26 Appendix A. • The Capital Prudential Indicators and Limits for 2025/26, contained within Appendix A. • The Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix C, which sets out the Council’s policy on MRP. • The Flexible Use of Capital Receipts Strategy, contained with Appendix D.
Reason for Recommendation	To ensure that the Committee discharges its responsibilities as per its delegated authority within the Councils constitution.

1.0 Background

1.1 The Capital Strategy outlines the principles and framework that shape the Council’s capital decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council’s priorities and objectives as set out in the Corporate Plan.

1.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending and sets out how the resources and capital programme will be managed.

1.3 Statutory Requirements:

- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Capital Prudential Indicators each financial year to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.4 CIPFA Requirements:

- The Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities).
- Delegation by the Council of the role of scrutiny of Capital Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.

2.0 Summary of Capital Expenditure and Financing

2.1 The table below summaries the total forecasted capital expenditure and financing over the next three years, further breakdown is contained within the Strategy;

	2025/26 Budget	2026/27 Budget	2027/28 Budget
Total Capital Expenditure	57,734	31,804	23,108
Capital Grants	7,787	1,378	1,675
Other Contributions	2,451	0	0
CIL	2,500	3,000	0
Capital Receipts	3,404	1,916	2,444
Revenue/ Major Repairs Reserve	9,730	7,204	4,413
Borrowing	31,862	18,306	14,576
Total Capital Financing	57,734	31,804	23,108

3.0 Changes to Previous Year Capital Strategy

3.1 The primary change in the proposed Capital Strategy 2025/26 involves revising the MRP policy wording to align with the newly updated regulations.

4.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

4.1 Legal Implications (LEG2425/1719)

Audit & Governance Committee is the appropriate body to consider the content of this report by virtue of its terms of reference.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

CIPFA Prudential Code Local Government Act 2003

CIPFA Treasury Management Code of Practice