



# Auditor's Annual Report

**North East Derbyshire District Council– year ended 31 March 2025 (DRAFT)**

November 2025

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Our reports are prepared in the context of the ‘PSAA Statement of Responsibilities of Auditors and of Audited Bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to North East Derbyshire District Council. It has been prepared for the sole use of Audit Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

# 01

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 North East Derbyshire District Council (‘the Council’) for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



### Opinion on the financial statements

We issued our audit report on **[TBC]**. Our opinion on the financial statements was unqualified.



### Reporting to the group auditor

In line with group audit instructions issued by the NAO, we have undertaken work on the Council’s Whole of Government Accounts (WGA) return in line with their instructions. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.



**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.

## 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 (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2025 and of its financial performance for the year then ended. Our audit report, issued on [date TBC] gave an unqualified opinion on the financial statements for the year ended 31 March 2025.

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.

## Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances. Draft accounts were received from the Council on 20 June 2025 and were of a good quality.

## Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties, and we have had the full co-operation of management.

## Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify significant inconsistencies between the content of the annual report and our knowledge of the Council.
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.

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.

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

### 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?
 <b>Financial sustainability</b>	11	No	No	Yes – see commentary on page 12
 <b>Governance</b>	15	No	No	No
 <b>Improving economy, efficiency and effectiveness</b>	18	No	No	Yes – see commentary on page 20

# 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 2023/24

- We reported in our Annual Auditor’s Report for 2023/24, that we had:
- Reviewed the 2023/24 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements.
  - Reviewed the Council’s Annual governance Statement for any significant issues and considered the general findings from our audit work in other areas.
  - Reviewed the Council’s capital expenditure and financing arrangements.

There are no indications of a significant weakness in the Council’s arrangements for financial sustainability brought forward from 2023/24. The Council’s underlying arrangements in relation to financial sustainability are not significantly different in 2024/25, 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 2024/25. 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 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 Council Plan objectives. Through our review of Council and committee reports, meetings with management and relevant work performed on the financial statements, we confirmed the Council’s arrangements for budget monitoring are in place, including reporting to Members on a regular basis. Our review of budget reporting has noted that variances against budget are explained. The outturn position reported in July 2025 was not significantly different to the forecast outturn reported in the year. On the 25th January 2024 the council presented the Medium Term Financial Plan (MTFP) to the Cabinet, which showed a balanced budget for 2024/25.

The Council’s projected shortfall increased to £0.664m as per the updated budget in November 2024. However, as reported to Cabinet in July 2025 the financial outturn, of the Council detailed that it had been successful in removing the need to utilise the use of reserves to fund the General Fund budget. The outturn report detailed a contribution of £1.084m to the Resilience Reserve. This followed an overall reported

underspend on net cost of services of £1.209m.

In its 2025/26 MTFP the council projected shortfall and budgeted for this to be funded by contributions from resilience reserves. Below are the figures from the MTFP for 2025/26 presented to the Cabinet on 23 January 2025 and approved by Council in February 2025.

Year / £m	2025/26	2026/27	2027/28	2028/29
Planned Budget (Surplus) / Shortfall before council tax and costed assumptions	0.505	0.698	2.411	3.360
Council tax increase	0.210	0.420	0.630	0.840
National Funding Uncertainty - costed assumptions		0.955	0.955	1.287
Contribution (to) or from reserves	0.295	(0.659)	0.844	1.233

**Other Recommendation**

*As detailed in the latest MTFP the Council faces a potential gap over the life of the MTFP. While the Council is budgeting for the use of reserves it recognises using reserves is not sustainable in the long term. It is therefore important that the Council continues to have contingency plans, financial scenario modelling which will allow it to forecast any future budget gaps and identify savings to ensure the Council’s financial sustainability.*

### Budget Setting and the Medium-Term Financial Plan

We confirmed through review of minutes that the Council’s budget setting arrangements follow an agreed timetable. This timetable is designed to allow time for scrutiny and challenge of the Council’s plans. Our review of the latest MTFP confirms it highlights the risks and uncertainties, such as continued financial pressures and the delays in the local government funding reform, which makes setting the MTFP uncertain. The MTFP details that the Council will need to continue to identify savings and implement them. The 2024/25 and 2025/26 MTFP took into account pay awards and inflationary increases in expenses such as energy costs, fuel, etc. The Council also updated the budget for agreed changes to fees and charges. Our review of the MTFP and outturn did not identify evidence to indicate a significant weakness in arrangements.



# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

We have reviewed Committee reports covering the 2024/25 and 2025/26 Medium-Term Financial Plan and we met with officers throughout the year. We are satisfied the MTFP for 2024/25 and 2025/26 sufficiently explained the revenue and capital budgets. We identified no indication of excessive use of capital flexibilities to support revenue expenditure. There is no indication that the Council's Medium Term Financial Plan and budget setting process is not aligned to supporting plans given the Council has a track record of delivering against budget. We confirmed MTFP were approved by Cabinet and Council in February 2024 and January 2025. At the time of drafting this report the 2026/27 MTFP is going through similar approval.

### 2024/25 Statement of Financial Position and Outturn Report

We have reviewed the Council's outturn reports 2024/25 as presented in July 2025:

£m	Budget	Outturn	Variance
Net Cost of Services	16.199	14.989	1.209
Net Cost of HRA Services	0.692	0.797	0.105

As detailed in the outturn report the variance in cost of services was mainly made up of savings in supplies and services and pay costs.

The Council's usable reserves have decreased by £20.744m from £71.579m to £50.835m in 2024/25, with:

- Combined General Fund and GF earmarked reserves of £27.4m, up from £25.6m in the prior year
- Housing Revenue Account Reserve of £10.085m, down from £32.108m
- Capital Receipts Reserve of £2.819m , down from £3.642m

Our review confirmed use of reserves were in line with plans and were approved.

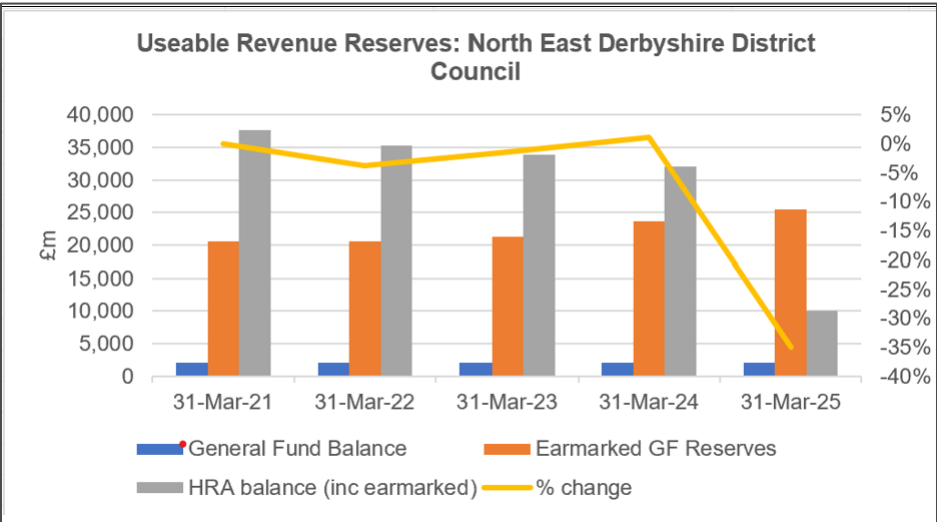
The council maintains a balance of £2m in General Fund and transfer the remaining balance in earmarked

reserves every year. For the Housing Revenue Account (HRA), the Council maintains a balance of £3m in HRA reserve and transfer the remaining balance in earmarked reserve. Our review of the outturn report and statement of accounts confirmed there was no significant unplanned use of reserves in 2024/25.

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. The Section 151 Officer confirms as part of the budget setting arrangements that they are satisfied the levels of reserves are adequate to fund the Council's planned expenditure and risks that face the Council.

