

Basingstoke and Deane Borough Council

Auditor's Annual Report
Year ended 31 March 2025
February 2026



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Audit and Accounts Committee
Basingstoke and Deane Borough Council
Civic Offices, London Road
Basingstoke
Hampshire
RG21 4AH

February 2026

Dear Audit and Accounts Committee Members,

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Basingstoke and Deane Borough Council (the 'Council'). This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25.

This report is intended to draw to the attention of the Council any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Andrew Brittain

Partner,

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The **Statement of responsibilities** serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Accounts Committee and management of Basingstoke and Deane Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee and management of Basingstoke and Deane Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Accounts Committee and management of Basingstoke and Deane Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Basingstoke and Deane Borough Council and the public, detailing current recommendations and a review of prior years' actions (where applicable), including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 30 April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of Basingstoke and Deane Borough Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in Basingstoke and Deane Borough Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of Basingstoke and Deane Borough Council

The Council is responsible for the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions

Financial statements	<p>As reported in our 21 February 2025 Audit Results Report we issued a disclaimer of opinion on the Basingstoke and Deane Borough Council's 2023/24 financial statements and 2022/23 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements.</p> <p>Taking into account the requirement to conclude our work by the 2024/25 backstop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. As a result, we have issued a qualified 2024/25 audit opinion on 12 February 2026. This is consistent with LARRIG01 and the illustrative timescale for progress to full assurance, which sets out that there is potential for qualified except for, but more likely to be disclaimed.</p>
Going concern	Our conclusions on GC have been included within our audit opinion with no issues identified.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.

Executive Summary (cont'd)

2024/25 conclusions (cont'd)

Additional powers and duties	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will be able to issue our certificate once the NAO have confirmed whether there are any additional group audit procedures required as part of the Whole of Government Accounts submission.

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

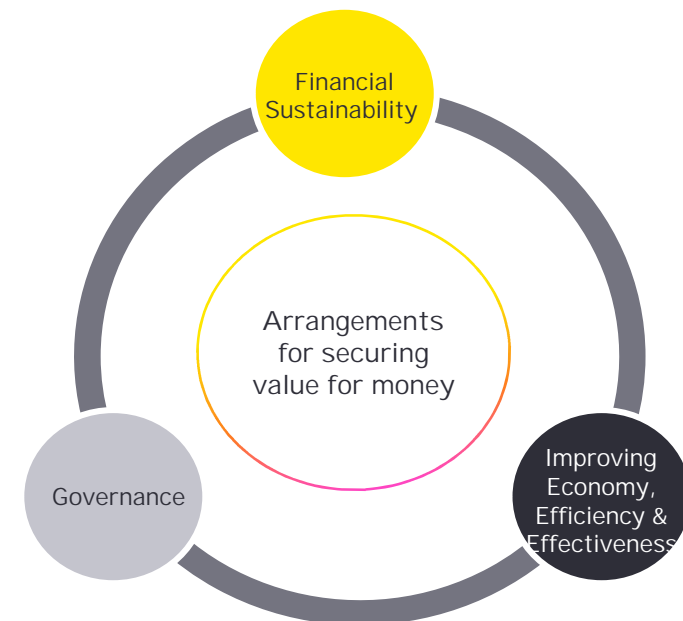
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified 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.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the Chief Finance Officer;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
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	No significant risks identified	No significant weakness identified

Executive Summary (cont'd)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2025:

[EY UK 2025 Transparency Report](#)



02 Audit of financial statements

Audit of financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is complete. Our findings and conclusions have been reported in our final 24/25 Audit Results Report.

Financial statement risks

Areas of Audit Focus

Conclusion

Misstatements due to fraud or error –
Management override of controls

We did not identify any material weaknesses in the recognition of expenditure. We have not identified any instances of inappropriate judgements or estimates being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Misstatements due to fraud or error –
capitalisation of revenue expenditure

Our work did not identify any material weaknesses in controls or evidence of material management override concerning the capitalisation of revenue expenditure.

Misstatements due to fraud or error –
inappropriate recognition of rental income

Our work did not identify any material weaknesses in controls or evidence of material management override concerning the recognition of rental income. Our work did not identify any instances of inappropriate judgements being applied.

