

To Members of the Audit and Corporate Governance Committee

Cllr. Mark Jackson (Chairman)
Cllr. Dillan Shikotra (Vice-Chairman)

Cllr. Lee Breckon JP
Cllr. Alex DeWinter

Cllr. Richard Holdridge
Cllr. Roger Stead

Cllr. Jane Wolfe
Helen King (Independent
Member)

Dear Councillor,

A meeting of the **AUDIT AND CORPORATE GOVERNANCE COMMITTEE** will be held in the Council Chamber - Council Offices, Narborough on **TUESDAY, 25 NOVEMBER 2025** at **5.30 p.m.**. Please find attached a supplemental item that is required for the meeting and is in addition to the agenda and report pack that has already been circulated.

Yours faithfully



Gemma Dennis
Corporate Services Group Manager

SUPPLEMENTAL ITEMS

5. Annual Audit Report 2024-25 (Pages 3 - 32)

To consider the report of the Finance Group Manager (enclosed).



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Blaby District Council

Auditor's Annual Report
Year ended 31 March 2025

November 2025

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Headlines from our audit

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Headlines from our audit

Purpose of this report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our audit of the Council for 2024/25. The report has been prepared in line with the requirements set out in the Code of Audit Practice and supporting guidance published by the National Audit Office and is required to be published on the Council’s website alongside the Statement of Accounts.

Our responsibilities

Financial statements

We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Authority and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice on Local Authority Accounting (‘the Code’).

Due to the challenges of undertaking an audit where the previous four years have been disclaimed because of the local audit backstop, it has not been possible to obtain full assurance for 2024/25. The audit is currently in progress but there will not be enough time for us to undertake sufficient work to support an unmodified audit opinion ahead of the backstop date of 27 February 2026. This is due to the limitations imposed from the lack of assurance on opening balances and closing balances in key areas. We therefore expect to disclaim our audit opinion.

Narrative report and Annual Governance Statement

We assess whether the Narrative report and Annual Governance Statement are consistent with our knowledge of the Authority.

We are unable to conclude on whether the narrative report and governance statement are consistent with the statement of accounts due to our inability to complete the audit of the accounts before the statutory backstop date of 27 February 2026.

Value for money

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness (value for money) in its use of resources and provide a summary of our findings in the commentary in this report.

We are required to report if we have identified any significant weaknesses as a result of this work.

At this stage, we have not identified any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in the use of resources at the Council. Further detail is provided in this report.

As part of our work we followed up on the recommendations raised in the prior year. Further detail is provided in this report.



Headlines from our audit

Statutory powers

We have other powers under the Local Audit and Accountability Act 2014, including the power to issue a Public Interest Report, issue statutory recommendations, issue an Advisory Notice, apply for a judicial review, or apply to the courts to have an item of expenditure declared unlawful.

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Public interest report	Statutory recommendations	Advisory notice	Judicial review	Application to the court
We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public. If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public. We have not issued a Public Interest Report this year.	We may make written recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State. We have not made any statutory recommendations this year.	We may issue an advisory notice if we believe that the Council, or an officer of the Council, has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency. If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice and then notify us of the action it intends to take and why. We have not issued an advisory notice this year.	We may make an application for judicial review of a decision of the Council, or of a failure to act by the Council, which it is reasonable to believe would have an effect on the accounts of that body. We did not make an application for judicial review this year.	We may apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful. We have not applied to the courts this year.



Headlines from our audit

Findings and recommendations

Findings from our financial statements audit

Detailed findings from our audit of the financial statements, including our consideration of significant risks, are communicated in the following reports:

- audit opinion on the financial statements for the year ended 31 March 2025
- audit completion (ISA 260) report to Those Charged with Governance

Our audit completion report will be reported to the Council's Audit and Corporate Governance Committee on 9 February 2026.

Requests for our audit completion (ISA260) report should be directed to the Council.

Recommendations arising from our financial statements audit

Recommendations relating to internal controls and other matters arising from our financial statements work will be contained in the audit completion (ISA 260) report.

From our work to date, we have not identified any recommendations relating to the financial statements audit which indicate significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in the Council's use of resources and, as such, would not be considered key recommendations. Should any such key recommendations be raised during the remainder of our audit work we will report these in our audit completion report and our auditor's report (opinion) in February 2026.

Key recommendations arising from our value for money work

We provide a summary of our findings in respect of value for money in the commentary in this report.

Where we identify significant weaknesses as part of our review of the Council's arrangements to secure value for money, we make key, or essential, recommendations setting out the actions that should be taken by the Council.

We have not made any key recommendations this year.

Other recommendations arising from our value for money work

We make other recommendations if we identify areas for improvement which do not relate to identified significant weaknesses.

We have made one "other" recommendation this year.



Value for money

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Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Audit Practice 2024 and Auditor Guidance Note 3 ('AGN 03').

We have completed our value for money work. Our detailed findings are reported in the following commentary in this report.

We have not identified any significant weaknesses in the Council's arrangements and so are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Recommendations made		
			Statutory	Key	Other
Financial sustainability How the body plans and manages its resources to ensure it can continue to deliver its services	No	No	No	No	No
Governance How the body ensures it makes informed decisions and properly manages risk	No	No	No	No	Yes
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	No	No	No	No	No



Value for money

Councils are responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources. This includes managing key operational and financial risks and taking properly informed decisions so that they can deliver their objectives and safeguard public money.