Our audit work has not highlighted any evidence of a significant weakness in arrangements or indicators of a risk to the Council's financial sustainability.

Through a review of the financial statements, we have considered the Council's revenue reserves over time as shown in the charts below. The Council's reserves position does not indicate a risk of significant weakness in arrangements to secure financial sustainability. The movement in HRA reserves is in line with plans.

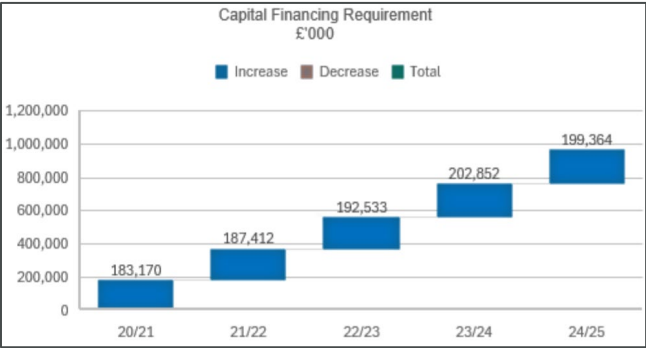


# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

### The Council’s capital expenditure and financing

The Council’s arrangements for setting and monitoring capital expenditure are consistent with the previous year. We considered the Council’s capital financing requirement as set out in Note 37 of the financial statements, which has increased from £183.936m in 2019/20 to £202.857m in 2024/25. We also considered the sources of capital finance in the capital programme, which shows over the past four years capital spend has been mainly financed through grants and contributions.



In 2024/25, the Council spent £50.209m on capital additions and £3.449m of REFCUS. Our testing of these balances did not identify any material issues.

The Councils Minimum Revenue Provision (MRP) Statement is approved in the Annual Treasury Investment Strategy. The 2024/25 MRP Statement was approved by Council in January 2024. The council’s MRP for the 2024/25 financial year was £0.247m. The Councils Capital Financing Requirement (CFR) as reported in the 2024/25 Statement of Accounts was £199.364m, which include amounts relating to the HRA, capital loans and in year addition. The loans are to Rykneld Homes (RHL) and Northwood. Officers have confirmed loan repayments continue in line with agreements and have not highlighted to us any risks to the repayment of these loans which may indicate a potential weakness in arrangements. The MRP on the residual is c.3% (after adjusting for in year additions). The Council deem the MRP policy appropriate and this was approved for the 2025/26 financial year by full Council in January 2025. 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. It is important that the Council continues to monitor its MRP policy and charges to ensure future MRP charges are prudent.

In our 2023/24 Auditors Annual Report we detailed the impact of the Northwood Group Limited (NGL) joint venture. The Council loans with NGL were secured against the assets of NGL and the Council had first rights to these assets. Approximately £8m of the council’s funds were held by the joint venture. In 2023 the Council agreed to sell NGL to an independent developer. Consequently, the Council’s share in the NGL joint venture ceased. A repayment programme was agreed which ensured the Council loans, including interest, and sale of the development land is repaid in full. We have reviewed minutes and obtained an update from Officers which confirms there have been no significant changes to this arrangement. Management have confirmed repayments are being made in line with agreed timeframes. Based on this we have seen no evidence the Council will suffer any significant financial loss as a result of the loans invested in NGL and interest due from those loans. We will continue to monitor this arrangement in our future VFM work.

**We are satisfied our work has not identified evidence to suggest a significant weakness in the Council’s arrangements in relation to financial sustainability for the year ended 31 March 2025.**  
**We have, however, made one ‘Other’ recommendation around the Council’s financial sustainability as noted above.**

# 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 2023/24

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 2024/25 have not significantly.

### The Council's governance structure

We have confirmed the Council has established governance arrangements in place and these are consistent with previous years. 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 and identified no apparent inconsistencies.