Valuation of Property, Plant and Equipment
(PPE) and Investment Properties (IP)

We completed our planned in-year procedures. One error of £935k was corrected regarding the understatement of an investment property following valuation and one of £110k relating to overstatement in the same manner. One error remains uncorrected of £675k that relates to a judgemental difference in valuation assumptions.

Audit of financial statements (cont'd)

Financial statement risks

Areas of Audit Focus

Conclusion

Disposal of Land and accounting treatment for MCG LLP Joint Venture

We have completed our planned procedures. We have agreed and finalised the adjustments that needed to be made relating to the disposal of land and accounting treatment for MCG LLP. This resulted in adjustments of £1,341k to reflect the fair value of an interest-free loan; £194k recognised for the unwinding of the discount; and £1,395k to recognise the present value of the obligation following the disposal of the Manydown North land and corresponding changes to financing and investment income.

We engaged our internal pensions specialists for their review of the roll-forward of the Local Government Pension Scheme. Their work identified a material misstatement in the gross pensions liability figure as reported as at year end, due to errors in the demographic assumptions and inflation experience figures used by the Actuary. This was not an error by the Council. The impact was a £6.1m overstatement of the net pension liability.

Pension Liability Valuation

The Council obtained an updated IAS 19 Report from the Actuary and posted the necessary adjustments through the financial statements. One judgemental difference remains unadjusted arising from the Goodwin case of £191k.

We received the report from the Hampshire Pension Fund audit team in relation to their assurances over the information supplied to the actuary to enable the calculation of the valuation of the gross pension asset and liability at year end.

No other issues were identified as a result of this work.

IFRS 16 – Leases

No issues were identified through the completion of our planned procedures.