As auditors, we are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We performed risk assessment procedures at the audit planning stage to identify any potential areas of significant weakness which could result in value for money not being achieved. This included considering the findings from other regulators and internal auditors, reviewing records at the Council and performing procedures to gain an understanding of the high-level arrangements in place. The resulting risk areas we identified were set out in our audit plan.

For each identified risk area, we performed further procedures during our audit to assess whether there were significant weaknesses in the processes in place at the Council to achieve value for money.

The NAO Code of Audit Practice requires us to structure our commentary on VFM arrangements under three reporting criteria: financial sustainability, governance and improving economy, efficiency and effectiveness.

We have set out on the following pages our commentary and findings on the arrangements at the Council in each area.

In addition to our financial statements work we performed a range of procedures to inform our value for money commentary, including:

- Meeting with management and regular meetings with senior officers
- Interviewing, as appropriate, other executive officers and management
- Reviewing Council and committee reports and attending audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Reviewing the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function
- Considering other sources of external evidence.

Value for money

Overview

Blaby District Council (the Council) is a district council in Leicestershire. It works with a number of other district councils, local parish and town councils and Leicestershire County Council (which includes Leicestershire Fire and Rescue Service) in a three-tier local government system. The administrative area also includes the Leicestershire Police and Crime Commissioner and Leicestershire Constabulary. The Council serves a population of circa 108,000 people. The Council has entered into a number of significant capital and investment schemes to promote regeneration and attract business to the area as well as new homes. Some of these investment schemes carry significant financial risk. The Council faces, over the medium term, growing financial challenge and increasing uncertainty over its longer-term income predictions, particularly in respect of new homes bonus, fair funding review reform and local government reform.

Like all councils and the wider local government sector, Blaby District Council continues to face significant challenges. The sector faces high levels of uncertainty over future levels of government funding and, for a number of years, has had to plan on the basis of single-year settlements. This makes it harder to produce comprehensive multi-year plans as part of medium-term financial planning. The government has signalled an intention to return to multi-year settlements in the future and announced a national overhaul of local government, reorganising multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact Blaby District Council which, like all districts, would be absorbed into a larger unitary council from 1 April 2028 according to the current planned timescales. Work is currently ongoing to present options for reorganisation in response to government requirements.

High inflation over recent years has increased cost pressures on all councils' revenue and capital expenditure, indicating reduced certainty about what the future may hold, economically. High interest rates have provided the Council with fortuitously higher than expected interest income on cash balances, but the combination of higher inflation and higher interest rates impacts local communities, including the community the Council serves in Leicestershire. This can lead to increases in demand for council services and impact on council income in areas such as car parking and collection rates for council tax, business rates and rents.

The Local Government Association continues to estimate that the costs to councils of delivering their services will exceed core funding in the future. Nationally, there has been an increase in the number of councils issuing s114 notices or indicating one may be likely.

Blaby District Council has arrangements in place to mitigate the macro-risks posed by the national context and, at present, a reasonable level of general fund reserves. However, these could be significantly depleted over the next few years if macro-economic conditions are unfavourable and the uncertainty inherent in the Council's cost and income assumptions do not crystallise in the Council's favour.

Value for money

Local government reorganisation

On 5 February 2025 the Minister of State for Local Government and English Devolution asked all councils in two-tier areas to develop proposals for bringing together upper and lower tier local government services into new unitary councils. Final detailed proposals are to be submitted by the end of November 2025, with the potential establishment of a shadow Council in May 2027 and the transition to the unitary authority in April 2028, marking the cessation of the existing councils in Leicestershire.

This means the next few years will be ones of significant change and uncertainty. Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will take up increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be incorporated into updated medium term financial plans.



Value for money: financial sustainability

This relates to how the Council plans and manages its resources to ensure it can continue to deliver its services.

We considered the following areas:

- how the Council identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into the plans;
- how the Council plans to bridge its funding gaps and identifies achievable savings;
- how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- how the Council ensures that its financial plan is consistent with workforce, capital, investment, and other operational plans, which may include working with other local public bodies as part of a wider system; and
- how the Council identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

General fund

At 31 March 2025 the Council's general fund (including earmarked reserves) stood at £18.831m, an increase from the prior year when the balance was £16.282m. The level of earmarked reserves included as part of this balance increased during the year from £9.692m to £11.584m, with useable general fund reserves also increasing from £6.589m to £7.246m.

The useable general fund reserves represents the true reserve for 'unanticipated' cost pressures. The increase of £657k was a result of a favourable financial outturn in 2024/25. This was due to expenditure being lower than budget, through unfilled vacancies for example, and income being higher than budgeted such as planning income.

Quarterly reports are taken to Cabinet to report against the Medium-Term Financial Strategy (MTFS). The quarter 3 report highlighted a change to the MTFS in that the Council anticipated being able to make a contribution to reserves for 2024/25. This ensured that timely oversight of this change was brought to the attention of Cabinet during the year.

The reserve position noted above is at a reasonable level; the Council's net expenditure on services in 2024/25 was £14.183m, so this level of reserves compared to expenditure provides a strong buffer against unexpected short-term shocks. As reported in the draft annual statement of accounts for 2024/25, the Council's policy in respect of its useable General Fund balances is to sit within a range of 10% to 45% of the net budget requirement in any given year. The useable general fund balance in 2024/25 represents 42.5% of the 2025/26 net budget requirement, which is in line with the Council's policy and at the higher end of this range.

However, whilst earmarked reserves can be utilised if Members decide to change their use, they are earmarked for specific purposes in anticipation of specific costs. For Blaby District Council, an example of one of the earmarked reserves is a National Non-Domestic Rates (NNDR) Income reserve. This is available to further support financial resilience and manage risk, over and above the general fund position.

