

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 34

Subject: Auditor's Annual Report (Value for Money) Year ending 31 March 2024 (2023/24)

Date of meeting: 28 January 2025

Report of: Grant Thornton (External Audit)

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The external auditor's (Grant Thornton's) Annual Report for the year ending 31 March 2024 reports on the council's value for money arrangements including an assessment of financial and governance arrangements. The Auditor's Annual Report on Brighton & Hove City Council Year ending 31 March 2024 is attached at Appendix 1. It should be noted that the report is an interim report at this time and will be issued as final on completion of the parallel financial statement audit.

2. Recommendations

2.1 That the Audit, Standards & General Purposes Committee notes the Auditor's Annual Report (Value For Money) for the financial year ending 31 March 2024.

3. Context and background information

3.1 Each year, the external auditor is required to consider whether the authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources i.e. securing value for money. Following this annual review process, the external auditor issues their Auditor's Annual Report (AAR) with recommendations for improvement based on their findings. Full details of the process and the auditor's responsibilities are set out in their report at Appendix 1. The report complements the Audit Findings Report which provides information on the outcome of the annual audit of the council's financial statements.

3.2 The AAR review considers three main areas which cover financial sustainability, governance and arrangements for securing economy, efficiency and effectiveness in the use of resources. Appendix B (An Explanatory note on the recommendations) within Appendix 1 sets out three types of recommendations that can be made by the external auditors in this report which are:

- **Statutory** – written recommendations to which the council is required to discuss and respond publicly to the report.
- **Key** – recommendations where significant weaknesses have been identified requiring a management response.
- **Improvement** – recommendations which are not a result of identifying significant weaknesses, also requiring a management response.

The auditor can also issue specific reports in the Public Interest in cases where there are serious governance, financial, fraud or other weaknesses identified.

- 3.3 For the first category, statutory, there were no recommendations raised. However, there are 3 ‘key’ recommendations and Red-rated areas of significant weakness identified on page 7 of their report. The auditor notes that due to the scale of the council’s financial challenge, including large annual savings requirements, alongside relatively low levels of reserves and a focus on addressing short-term budget shortfalls, albeit driven by short-term government financial settlements, financial sustainability remains a significant weakness.
- 3.4 For the year under review, 2023/24, low compliance with the requirements of the Housing Regulator and the severe behavioural challenges identified by the King’s Counsel investigation into the CityClean service have also led to judgements of significant weakness in value for money and governance respectively. The report identifies that the latter has been substantially addressed while a clear plan and response is in place regarding addressing housing regulatory compliance. However, the auditor has recommended that progress reports and lessons learned are formally reported to members as soon as practicably possible.
- 3.5 As noted, for the third year there is a ‘key’ recommendation highlighting a continuing ‘significant weakness’ in the council’s financial sustainability. It is important to note that the majority of UK local authorities are facing similar challenges, particularly unitary authorities outside of London. While the council has put in place a budget setting process to work toward development of a 4-year Medium Term Financial Plan, the sector is again hampered by the late announcement of a one-year financial settlement with only a 3.5% uplift. However, more positively, the government has simultaneously issued a consultation on proposals for addressing the challenges of Local Government Finance and has given a promise of a multi-year funding announcement in Spring 2025 together with the recent announcement of its devolution plans, also aimed at improving financial sustainability of the sector.
- 3.6 There are 8 other improvement recommendations made to which management has responded positively.

4. Analysis and consideration of alternative options

- 4.1 The annual Value for Money review and provision of an external Auditor's Annual Report is a statutory requirement for local authorities.

5. Community engagement and consultation

- 5.1 The review must be published and considered by an appropriate committee of the council which in Brighton & Hove City Council is the Audit, Standards & General Purposes Committee. This ensures that the auditor's findings are publicly available on the council's website. The auditor also has statutory powers to bring other information and reports to the public's attention, for example Public Interest reports, where this is warranted.

6. Conclusion

- 6.1 This report and appendix are for noting. The report contains improvement recommendations which the council has responded to positively and views as an important part of providing assurance over its financial, governance and performance arrangements and in helping the council to identify continuous improvement.

7. Financial implications

- 7.1 There are no direct financial implications arising from this report.

Finance officer consulted: Nigel Manvell Date consulted: 28/12/2014

8. Legal implications

- 8.1 The Local Audit and Accountability Act 2014 makes it a requirement that the council's external auditors consider whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (securing value for money). This committee is the appropriate body for the consideration of this report by elected members of the council.

Lawyer consulted: Date consulted:

9. Equalities implications

- 9.1 There are no direct equalities implications arising from the report.

10. Sustainability implications

- 10.1 There are none identified.

11. Other Implications

- 11.1 There are none identified.

Supporting Documentation

Appendices

Appendix 1: Auditor's Annual Report on Brighton & Hove City Council 2023/24