Audit of financial statements

Financial Statement reporting assessment

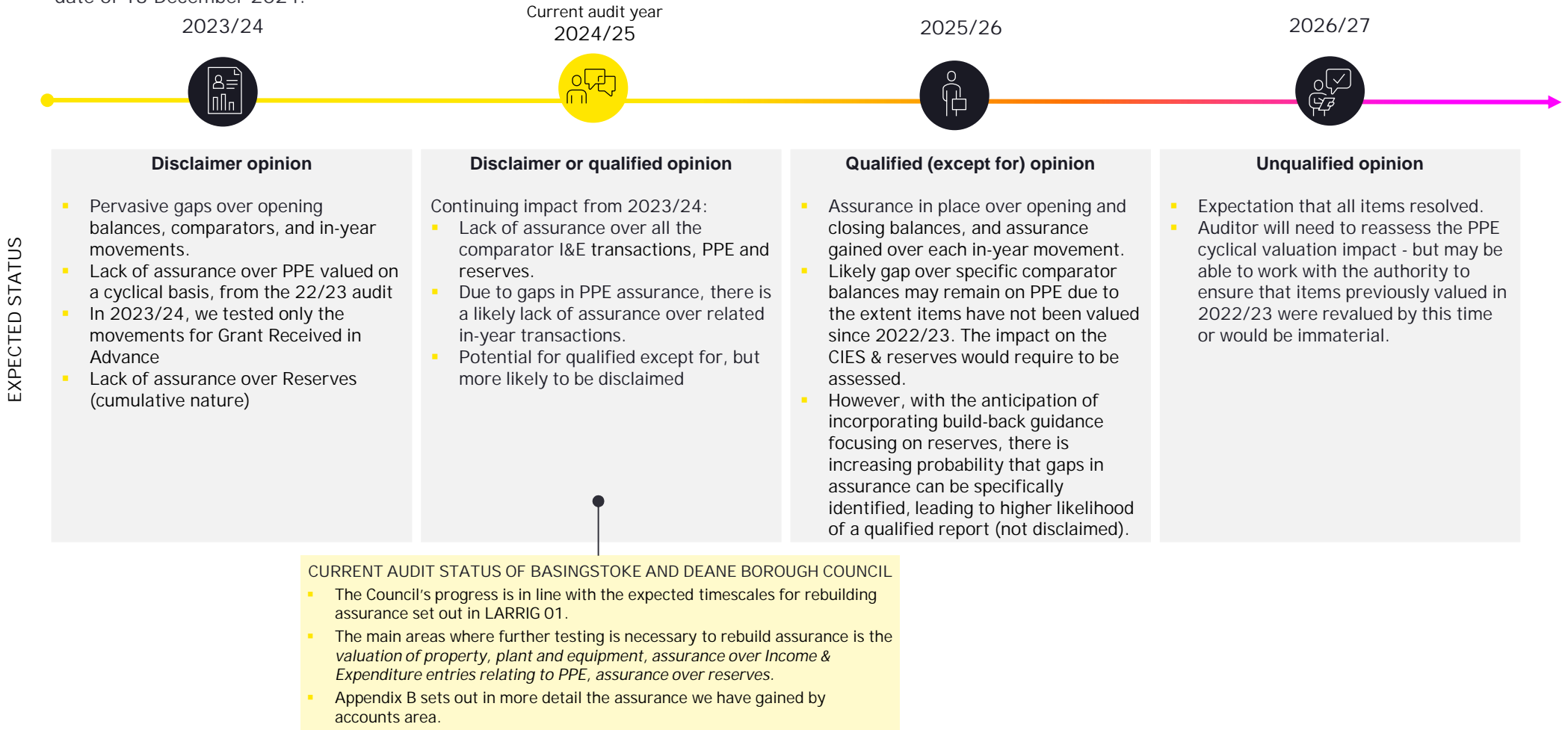
Management, and the Audit and Accounts Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Area	Status			Explanation
	R	A	G	
Timeliness of the financial statements	Effective			The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the financial statements	Effective			Whilst some errors were identified in the financial statements, we did not identify a significant number of material internal inconsistencies or arithmetic errors in the financial statements that should have been detected through internal quality review prior to publication. The typographical errors were not fundamental to the understanding of users of the financial statements.
Delivery of working papers in accordance with agreed client assistance schedule	Requires Improvement			Working papers were generally provided to the agreed timetable. We had some delays with regards to debtors and creditors listings which delayed our sampling and testing.
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Effective			The quality of evidence and explanations to support key accounting estimates was generally of a good standard and was provided on a timely basis for the valuation of PPE and IP assets. However, we have had several requests for clarification ongoing in relation to a few assets between our EY Real Estates team and Montagu Evans which has resulted in additional time taken.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			Some delays were experienced in relation to some audit requests, however overall, there were no major issues with access to the finance team and key personnel.
Volume and value of identified misstatements	Effective			A number of material misstatements were detected as a result of our work which have been corrected by management.
Volume of misstatements in disclosures	Requires Improvement			A larger than expected number of misstatements in disclosures were detected as a result of our work, particularly in relation to Group/Manydown disclosures. We acknowledge that this is the first year of BDBC preparing Group Accounts and that the nature of the transactions are not straightforward. The finance team have collaborated well with the audit team to work through the necessary adjustments.

Audit of financial statements

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.





03 Value for Money commentary

Value for Money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Our responsibilities

Under the revised NAO Code we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified	Other matters identified
 <p>Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	<ul style="list-style-type: none"> No risk of significant weakness identified. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> None identified.
 <p>Governance How the Council ensures that it makes informed decisions and properly manages its risks.</p>	<ul style="list-style-type: none"> No risk of significant weakness identified. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> None identified.
 <p>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.</p>	<ul style="list-style-type: none"> No risk of significant weakness identified. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> None identified.



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

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

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for financial sustainability. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.