Value for money: financial sustainability

Medium term financial strategy

The Council's assumptions in its medium-term financial strategy (MTFS) appear reasonable but there is risk attached to them. The strategy assumes pay increases of 3% in 2025/26 and general inflationary increases or contractual increases throughout the period of the MTFS. There is a risk that the anticipated reduction in inflationary pressures in the later years fails to materialise.

The MTFS is refreshed throughout the year, and the Council are currently going through the process of updating this again. The significant risks attached to the MTFS are; fair funding review, business rate reset and damping assumptions.

The Council's process for pulling together MTFS involves starting from the prior year and uplifting by inflation. Budget holders are involved and are provided with training to be able to input into the process. The MTFS is reported and approved by Council, with the latest MTFS having been approved in February 2025.

The Council recognises the importance of maintaining healthy reserves balances to ensure financial resilience and this is set out in the MTFS as allowing the Council to:

- Meet unforeseen expenditure pressures and income reductions that may arise
- Meet the cost of one-off items of expenditure; and
- Support the stability of the Council's financial position by providing a source of funding in times of uncertainty.

The Council has also set out clearly in the MTFS numerous assumptions which have been built into the forecast. This demonstrates the Council's understanding of the impacts of uncertain future events whilst recognising the need to factor in best estimates. Management have clearly articulated these assumptions and the risks they pose as part of the strategy.

One such assumption is a "damping" assumption. This assumes the government will introduce some form of damping mechanism to smooth the impact of expected funding reductions, so not all of this impacts in one year. The Council have included a total of £3.3m for damping in the MTFS from 2026/27 which is their estimation. This is not a confirmed or guaranteed amount and would be expected to be in the form of additional funding.

The Council has recognised that, until the Fair Funding review is complete and a decision is made in relation to business rates baseline reset, the full extent of this impact is a significant risk. This damping is expected to reduce as time goes on given the nature of the risk, and this is reflected in forecasts up to 2029/30. The Council continues to use Pixel Financial Management to help with financial modelling to inform forecasts and assumptions within the MTFS.

Value for money: financial sustainability

Addressing the financial gaps and use of reserves

Plans to close future financial gaps are included in the MTFS. A budget gap of £1.1m has been identified for 2026/27, increasing each year to £4.9m in 2029/30. These funding gaps already take into account some use of earmarked reserves and “damping”, as set out on the previous page. The Council have identified transformational savings; “closing the gap initiatives”; and prioritisation and rationalisation opportunities. However, these still leave residual funding gaps as set out in the table below. These are being considered through the current refresh of the MTFS.

	2025/26	2026/27	2027/28	2028/29	2029/30
Funding gap/(surplus)*	(111,639)	1,132,225	2,420,855	4,311,445	4,939,086
Transformational savings	0	334,840	344,885	355,232	365,889
Closing the gap initiatives	0	263,000	345,290	355,049	365,100
Prioritisation and Rationalisation	0	0	1,395,000	1,436,000	1,471,000
Residual funding gap/(surplus)	(111,639)	534,385	335,680	2,165,165	2,737,097

**use of earmarked reserves are included in this, as well as damping assumptions.*

The savings include investment in resource to drive transformation such as embracing new technology. This includes the Council’s decision to bring the IT function back in house during 2025/26. The residual funding gap has been highlighted within the MTFS which states “The Council recognises that, should the introduction of the Business Rate Baseline and Fair Funding generate the budget gaps as predicted, then significant prioritisation and rationalisation will be required in order to meet the significant budget gaps. The lack of certainty of these budget gaps materialising and the potential for a change of approach does, however, suggest that activating such plans might be premature. The Council will therefore not implement such plans until more certainty is gained but will continue to consider future options to close the gaps and monitor the funding situation on an ongoing basis”.

The Council have sufficient general fund reserves to cover the funding gaps up to 2029/30, which total £12.692m over the five-year period. This would still leave the general fund in a positive position, albeit, the reserves balance would fall below the Council’s minimum requirements during this period.



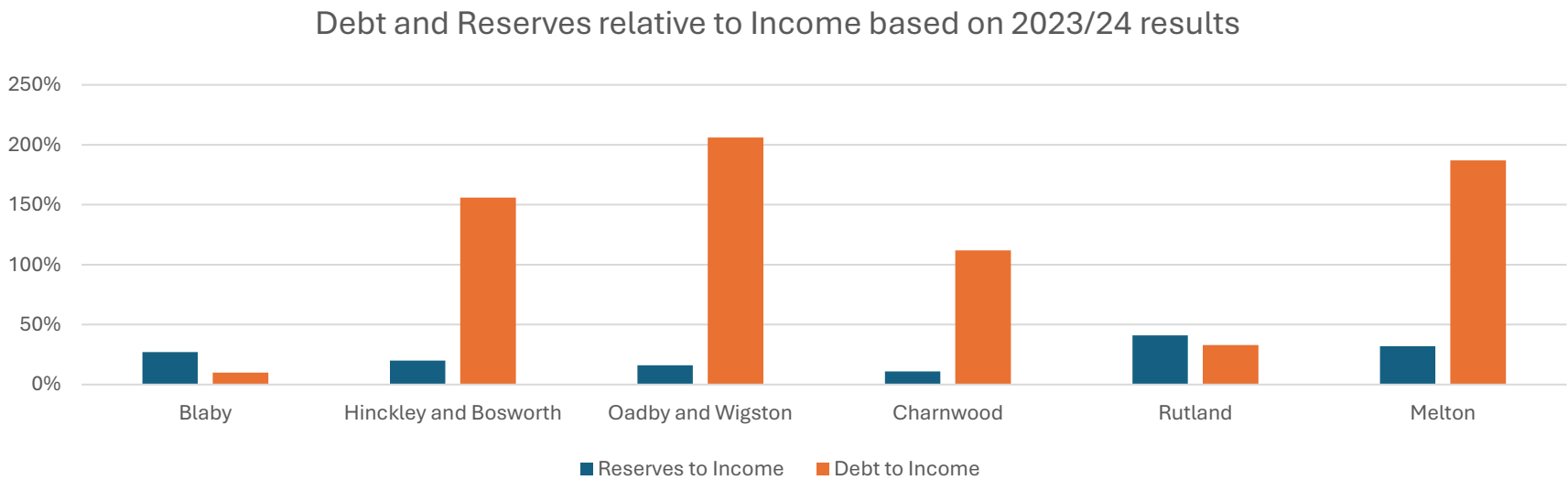
Value for money: financial sustainability