We have confirmed the Council has an agreed Constitution. This sets out how the Council operates, how decisions are reached and what procedures are followed to ensure that these are transparent and accountable to local people. Any recommendations for amendments to the Constitution need to be approved by Full Council. We confirmed through review of minutes there is regular consideration and, where necessary, updates to the Constitution. The latest Constitution was approved by Council in May 2025. A Committee structure is in place and is detailed in the Constitution. The Constitution have four values that underpin what the council does and four aims that help the council deliver their long term vision which are documented as follows:

#### Values:

- Be honest and accountable;
- Treat everyone fairly and with respect;
- Listen, involve and respond;
- Embrace change and innovation; and
- Be collaborative, open and transparent.

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. We have confirmed that minutes are published and reviewed by Committees to evidence the matters discussed and evidence of challenge of decisions made.

### 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's Risk Management Strategy includes the Council's approach to managing risk, guidance, the Council's risk appetite and roles and responsibilities for risk management. We confirmed the Risk Management Strategy 2024 was presented to the Council's Audit Committee in April 2024. The Audit Committee has responsibility for considering the effectiveness of the Council's risk management arrangements.

There is a member-led risk management group in place, which oversees all the Council's operational and strategic risk registers and provides challenge as part of the process. The Group is elected Member led and includes the Council's Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety.

We confirmed through review of minutes that the Council's Audit Committee is presented with the Risk Register on a regular basis and provides challenge as part of the process. The Corporate Leadership Team consider the Committee's minutes and summary reports and then determine appropriate risk appetite, risks and opportunities. We have reviewed the risk registers and confirmed they are reviewed regularly, with each strategic risk identified being assigned a responsible person. This ensures there is control and accountability for each risk. The risks have target dates attached to them and responsible individuals provide an update on a regular basis to the Audit Committee. Our work has not identified any significant weakness in arrangements for risk management.

### Internal Audit

We have considered arrangements for assurance over the effective operation of internal controls, including the prevention and detection of fraud. The Audit Committee is responsible for monitoring the effectiveness of the system of internal control.

We considered the role of Internal Audit, which is provided by an Internal Audit Consortium. Our review of papers confirmed Internal Audit undertake a series of key control assignments throughout the year which look at the critical areas of business for the Council. The planned work is detailed in an Annual Audit Plan. The Plan is agreed with management at the start of the financial year and is reviewed and approved by the Audit Committee. We confirmed there was regular progress reporting to the Committee in 2024/25. We have reviewed minutes, reports and attended committee meetings to confirm that Internal Audit progress reports are presented to each Audit Committee meeting. The reports include follow up reporting on recommendations from previous Internal audit reports. This allows the Committee to effectively hold management to account.



# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria – continued

At the end of each financial year the Head of Internal Audit Consortium (HOIAC) 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 2024/25 financial year the report was presented to the Audit Committee in July 2025. The HOIAC provided ‘reasonable assurance’ on the ‘overall adequacy and effectiveness of the council’s framework for governance, risk management and control for the year ended 2024/25’. We have reviewed the HOIAC report and confirmed this was appropriately reflected in the Council’s Annual Governance Statement. We also confirmed that Internal Audit recommendations are reviewed regularly by the Audit Committee which considers any delays in implementation of recommendations against agreed timeframes

We have attended Audit Committee meetings throughout the year and reviewed supporting documents. We have identified no evidence of a weakness in arrangements. Our attendance at these meetings has confirmed there continues to be an appropriate level of challenge from Members. We made specific enquiries of management and Internal Audit regarding fraud and corruption. No significant matters have been brought to our attention to indicate a weakness in arrangements.

## Budget setting and the Medium-Term Financial Plan 2025/26

The Council’s financial regulations contained in the Constitution, allow the Chief Financial Officer to determine the exact approach to the annual preparation of the Medium-Term Financial Plan (MTFP) under the direction of the Cabinet. Consultation takes place with all departments, and their input is included in the MTFP. A central finance team prepares the MTFP based on discussions with all service areas. Cabinet Members are involved in process through budget workshops held when the MTFP is being updated.