Financial Sustainability considerations

Medium Term Financial Strategy

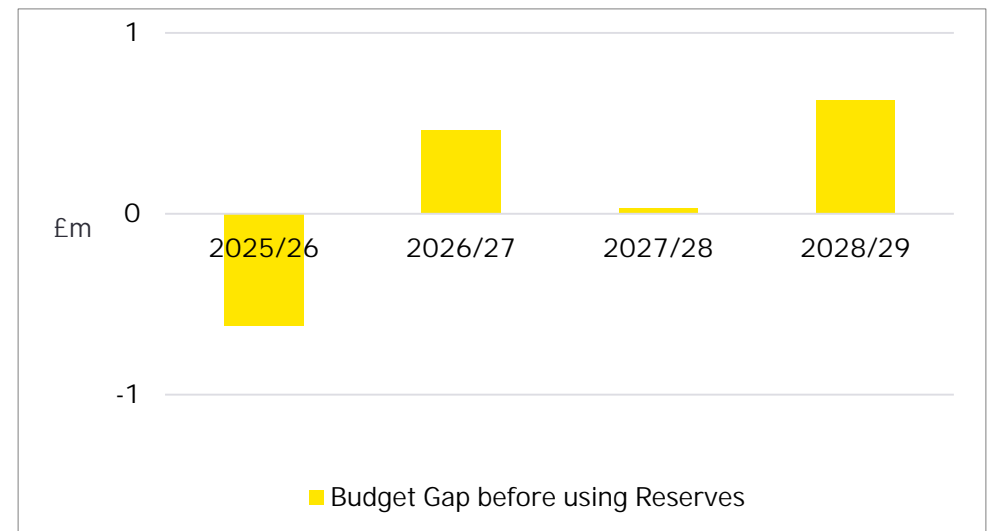
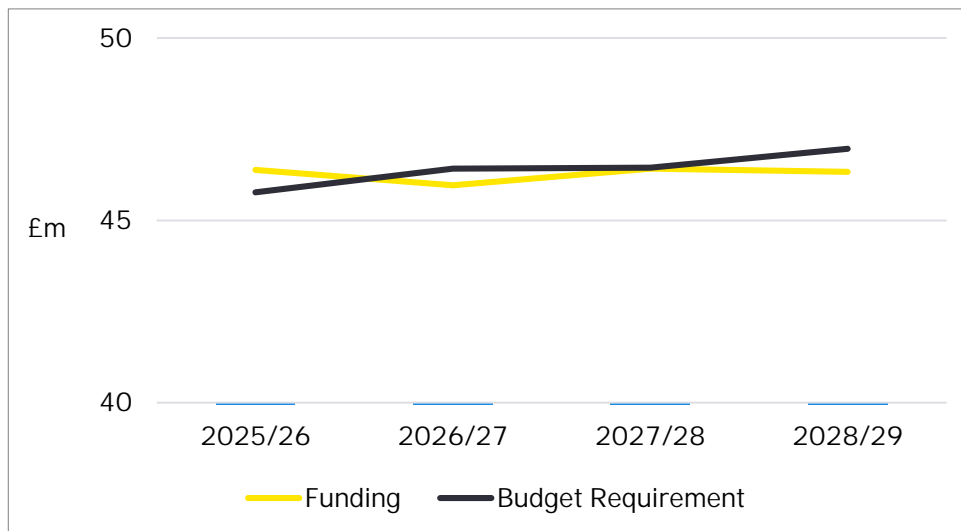
The Medium Term Financial Strategy (MTFS) sets the strategic framework for achieving long-term financial sustainability; it was approved by Council on 27 February 2025. It supports delivery of the Council Plan's priorities over four years in a cost-effective way. By forecasting the council's financial position, it enables robust planning that considers key pressures, major financial challenges, and economic influences at all levels, alongside local priorities. It is closely linked to the Capital Programme Strategy and Treasury Management Strategy to guide the delivery of the objectives for the borough.

The Council has used a number of scenarios to plan for the future, and prepared the MTFS based on the following key assumptions:

- The Council will increase council tax by the higher of £5 or 2.99% each year;
- Contributions from revenue to fund capital expenditure of £4 million per year in all years of the MTFS.
- Current planning assumption that pay award increases will by 3% in 2025/26, reducing to 2% from 2026/27 onwards.
- For interest rates, the base rate remains at 4.75% until March 2025 when it reduces gradually to 4% by September 2025, with a further reduction to 3.5% for the remainder of the MTFS period.

Exhibit A, below outlines that the Council anticipate a budget gap of £2.9 million by 2028/29.

Exhibit A: The Council's MTFP outlines a cumulative gap of £0.5 million by 2028/29 before using revenue budget to finance future capital spend and use of reserves to close the gap.