Financial resilience index

We have considered the Council’s financial resilience through the CIPFA resilience index. This uses the most recent financial information available (2023/24). This interactive tool is available on CIPFA’s website and shows a mix of both lower risk and higher risk indicators of financial stress for the Council.

We have compared the information within this tool to a number of neighbouring authorities to illustrate Blaby’s position relative to the geographical location in which it operates. The graph illustrates that Blaby has the lowest debt to income ratio compared to neighbouring Leicestershire district councils and a relatively comparable ratio of reserves to income compared with five other districts.

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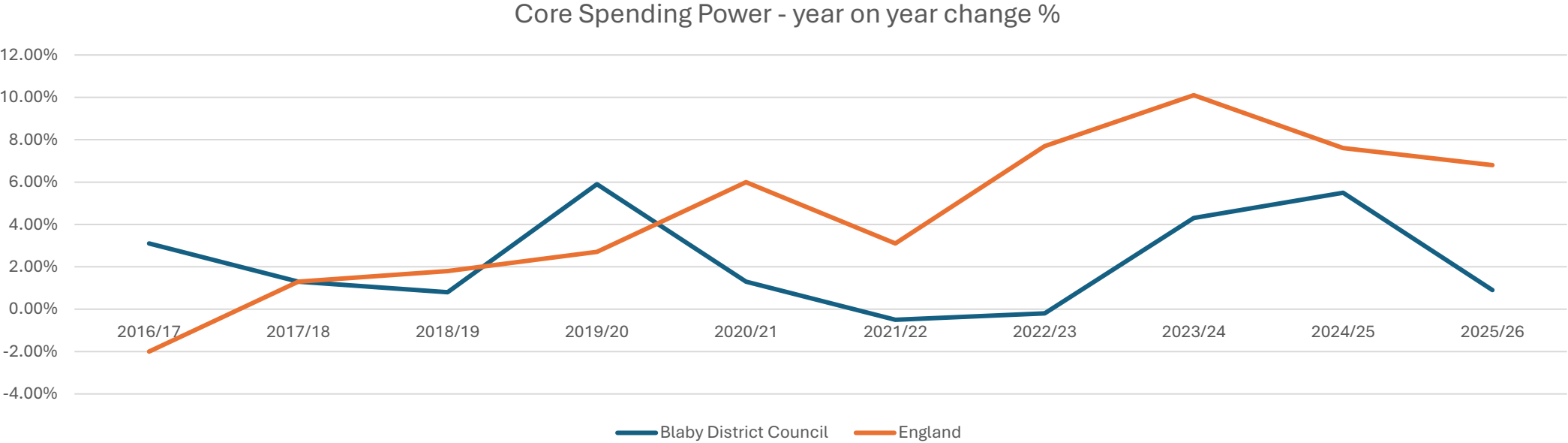
Value for money: financial sustainability

Core Spending Power

Core Spending Power (CSP) measures the core revenue funding available for local authorities to fund services. In recent years, CSP tables have been published for both the 2024/25 and 2025/26 finance settlements by MHCLG which illustrate the percentage change to CSP year on year. We used this data to evaluate the year-on-year change in CSP for the Council and mapped this against the year-on-year change in the CSP for England as a whole. This generally has seen the Council fall below the change in CSP for England as a whole since 2020/21.

This further illustrates the Council’s expectation to “do more with less” over previous years, which has contributed to a challenging financial position and has played a part in the Council having to consider future savings to address funding gaps.

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Value for money: financial sustainability

Fair funding review

For the past number of years, the local government finance settlement has been a one-year settlement which has created uncertainty and presented challenges in medium to long term financial planning for all councils.

In June 2025, an 8-week window of consultation opened on “The Fair Funding Review 2.0”. This was a consultation on the government’s proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026-27. The purpose of this review is to introduce a fairer funding system that targets money where it is needed most. Once finalised, the changes will be implemented over three years, beginning in 2026-27, through the first multi-year settlement in a decade.

The consultation sets out some key changes, including:

- Reaffirming that 2025/26 was the last year New Homes Bonus is paid in its current form. Moving forward this is proposed to be returned to core settlement and allocated according to the updated assessment of need and resources; and
- Business rates reset.

