

Brighton & Hove City Council

Audit, Standards & General Purposes Committee

Agenda Item 48

Subject: External Auditor's Annual Report (Value for Money) Year ending 31 March 2025 (2024/25)

Date of meeting: 27 January 2026

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 2025 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 2025 is attached at Appendix 1.

2. Recommendations

- 2.1 That Committee notes the Auditor's Annual Report (Value For Money) for the financial year ending 31 March 2025.

3. Context and background information

- 3.1 Each year, the external auditor is required to consider whether the council 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 whilst the council is taking steps to manage its financial position, financial sustainability remains a significant weakness. This is due to the scale of the council's financial challenge, including the need to deliver large annual savings requirements. For the year under review, transformation plans were not significantly in place at a scale that addresses the budget shortfalls.
- 3.4 For the year under review, 2024/25, the existing significant weaknesses in both value for money and governance have remained as a result of ongoing weaknesses in relation to compliance with the requirements of the Housing Regulator and governance issues within Environmental Services. The report does acknowledge that progress has been made in both of these areas. The report also outlines key improvements that have been made in strengthening governance with the introduction of a Leader and Cabinet System, development of the Corporate Leadership Plan and starting to become a learning organisation.
- 3.5 The report identifies that housing regulatory compliance has been substantially addressed, but full compliance will not be expected until 2026.
- 3.6 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 financial challenges. Demand pressures are acute for most Councils across the country, particularly in children's and adults social care, home to school transport/SEND and emergency and temporary accommodation. All of these pressures exist in Brighton and Hove, particularly in respect of emergency and temporary accommodation.
- 3.7 The Council is making progress in its Transformation Plans to achieve a 4 year balanced Medium Term Financial Plan and this will be reported to Cabinet in February. Additionally, the government has moved back to a multi-year settlement which will provide greater certainty for the sector and assist in better medium term planning towards financial sustainability.

- 3.8 There are three key recommendations (as outlined above) and four improvement recommendations made. Management has provided responses for actions to be taken against recommendations.

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 at 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. Financial implications

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

Name of finance officer consulted: Haley Woollard
Date consulted: 19/12/25

7. Legal implications

- 7.1 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

Name of lawyer consulted: Victoria Simpson Date consulted:
(22/12/2025):

8. Risk implications

- 8.1 There are no direct risk implications from this report.

9. Equalities implications

- 9.1 There are no direct equalities implications from this report.

10. Sustainability implications

- 10.1 There are no direct sustainability implications from this report.

11. Conclusion

- 11.1 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 helping the council to identify continuous improvement

Supporting Documentation

1. Appendices

1. Auditor's Annual Report on Brighton & Hove City Council 2024/25