Financial Sustainability considerations

Budget Monitoring

Budget monitoring reports are critical for those charged with governance to make decisions about the prioritisation of resources. Exhibit B below highlights the projected underspend against service budgets for Quarter 1 of 2025/26 which was presented to Cabinet on 07 October 2025.

The revenue position for the first quarter of the year shows a favourable variance of £0.06m against the latest approved budget for 2025/26. The forecast position excludes additional grants that the Council may receive under the Extended Producer Responsibility scheme to support increased recycling in the borough of potentially £1m.

While there have been favourable variances relating to Interest and Investment Income of £0.64m, this has been offset by increases of £0.84m against budget in Resident Services due to Household Waste Collection. The Council provides detailed explanations of variances against budget in its quarterly revenue monitoring reports. Overall, the Council's financial outlook at Q1 is robust, but ongoing monitoring of pressures remains essential.

We have no recommendations to make regarding budget monitoring arrangements. While the Council faces medium-term challenges, including a projected funding gap of £2.9m by 2028/29, its approach, comprising regular monitoring, prudent use of reserves, and a multi-pronged savings strategy, provides a reasonable basis for maintaining financial resilience. Continued focus on delivering planned savings and managing emerging risks will be critical.



Financial Sustainability considerations

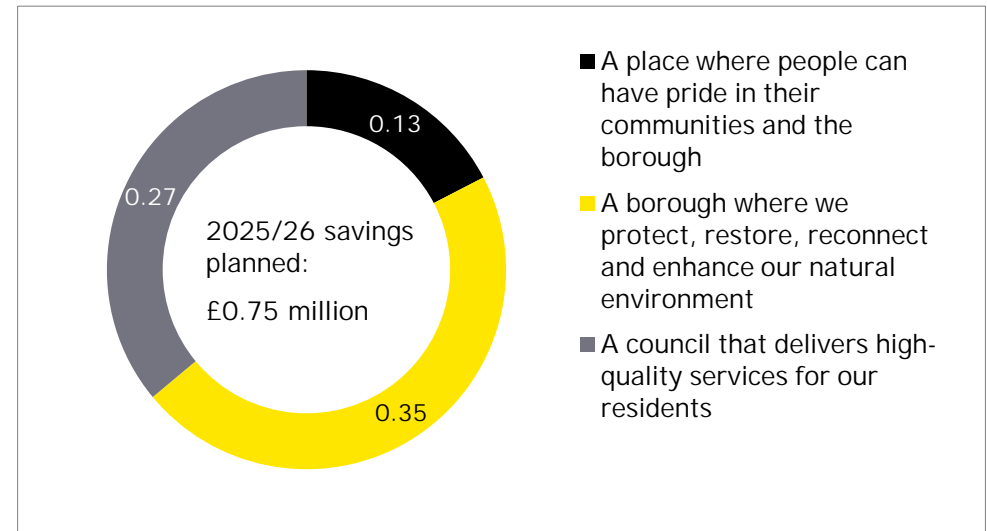
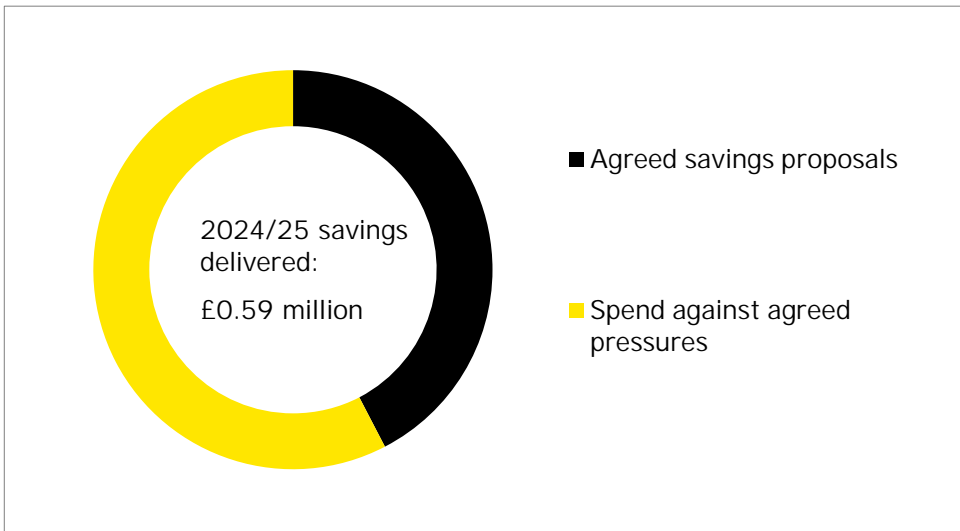
Savings plans