The Council has appropriately identified and reported these key risks, changes and legislative proposals in its MTFP. The Council has identified the impact that the Business Rate Reform will likely have. A reset of the business rate baseline is predicted to mean the Council will lose the benefit of significant growth in business rates that has been generated in recent years. Losing this growth has been identified as a substantial risk to the Council and causes a financial gap from 2026/27 onwards. Blaby is anticipating that whilst there will be some benefit to gain from future growth, the amount is currently unknown and unable to be predicted. The Council currently retains 40% of the net rates collectable from businesses, whilst also being required to pay a tariff to government from its share, as well as a levy payment to the Leicestershire Business Rates Pool based on any growth above the baseline. This has meant that Blaby District Council has benefitted from considerable growth since the current Business Rates Retention Scheme was introduced back in 2013.

The Council has therefore anticipated a reset of the business rates baseline in 2026/27 and has predicted that this is likely to have a major impact on the amount of business rates that the Council will be able to realise to support its budget. The MTFP currently includes income from Business Rates of £5.511m in 2025/26 to £1.587m in 2026/27, which is a significant reduction. There continues to be significant uncertainty over the precise impact this will have, as the level at which the base-line will be set has not yet been announced. The Council have therefore budgeted the need to draw down from their NNDR income reserve £860k per year from 2026/27 to 2029/30.

Overall, the Fair Funding Review impact is not fully known. The aim of the review is to ensure that funding is allocated to areas which need it most, focusing on those with more deprived areas and those delivering social care. However, there will be some anticipated benefits to the review, not least because a multi-year settlement will give greater certainty of future funding, which will aid in planning and budgeting.

Value for money: financial sustainability

Minimum Revenue Provision (MRP)

The Council is required, each year, to set a Minimum Revenue Provision (the MRP). The MRP refers to the amount charged to the revenue budget for the repayment of debt (as measured by the underlying need to borrow, rather than actual debt).

The underlying debt is needed to finance the capital programme. Capital expenditure is defined as expenditure on assets which have a life expectancy of more than one year e.g. buildings, vehicles, machinery, etc. It is therefore prudent to charge an amount for the repayment of debt over the life of the asset or some similar proxy figure, allowing borrowing to be matched to asset life. Setting aside an amount for the repayment of debt in this manner allows for future borrowing to be taken out to finance the asset when it needs replacing at no incremental cost. The manner of spreading these costs is through an annual Minimum Revenue Provision.

The Council's MRP policy in 2024/25 was approved in February 2024 and consisted of two methods, both of which are approved within statutory guidance.

1. For supported capital expenditure incurred before 1 April 2008, the Council applies the Asset Life Method using an annuity calculation over 50 years.
2. For unsupported borrowing undertaken after 1 April 2008, MRP is charged on an annuity basis over the weighted average life of the assets in question.

It is important that the MRP is sufficiently prudent to avoid longer term financial sustainability risks. Indicators of prudence can be considered by comparing the MRP against the capital financing requirement (CFR) and the total borrowings held by the Council.

A level of MRP which is lower than 2% of the CFR and 3% of total borrowings indicates increased financial risk in the medium to long term. We have considered some key financial ratios on the next page and have RAG (red, amber, green) rated them. None of the calculations indicate issues with Blaby District Council's MRP charges or debt to asset proportions.

Most of the current MRP charged relates to the purchase of fleet vehicles, investment in leisure facilities, and historic disabled facilities grants. The Council has updated its MRP policy for 2025/26 onwards which sees an increase in MRP from 2025/26 to reflect the impact of new expected borrowing to fund the 5-year Capital Programme. This is considered reasonable and in line with expectations. It is also built into the MTFs.

The Council has, in addition, made Voluntary Revenue Provision (VRP) in the prior year (2023/24), in 2024/25 and plan to do the same in 2025/26 to smooth the impact of introducing the Council's new MRP policy. This is allowed under statutory guidance and can be reclaimed in future periods (i.e. by offsetting the charge in future years).

Value for money: financial sustainability

We have summarised below financial ratios which we use to consider the financial health of the Council. We set an expectation and use these to determine whether there are any indicators of concern over the Council’s ability to secure financial sustainability. We have not identified any indicators which would require additional follow up.

	Council’s ratios	Expectation	Evaluation
MRP as % of total borrowing	19%	< 3% may indicate a higher risk of MRP being insufficient to secure longer term financial resilience	●
MRP as % of Capital Financing Requirement (CFR)	5%	< 2% may indicate a higher risk of MRP being insufficient to secure longer term financial resilience	●
Debt as a proportion of CFR	28%	>50% may indicate a higher risk of the Council being over-indebted	●
Total general fund and earmarked reserves as a proportion of net cost of services	133%	the lower the proportion, the greater the risk to financial resilience	●
General fund and earmarked reserves as a percentage of net service revenue expenditure	48%	the lower the percentage, the greater the risk to financial resilience	●
Long term borrowing as a proportion of long term assets	9%	the higher the proportion, the greater the risk the council is over indebted	●

Summary

We have not identified any significant weaknesses in the Council’s arrangements to support financial sustainability.

The Council has a good understanding of its financial position and the risks inherent in the forward-looking MTFS. Arrangements in respect of financial planning, budget setting and control are in place.

Management are aware of the risks attached to the MTFS and are focussed on ensuring that solutions are in place to address funding gaps. Whilst currently there is still uncertainty around assumptions and the impact of the Fair Funding Review, management are aware of the need to keep the MTFS as a “live” and working document to ensure that updates are captured and assessed in a timely manner and reported through the appropriate channels.



Value for money: governance

This relates to the arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We considered the following areas:

- how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests) and for example where it procures or commissions services.

Budget monitoring

The Council has established a robust financial management procedure to monitor budgets and to identify and mitigate any forecast over-spending. The process for the management and monitoring of budgets is continuously refined to help ensure the Council's longer term financial position is sustainable.