Previous years’ budgets are used as a starting point. The previous years’ outturn and spend to date are analysed to check if the budget requirement is still the same. Assumptions are made on pay awards, inflation, investment interest, fees and charges and income levels by the finance team and S151 officer, in consultation with external advisors. Inputs to the MTFP are taken from sources external to finance such as using HR establishment lists for staff budgets. Government’s provisional finance settlement is included and cross-checked to external advisors’ data.

An updated MTFP was presented to Cabinet on 23 January 2025 which highlighted a potential General Fund shortfall of £6.974m from 2025/26 through to 2028/29, which is expected to reduce to £1.713m after application of Council tax increase and costed assumptions. This is in line with the 2024/25 MTFP which had a shortfall of £3.077m. The report highlights that to mitigate the effect of the shortfall, the Council needs to

continuously identify and deliver service efficiencies. Reserves are currently planned to cover any shortfalls. See page 12 where we have raised an ‘other recommendation’ regarding financial sustainability. Based on our review of the MTFP we have identified no evidence of inappropriate use of one-off means to balance the budget. Assumptions used in setting the budget are based on information available at the time of preparation. We have confirmed the MTFP was approved and has been monitored and reported during the year.

The Council’s financial position, as set out in our commentary on financial sustainability arrangements, does not, in our judgement, present risk of significant weakness in arrangements.

**We are satisfied our work has not identified evidence to suggest a significant weakness in the Council’s arrangements in relation to Governance for the year ended 31 March 2025.**

# 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 2023/24

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

### Council Plan

The council has a Council Plan 2023-27 which sets out its four objectives:

- A great place that cares for the environment.
- A great place to work.
- A great place to live well.
- A great place to access good public services.

Under each objective there are several strategies which prioritise what the Council is setting out to achieve by March 2027. Under each strategy there are specific tactics or commitments that will shape our approach and under those a range of activities that in combination will help us to deliver the objectives.

The Council has in place a performance management framework built around its priorities. The framework includes identified responsibilities of managers and processes for regular performance reporting and, where required, corrective action to achieve the objectives. Portfolio Holders meet regularly with Assistant Directors and Directors to discuss, amongst other things, the progress on the targets.

We confirmed through minutes review there is quarterly reporting to the Cabinet, in which the progress against the Plan objectives are presented. These quarterly reports take the form of a dashboard and identify whether the targets have been achieved or is on/off track. This is designed to allow for scrutiny of the Council's performance.

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 activities for the financial year. We reviewed the Report and identified no evidence of a material inconsistency.

We have reviewed quarter four monitoring report and have noted that no specific concerns or issues have been raised under the objectives for this period. We have not identified evidence to indicate a significant weaknesses in the Council's arrangements.

### 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 inspected the Council in 2024/25 and provided an overall C2 rating. We have reviewed the findings detailed in the report and identified no matters to indicate a weakness in arrangements. The Council have an Action Plan intended to address concerns raised.

### Procurement

Through our work on the financial statements, our testing of expenditure, and consideration of key financial controls, we have identified no evidence of a weakness in arrangements relating to procurement. Section 21 of the Council's Constitution sets out the Finance Rules of the Council. The main contractor of Clay Cross Project- ISG went into administration in September 2024. The Council responded promptly, securing a new contractor and maintaining project continuity. Despite the disruption, the project remained viable and was completed with the centre opening in June 2025, demonstrating effective oversight and contingency planning.

### Partnerships

There has been minimum changes in the council's partnership arrangements. The Council's social housing is managed by Rykneld Homes Limited (RHL) a wholly owned subsidiary of the Council. We have confirmed there is regular monitoring and reporting of RHL performance. Based on review of minutes, discussions with officers and attending Audit Committee meetings we have identified no evidence of a significant weakness in arrangements.

As detailed in the Governance section, the Council had a joint venture – Northwood Group Limited. This ceased in 2023/24. Through our review of a report to cabinet in October 2023 and Share Purchase Agreement, we confirmed legal completion of the agreement for the transfer of the loans and sale of the shares to a third party in 2023. The repayment of the loans commenced during 2024/25. We have discussed with management who have confirmed that to date the third party are delivering in line with the agreement. The council continue to forecast receipt of the loaned money.

# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### Local Government Reorganisation (LGR)

In February 2025, the Government wrote to local authorities formally inviting them to submit proposals to create new structures of unitary authorities – which is a single tier of local government responsible for all local services in an area. Derbyshire’s eight district and borough councils, and Derby City Council, have been working in partnership to draw up a joint proposal.

Local government reorganisation (LGR) is a complex undertaking that requires strategic foresight, collaborative leadership, and robust planning. It presents both opportunities and challenges for councils seeking to improve service delivery, financial sustainability, and democratic accountability. Effective planning is essential to ensure a smooth transition and long-term success. It is well recognised that councils continue to deliver their services and duties until reorganisation is complete, including ensuring it maintains standards and exhibits the appropriate standards of governance.

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

We have held ongoing discussions with senior Council officers throughout the year as the situation has evolved. We do not consider LGR to represent in itself a significant risk of weakness in arrangements. From our review we have not identified any indication that the Council has not complied with its obligations to the LGR process. The Council worked with districts and boroughs in Derbyshire to prepare an interim plan which was approved by full Council in March 2025. The Chief Executive in consultation with the Leader of the Council was authorised to continue to participate in discussions with Derbyshire’s seven other district and borough councils, Derby City Council and also potentially Derbyshire County Council, with a view to developing a full proposal for local government reorganisation in Derbyshire and Derby. The Full Council will be formally invited to consider the full proposal in the Autumn, prior to its submission to the Government by the required deadline of 28 November 2025.

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

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

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

#### Other Recommendation

The Council needs to maintain effective and transparent governance arrangements in the progression of plans for local government reorganisation, including effective leadership and the Standards and Audit Committee should seek specific assurance, once plans are finalised, over the key controls in place to support the transition to a new organisation.

**We are satisfied our work has not identified evidence to suggest a significant weakness in the Council’s arrangements in relation to securing Economy, Efficiency or Effectiveness for the year ended 31 March 2025.**

Other reporting responsibilities

# Other reporting responsibilities

## Wider reporting responsibilities

### Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

## Reporting to the group auditor

### Whole of Government Accounts (WGA)

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



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 to the Audit Committee in July 2025. Having completed our work for the 2024/25 financial year, we can confirm that our fees are as follows:

Area of work	2024/25 fees	2023/24 fees
Planned fee in respect of our work under the Code of Audit Practice	£180,869	£174,922
Additional fee in respect of ISA315	N/A	£9,410
Additional fees in respect of introduction of IFRS 16 Leases	TBC *	N/A
Additional work caused by the introduction of ISA 600 Revised Group Audits	TBC *	
Total fees	TBC	£184,332

\* Subject to agreement with officers and Public Sector Auditor Appointments

## Fees for other work

We confirm that we have been engaged by the Council to undertake the following additional work.

Area of work	2024/25 fees	2023/24 fees
Pooling of Housing Capital Receipts	£7,000	£6,000



# Appendices

Appendix A: Further information on our audit of the Council's financial statements.

# Appendix A: Further information on our audit of the Council's financial statements

## Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<b>Management Override of Controls</b>  In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"><li>• Accounting estimates impacting amounts included in the financial statements;</li><li>• Consideration of identified significant transactions outside the normal course of business; and</li><li>• Testing journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.</li></ul> <p>Audit findings - Our work provided the required assurance, and we have no matters to report.</p>
<b>Valuation of the LGPS Defined Benefit Pension</b>  The Council is an employer in the Local Government Pension Scheme, administered on a local level by the Derbyshire Pension Fund.  The defined benefit assets and liabilities are significant items in the Council's balance sheet and the Council engages an actuary to perform an annual valuation in accordance with the requirements of IAS 19 Employee Benefits. Due to a high degree of estimation uncertainty associated with this valuation, we have identified a significant risk in this area.  As part of our testing, procedures were performed on the net defined liability held by Rykneld Homes Limited which was consolidated into the Group accounts.	<p>We addressed this risk by:</p> <ul style="list-style-type: none"><li>• Critically assessing the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson;</li><li>• Liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary for the purposes of the IAS 19 valuation is complete and accurate;</li><li>• Reviewing the appropriateness of the pension asset and liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PwC and consulting actuary engaged by the National Audit Office (NAO); and</li><li>• Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries disclosures in the Council's financial statements</li></ul> <p>Audit findings - We reported one unadjusted non - material misstatement as reported below. Our work provided the required assurance, and we have no other matters to report.</p>