The Councils budget in 24/25 relied on the full delivery of the £0.25m savings proposals set out in the Medium Term Financial Strategy (MTFS). There was also lower than expected spend on agreed spending pressures, totalling £4.11m versus the £4.45m in the budget mainly related to favourable variances against free bulky waste collections which was not implemented and favourable variance against Local Plan resources which did not happen due to changed Government Policy. Overall, this results in a net saving of £0.59m.

Exhibit C, below outlines that the Council plan to deliver £0.75 million savings in 2025/26.

It should be also noted that within the MTFS, the Council has proposed additional income of £0.48m for 25/26 as well as the savings of £0.75m. This has been offset by forecasted additional cost pressures of £3.39m in 25/26 leaving a gap of £2.16m in 2025/26.

Exhibit B: The Council delivered £0.59 million of savings in 2024/25, and expects to deliver a further £0.75 million in 2025/26





Financial Sustainability considerations

Reserves position

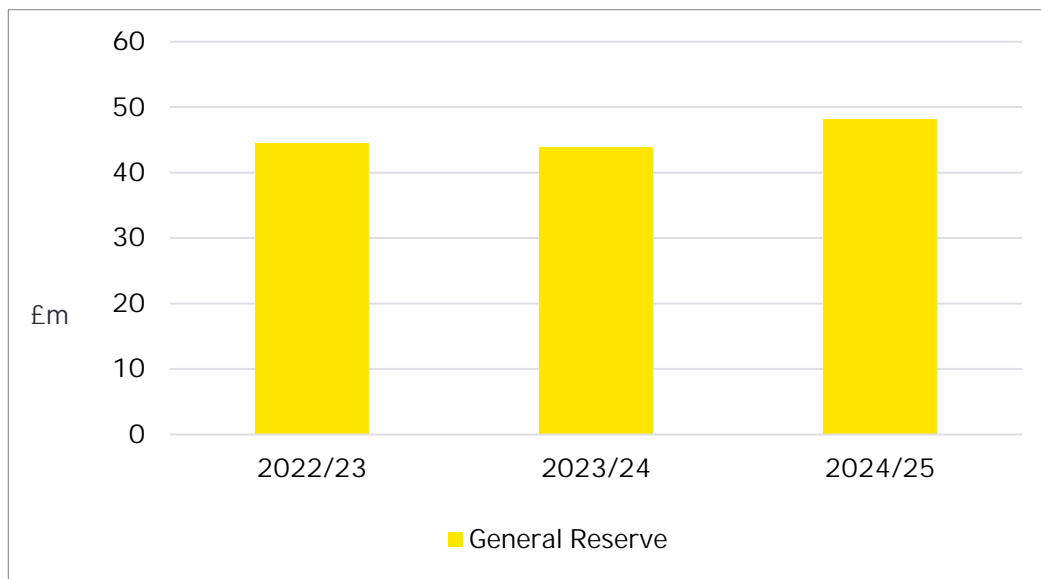
Basingstoke and Deane Borough Council consider their reserves and reserves forecast as part of their MTFS and budget setting. The Council plans to maintain the general reserve at £1.5m which equates to 3.3% of the Net Direct Cost of Services. The required level of balance is determined by assessing the level of risk the council faces taking into account consideration both risk and affordability.

The council's cash resources are forecast to fall from £111.8m in 24/25 to £45.9m by 2028/29 as capital receipts, contributions and reserves are used to finance the capital programme and revenue reserves are used to support the revenue budget. In terms of reserves, the Council's General Fund Balance (including earmarked reserves) is forecast to fall from £48.2m in 24/25 to £21.8m in 2028/29.

A view is taken each year on maintaining and strengthening reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside.