Quarterly revenue and capital budget monitoring reports are presented to Cabinet Executive committee throughout the financial year. This helps to ensure appropriate decisions are made in a timely manner. During 2024/25, reporting to Cabinet Executive in September 2024 included a report on the quarter one position for the Capital Programme, Treasury Management and Budget Review 2024/25. This reporting for each quarter continued throughout the year in November 2024 (for quarter two), February 2025 (for quarter three) and the full year outturns in June 2025.

Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee met five times in the 2024/25 financial year and plans to meet four times in 2025/26. As noted in our prior year commentary, CIPFA guidance issued in 2022 sets out that audit committees should meet at least four times a year, which the Council is compliant with. The guidance also states that, to discharge its responsibilities effectively, the committee should include regular attendees, and includes as part of this, the Chief Executive. We raised this as an "other" recommendation in 2023/24 for the Council to consider and have provided an update against this recommendation later in this report.

Value for money: governance

Statement of accounts and annual governance statement

The Council published their draft statement of accounts (including their annual governance statement) on their website on 30 June 2025, in line with national timeframes which required local authorities to publish draft accounts by 30 June 2025. Alongside this, they published the commencement of the public inspection notice. The unaudited accounts were taken to the Audit and Corporate Governance Committee in July 2025 for review and scrutiny alongside supporting reports highlighting financial performance for the year and key movements. The annual governance statement was taken to Cabinet Executive in June 2025 for approval. Alongside this report, an “annual governance statement assurance review” paper was taken to the committee. This set out the Council’s review of the systems of governance in place for 2024/25 which set out core principles from the local code of corporate governance along with examples of how the Council is demonstrating compliance with each principle.

Internal Audit

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The Council continues to have an independent internal audit function provided through a shared service with two other councils in Leicestershire. Internal Audit report into the Audit and Corporate Governance Committee regularly. The Internal Audit Annual Report 2024/25 concluded “reasonable assurance” on the overall control environment, demonstrating that there is a generally sound system of governance, risk management and control in place. This is the second highest level of assurance which can be given and is consistent with the level of assurance given in the past two years. The report also stated that no “critical” recommendations were made during 2024/25. These would be recommendations which are considered very serious in nature and could have a critical impact on the Council. Nine “high” recommendations were made, which is defined as recommendations which are fundamental and require urgent attention to avoid exposure to significant risk. Of these nine, one was implemented and eight were either in progress or not yet due. The remaining 28 recommendations made were all of a “medium” level which are not fundamental but provide scope for improvement.

Risk Management

Risk is managed in line with the Risk Management Strategy approved in 2023. It falls under the Audit and Corporate Governance Committee’s remit to consider risk and, by attending this committee and reviewing meeting minutes, we have confirmed that the corporate risk register is taken to Committee meetings regularly and reviewed and considered appropriately.

During the year, the Council also set up a separate Local Government Reorganisation (LGR) and Devolution Risk Register in response to the White Paper published in December 2024 setting out plans for local government reform nationwide. This demonstrates the Council’s ability to react to changes in the environment and represents good practice in their arrangements to ensure that risk is being managed, considered and monitored effectively by ensuring the Audit and Corporate Governance Committee is well sighted on risk and these are mitigated to an acceptable level.



Value for money: governance

Local government reorganisation (LGR)

The next few years will be ones of significant change and uncertainty. Councils will need to consider the risk of the loss of key individuals and corporate memory in the lead-up to and transition into the new unitary authority. There may be an incentive for more short-term decision making, or reserves may end up being repurposed to cover an overspend incurred by a successor body. Whilst Authorities retain powers to make some spending decisions in advance of the reorganisation, it is important that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond the date of transition to the new body.

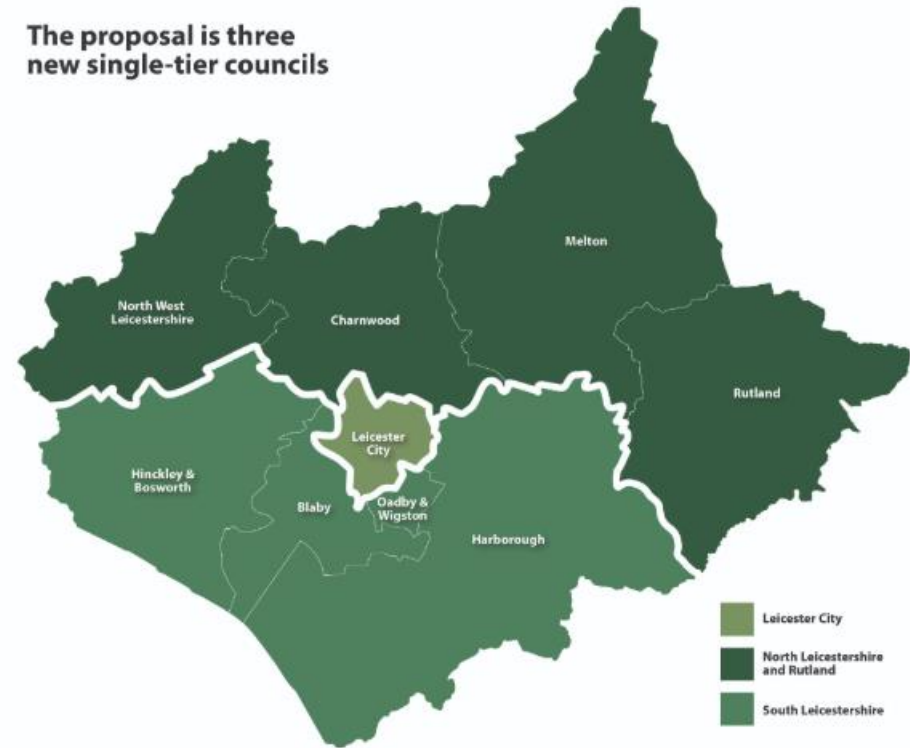
Transition and reorganisation on this scale will require significant management time to ensure the benefits are identified and plans are in place to realise them post-transition. It may also require experience and skill-sets outside of the 'business as usual' skills and experience in place at the Council. It will be important for the Council to assess the skills it has in place, identify any gaps and take steps to mitigate those gaps to reduce risks arising during or post transition. Plans and arrangements for reorganisation will take up increasing capacity of senior officers and this may divert attention from the realisation of savings plans or make the achievement of previously planned savings less likely. Such risks will need to be reflected in medium term financial plans.