# Appendix A: Further information on our audit of the Council’s financial statements

## Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p><b>Valuation of Council Dwellings, land and buildings and Investment Properties</b></p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council’s holding of land and buildings and investment properties. Although the Council uses a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of land and property due to the significant judgements and number of variables involved in providing revaluations.</p> <p>We have therefore identified the valuation of land, buildings and investment properties to be an area of significant risk.</p> <p>As part of our testing, procedures were performed on land and buildings held by Rykneld Homes to ensure they are consolidated in line with Group accounting policy’s.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"><li>• Critically assessing the Council’s valuer’s scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li><li>• Considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA Code of Practice and the Council’s accounting policies;</li><li>• substantively testing a sample of revaluations; and</li><li>• Critically assessing the approach that the Council adopts to ensure that assets not subject to revaluations in 2024/25 are materially correct, including considering the robustness of the approach in light of the valuation information reported by the Council’s valuers.</li></ul> <p>Audit findings - Our work provided the required assurance, and we have no matters to report.</p>
<p><b>Application of IFRS 16 for the 2024-25 financial year.</b></p> <p>IFRS 16 is applicable from 1 April 2024, designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to account for its lease arrangements in line with this new standard for the first time in the 2024/25 accounts. This required the Council to re-classify their leases and account for a right of use asset.</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"><li>• Critically reviewing the accuracy and completeness of the Council’s assessment of leases under IFRS 16; and</li><li>• Reviewed the accounting treatment for a sample of leases to test the valuation of the liability and right of use asset.</li></ul> <p>Audit findings - We reported one adjusted misstatement as reported in Audit Completion Report. Our work provided the required assurance, and we have no other matters to report.</p>

# Appendix A: Further information on our audit of the Council’s financial statements

## Summary of uncorrected misstatements for the Council

Description	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Receivable			78	
Cr: Fees, Charges and Other Service Income		78		
Our testing of receivables identified an under accrual of Fees Charges and Other Services. The error was trivial but extrapolated across the population to £0.078m.				
Dr: Asset held for sale			67	
Cr: Asset under construction				67
Extrapolated error noted in valuation of asset held for sale assets being the difference between managements calculation of carrying cost and ours.				
Dr: Pensions Reserve			57	
Cr: Net Pensions Liability				57
The Pension Fund auditor identified an unadjusted difference in asset values during their audit of the Pension Fund. The above is our estimation of the impact on the Council's asset valuations based on the Council's share of Pension Fund assets.				
Aggregate effect of unadjusted misstatements	0	78	202	124

# Appendix A: Further information on our audit of the Council’s financial statements

## Follow up on previous year recommendations for the Council

### Related Parties

#### Description of deficiency

As part of our testing of related party disclosures in the accounts, we reviewed declaration forms completed by members and officers. Through this testing, we noted that 19 members had not completed these forms.

#### Current year update:

Our related party testing in 2024/25 identified that thirteen declaration forms were not received from current Councillors. This was despite attempts from Officers to obtain this information.

#### Potential effects

Related party transactions could go undetected which may result in disclosure misstatements in the accounts.

#### Recommendation

All members should complete declaration of interest forms.

#### Management response

Officers continue to increase communication to Members, with numerous reminders sent, and we tried all best endeavours to ensure that all members completed their declarations. However, 13 members still did not respond to our correspondence.

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