

AUDIT AND GOVERNANCE COMMITTEE



Report subject	External Auditor - Auditor's Annual Report 2024/25 (Value for Money arrangements report)								
Meeting date	27 November 2025								
Status	Public Report								
Executive summary	<p>The External Auditor, Grant Thornton for BCP Council, is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness its use of resources.</p> <p>Auditors are required to report their commentary under specific criteria, namely financial sustainability, governance and improving economy, efficiency and effectiveness. They are required to report on any significant weaknesses they identify.</p> <p>The 2024/25 Interim Annual Report provides the following assessment:</p> <table border="1"> <thead> <tr> <th>Criteria</th><th>2024/25 Assessment of arrangements</th></tr> </thead> <tbody> <tr> <td>Financial sustainability</td><td>R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.</td></tr> <tr> <td>Governance</td><td>A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.</td></tr> <tr> <td>Improving economy, efficiency and effectiveness</td><td>R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.</td></tr> </tbody> </table> <p>Two key recommendations have been raised in relation to the cumulative DSG deficit and the statutory direction in relation to SEND.</p> <p>A further four improvement recommendations have been made. The Council has provided the External Auditor with management responses to all the recommendations.</p>	Criteria	2024/25 Assessment of arrangements	Financial sustainability	R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.	Governance	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.	Improving economy, efficiency and effectiveness	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.
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Recommendations	<p>It is RECOMMENDED that Audit & Governance Committee notes:</p> <ul style="list-style-type: none"> The findings, recommendations and management comments in relation to the External Auditor's Annual Report 2024/25 (Value for Money arrangements report). 								
Reason for recommendations	To ensure that the Audit & Governance Committee are fully informed of the findings of the Council's external auditor following								

	their Annual Report for the years ended 31 March 2025 as set out in the report (Appendix 1) attached.
Portfolio Holder(s):	Mike Cox, Portfolio Holder for Finance
Corporate Director	Aidan Dunn
Report Authors	Nigel Stannard nigel.stannard@bcpcouncil.gov.uk Head of Audit & Management Assurance (Chief Internal Auditor)
Wards	Council-wide
Classification	For Information

Background

1. Under the National Audit Office Code of Audit Practice, the external auditor is required to report whether, in their opinion, the group and Council's financial statements:
 - a. give a true and fair view of the financial position of the group and the Council and their income and expenditure for the year; and
 - b. have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.
2. In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. External auditor's report their findings in this area in their Auditor's Annual Report sometimes referred to as the Value for Money conclusion, under the following three areas:
 - Financial Sustainability.
 - Governance
 - Improving Economy, Efficiency and Effectiveness.
3. The Auditor's Annual Report (2024/25) is attached at Appendix 1. It sets out the findings of Grant Thornton following their audit work to date. The External Auditor emphasises that the report is open to revision to the point at which the audit of the financial statements is concluded.
4. Appendix 1 also includes the Council's management response to issues and recommendations made.
5. The 2024/25 audit of the Council's financial statements is on-going.

Auditor's Annual Report 2024/25 - Value for Money arrangements and key recommendations

6. The conclusions of the External Auditor are summarised as follows:

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Three significant weaknesses in arrangements identified, one retained from 2022/23 and two identified in 2023/24. One improvement recommendation retained from 2022/23.	Three risks of significant weakness identified in relation to: DSG deficit, cashflow and the level of reserves.	R We have reviewed the previous significant weaknesses and key recommendations and updated our assessment and concluded that, as the weaknesses are all founded on the increasing DSG deficit, its impact on cashflow and the lack of reserves to manage this deficit, it was more appropriate to combine these into a single significant weakness and key recommendation.
Governance	A No significant weaknesses identified; three improvement recommendations, two retained from 2022/23 and one raised in 2023/24.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but four improvement recommendations made to support the Council in improving arrangements for treasury management, officer complaints, lessons learnt reporting and Council-owned companies.
Improving economy, efficiency and effectiveness	R Two significant weakness in arrangements identified, one key recommendations raised in 2023/24 and one key recommendation retained from 2022/23.	Two risks of significant weakness identified in relation to: statutory direction on the Council's SEND service and the 'inadequate' rating for children's services from Ofsted.	R One significant weaknesses in arrangements remains for the statutory direction in relation to SEND (special education needs and disabilities) service and a key recommendation made. The Council has significantly improved its Ofsted rating to 'Good', so our previous key recommendation has been addressed.

G No significant weaknesses or improvement recommendations.
A No significant weaknesses, improvement recommendation(s) made.
R Significant weaknesses in arrangements identified and key recommendation(s) made.

7. The two significant weaknesses identified by the External Auditor results in the following key recommendations:

Recommendation	Relates to	Management Actions
KR1 The Council should: <ul style="list-style-type: none"> • update its DSG management plan and ensure the actions are embedded and monitored. Further action should be identified if the current actions are not having the impact as intended to ensure action is taken at pace • continue to monitor the impact of the DSG deficit on the cashflow position • ensure it monitors and manages the level of reserves and increase its level of reserves where possible. 	Financial sustainability (pages 16 – 20)	Actions: The DSG management plan will be updated. A new partnership governance of the DSG will be established to monitor activity against impact. The monitoring of the cashflow position against the deficit will continue. The levels of reserves will be monitored and increased where possible. Responsible Officer: Corporate Director for Children's Services and the Director of Finance Due Date: March 2026
KR2 The Council should address the weaknesses identified by a recent statutory direction in relation to the SEND (special education needs and disabilities) service. Raised in 2023/24	Improvement economy, efficiency and effectiveness (pages 29 – 30)	Actions: The improvement plan for the SEND service will continue to be monitored through the partnership arrangements and through the SEND Board chaired by the DfE. Responsible Officer: Corporate Director for Children's Services Due Date: March 2026

8. In addition, four improvement recommendations were made, shown on pages 33 and 34 of Appendix 1.
9. Management comments have been provided for all recommendations.
10. Of the five key recommendations made in 2023/24 (see Appendix 1 page 36 – 37), four have been partially implemented and one is now complete.

Options Appraisal

11. An options appraisal is not appropriate for this report.

Summary of financial implications

12. A number of findings and recommendations directly relate to the financial sustainability of the Council.

Summary of legal implications

13. There are no direct legal implications from this report.

Summary of human resources implications

14. There are no direct human resources implications from this report. The financial implications above may have a resulting impact on human resource levels.

Summary of sustainability impact

15. There are no direct sustainability impact implications from this report.

Summary of public health implications

16. There are no direct public health implications from this report.

Summary of equality implications

17. There are no direct equality implications from this report.

Summary of risk assessment

18. The Auditor's Annual Report identified a number of risks which were considered as part of the management comments. Where appropriate, these will be further considered as part of the wider risk management review process and necessary mitigations agreed,

Background papers

None

Appendices

Appendix 1 – External Auditor – Auditor's Annual Report on Bournemouth, Christchurch and Poole Council (Interim Annual Report – year ending 31 March 2025)