Members will need to be satisfied that, where earmarked reserves are being utilised, they are being applied for their intended purpose and that reserve balances remain at an appropriate and prudent level, as well as be satisfied that balanced budgets continue to be set up to and including the Council's final period of account. Effective governance and stewardship will remain key, particularly in the operation of the audit and corporate governance committee, delivery of internal audit and execution of the risk management process.

Blaby have worked with seven neighbouring authorities in Leicestershire to submit plans for LGR in line with national timescales. A plan was submitted in March 2025 outlining a "North, City, South" proposal of three equally sized unitary authorities, each serving populations of c400k people. The Council's website provides information about the proposal, feedback to date and frequently asked questions. There is also a website "North City South" which specifically focuses on the LGR proposal. The draft proposals were shared with the public for feedback. A key piece of feedback which has been taken on board was strong opposition to expanding the city council's boundary and therefore the draft proposal reflects this.

Figure 3: Proposed LGR three unitary authorities

Source: *blaby.gov.uk*



Value for money: governance

Counter fraud

The Council has published policies on their website covering anti fraud and corruption, whistle blowing, and anti money laundering. No instances were brought to our attention in relation to these areas which concerned the arrangements for 2024/25.

Code of conduct and registering interests

A Members code of conduct is published on the Council's website and an Officers' code of conduct is included within the Council's Constitution, which is also published on the website. This sets clear expectations for behaviour and general conduct. The Council have also published their procedures for how to make complaints on their website; these are dealt with by the Council's Monitoring Officer (MO) and no significant issues were brought to our attention through discussion with the MO.

The code of conduct also sets out the requirement for disclosing interests. We also note that conflicts of interest are a standing item on the agenda for committee meetings. From our discussion with the MO, we noted that declarations of interest are required when a member or officer first takes office and they are required to update these if/as they change. The Council are in the process of making this more electronic and we note that annual declarations are not required. There is therefore a risk that omissions in declarations could occur causing the Council to be unable to consider these interests appropriately. We have made an "other" recommendation in relation to this.

Monitoring of performance

As noted in our commentary under 'financial sustainability', regular reporting occurs throughout the year to Cabinet on the Council's financial position. This is done through quarterly reports such as; quarter 3 capital programme review, quarter 3 treasury management update and quarter 3 budget review. These are considered to provide the committee with the appropriate level of information and are reported in a timely manner.

Summary

We have not identified any significant weaknesses in the Council's arrangements. The Council has effective arrangements in place for overseeing the Council's performance, identifying risks to achievement of its objectives and taking key decisions.

We have made one "other" recommendation in relation to this area as follows:

- 1. We recommend that declarations of interest are required to be confirmed with members and officers each year. This would reduce the risk of any omissions of declarations.*

Value for money: improving economy, efficiency and effectiveness

This relates to how the Council seeks to improve its systems so that it can deliver more for the resources that are available to it.

We considered the following areas:

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

Partnership working

The Council works with a number of partners to deliver services. These include Joint Community Safety Partnership, Blaby District Tourism Partnership, Lightbulb, The Housing Enablement Team, and The Leicestershire Building Control Partnership. A number of these partnerships are led by Blaby District Council and involve other councils within Leicestershire. A number of actions from these partnerships were included within the Council's Action Plan for 2024/25, including reviewing the role and governance of the Lightbulb service and delivering the Tourism Growth Plan.

In 2024/25, the Council made the decision to move away from their outsourced IT function with Hinckley and Bosworth Borough Council and decided to bring this function in house during 2025/26. This decision was made to stabilise the provision and also realise cost savings as part of wider transformational plans. This was reported in their annual governance statement as a decision to "provide BDC a complete level of assurance, influence and decision making to meet its digital aspirations for ongoing transformation of services and accelerate BDC towards achieving the ambitions of the Blaby District Plan adopted in 2023." It also forms part of their Corporate Action Plan for 2025/26. This is evidence that Blaby District Council have been proactive in managing partnerships where they are not realising expected benefit. The IT function came back in-house in July 2025.

Complaints, complements and comments

The Council have published on their website how complaints can be made. This outlines what a complaint is as well as how to make a complaint. There are also documents published outlining the policy for this as well as policies around behaviour, comments and compliments. Complaints are, in most cases, handled by the Monitoring Officer. We have been informed that Blaby has seen a low level of complaints during 2024/25. In addition, we have considered the information available on the Local Government & Social Care Ombudsman's (LGO) website which sets out each local authority's statistics for 2024/25 in terms of complaints. For Blaby District Council, 13 complaints were dealt with by the LGO. 12 of these were either not investigated due to the law not allowing the LGO to investigate or being brought to the LGO before the Council were given chance to consider it. This meant only one was investigated, this was upheld and the LGO noted that the Council did not provide a satisfactory remedy before it reached the LGO. However, the Council has complied with the LGO's recommendations in this case which was to apologise, provide financial remedy and consider service improvements.

Value for money: improving economy, efficiency and effectiveness

Corporate Plan

The Council have a Corporate Plan titled “Blaby District Plan 2024 – 2028”, alongside this a “Corporate Action Plan 2024/25” was in place during the financial year, which aligned to the overall corporate plan. A progress report highlighting key actions and priorities was taken to full Council in November 2024 in a report titled “Corporate Action Plan 2024-25 Mid-Year Progress Report”. This progress report did not highlight any issues with delivery against the plan.

The Corporate Action Plan 2025/26 outlines specific projects planned for the forthcoming period that will contribute towards the delivery of the Blaby District Plan. The plan includes focus on ensuring financial sustainability, which includes monitoring the adequacy of reserves and approach to identifying savings to close the forecast budget gap. This plan includes expected completion dates and lead officers.

This was taken to full Council in April 2025 for approval and recognised that the plan includes some longer-term endeavours and the additional challenge presented by local government reform.

Capital programme

The Council’s Capital Programme for 2024/25 was approved by Council in February 2024 as part of the 5-year rolling capital plan. The programme for 2024/25 set out a budget of £3.827m. As is usual with most Councils, unspent capital budgets from previous years are often reprofiled into the next financial year and beyond where delays have taken place. This was the case for Blaby District Council, increasing the 2024/25 capital programme by £6.823m, to £10.650m. The final capital position for 2024/25 landed at a spend of £4.609m, which is 57% of the total revised budgeted spend. This was reported to Cabinet in June 2025 as part of the Financial Performance 2024/25 report. This included detailed explanations on a number of projects totalling £5.5m of the underspend. The largest of these were; £970k for food waste vehicles which were yet to be delivered at year end, £805k for three new waste collection vehicles which are expected for delivery in 2025/26 and £682k for purchasing dwellings to help reduce homelessness pressure for which the sale has not yet gone through.

As a result, the 2025/26 capital programme was revised as part of the quarter 1 Capital Programme Review 2025/26 which was reported to Cabinet in September 2025. This set out an increase from the original capital budget for 2025/26 of £1.423m to £7.438m, an increase of £6.016m. Capital monitoring is reported quarterly and decisions around changes to budgets are considered as part of these monitoring reports.

Procurement

The Council ensure compliance with procurement legislation by outsourcing their procurement to Welland Procurement who specialise in procurement provision. This is a shared service arrangements which is hosted by Melton Borough Council. Welland Procurement support other authorities in Leicestershire, Rutland, Nottinghamshire and Lincolnshire.



Value for money: improving economy, efficiency and effectiveness

Wider involvement

The Council ensure they are involved with wider discussions and conversations within Leicestershire. The s151 officer meets regular with other s151 officers in the county to discuss emerging issues. The Monitoring Officer also meets with other monitoring officers in Leicestershire on a monthly basis. There is now a greater LGR focus to these meetings. An example of working collaboratively with a view to these future changes is the Council looking to align their procedure for complaints with other Councils in readiness for LGR.

Summary

We have not identified any significant weaknesses in the Council's arrangements. The Council has effective arrangements in place for using financial and performance information to make informed decisions for improving the way it manages and delivers services and working with partnerships effectively.

Recommendations

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Value for money: other recommendations

The other recommendations made are set out below. Our detailed commentary is set out in this Auditor’s Annual Report.

Observation	Criteria	Other recommendation
Declarations of interest Declarations of interest are required when a member or officer first takes office and they are required to update these if/as they change. However, annual declarations are not required and therefore there is a risk that omissions in declarations could occur causing the Council to be unable to consider these interests appropriately.	Governance	We recommend that declarations of interest are required to be confirmed with members and officers each year. This would reduce the risk of any omissions of declarations.

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Value for money: follow up of prior recommendations

The recommendations we made in previous years are set out below, together with actions taken by the Authority in 2024/25 to address them. Our detailed commentary is set out in this Auditor’s Annual Report. These were all “other” recommendations.

Observation previously reported	Criteria	Recommendation previously made	Financial year raised	Auditor update 2024/25	Closed?
Medium Term Financial Strategy We noted that the predecessor auditor raised a recommendation in relation to continuing to plan to close future financial budget gaps. They reported that “the 2023/24 MTFS identifies a funding gap of £0.166 million for 2023/24 and £1.097 million for 2024/25. There are larger funding gaps from 2025/26, mainly due to the uncertainty over future funding and the Council’s prudent approach to budgeting.”	Financial sustainability	We recommend the Council continues planning and implementing actions to close future financial budget gaps identified in the Medium-Term Financial Strategy.	2023/24 2022/23 (predecessor auditor)	The Council continue to review annually the budget gaps identified in the Medium- Term Financial Strategy and put in place plans to address and close the budget gaps.	Yes.
CIPFA guidance for Audit Committees CIPFA guidance, titled “CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2022” states that to discharge responsibilities effectively, the committee should include regular attendees. The Council complies with this guidance, except for having regular attendance from the Chief Executive.	Governance	We recommend that consideration is made to the CIPFA guidance suggesting the Chief Executive should be a regular attendee at the Audit and Corporate Governance Committee.	2023/24	The invitation for Audit and Corporate Governance Committee meetings has been extended to include the Chief Executive, and they will attend when able to.	Yes