Overall, the trend has been positive with reserves being maintained, which suggests prudent financial management – though future pressures (e.g., funding changes, cost inflation) remain relevant.

Exhibit C: The Council's General Fund Balance (including earmarked reserves) continued to increase marginally.





Financial Sustainability considerations

Outturn position

Basingstoke and Deane Borough Council delivered a £1.09m surplus for the financial year 2024/25, an improvement on the previously forecast balanced position. This surplus has been transferred to reserves to for future use, £0.80m to the Budget Carry Forward Reserve and £0.29m to the MTFS Risk Reserve. The budget set included known budget pressures, budget savings, funding assumptions and proposed use of reserves.

The financial outturn reflects full delivery of the £0.25m savings proposals set out in the Medium Term Financial Strategy (MTFS) and lower than expected spend on agreed spending pressures, totalling £4.11m. Overall, this results in a net saving of £0.59m. It should be noted that some favourable variances are a result of not being able to progress some planned programmes.

Other notable favourable variances include:

- Treasury management investment income - £0.57m favourable
- Government Grants - £0.31m favourable variance (including additional new burdens grants)
- Kerbside recycling and Bring Back Sites £0.54m favourable (increased tonnages and favourable wholesale market prices)
- Car parking income £0.27m favourable due to improved demand.

Exhibit D: The Council recorded an overall underspend of £1.09m against budget in 2024/25

Title	Budget £m	Expenditure/(Income) £m	(Underspend) /Overspend £m
A place where people can have pride in their communities and the borough	3.54	3.61	0.07
A borough where we protect, restore, reconnect and enhance our natural environment	6.02	5.48	(0.54)
A council that delivers high-quality services for our residents	(0.60)	(0.38)	0.22
Other Council Plan Priorities	35.1	34.68	(0.42)
Corporate Income/Approved Movement in Reserves	(44.06)	(44.48)	(0.56)
Total	0	(1.09)	(1.09)



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body 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 body 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 body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's governance arrangements. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks.



Governance considerations

Annual Governance Statement

The Annual Governance Statement (AGS) details the effectiveness and compliance with the governance structure at the end of each financial year. The (AGS) is prepared in accordance with the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government (2016) – and meets the statutory requirement under the Accounts and Audit Regulations 2015. Basingstoke and Deane Borough Council confirms that its governance arrangements are designed to ensure lawful, transparent, and accountable decision-making, safeguarding public money and promoting continuous improvement. The governance framework is underpinned by the Local Code of Corporate Governance, which is reviewed and updated as necessary and approved by the Audit and Accounts Committee.

The Annual Governance statement was presented at the June Audit and Accounts Committee, it also highlights governance issues from 2023/24 and the progress to date of these actions to remediate the issues, many of which are the same as the issues to be addressed in 2025/26. This includes:

- Review of Internal Policies
- Financial Management Code
- Constitution review
- Business continuity
- Information Management
- Local Government Transparency Code 2015

Our review confirms that the AGS is consistent with the findings from the audit of the financial statements and the Value for Money assessment. We have not identified any significant weaknesses in the process for preparing the AGS, and the statement appropriately reflects the Council's governance arrangements, areas for improvement, and commitment to continuous enhancement.

Risk Management

The Council recognises the need to identify and understand its key business risks and is committed to ensuring that appropriate arrangements are in place to enable informed risk decision taking, recognising that effective risk management seeks to optimise the balance between risk and reward. The Council operates an established and embedded corporate risk management framework that ensures clear allocation of responsibilities for managing individual risks and alignment of risk management strategy with internal control policies to support the achievement of objectives. The framework is overseen by an independent Audit and Accounts Committee, which provides assurance on risk management and the control environment and makes recommendations that are acted upon.

Risks are assessed and monitored in the Corporate Risk Register, it was last reviewed by the Senior Leadership team in September 2025 (reviewed every 6 months) and presented to the Audit and Accounts Committee at the 29 September meeting. The Committee were notified of an increase in risk score for Cyber, due to the changing context of cyber security threats. Factors considered in identifying risks are: political, social, regulatory, financial, technological, people, reputation, information, environmental.



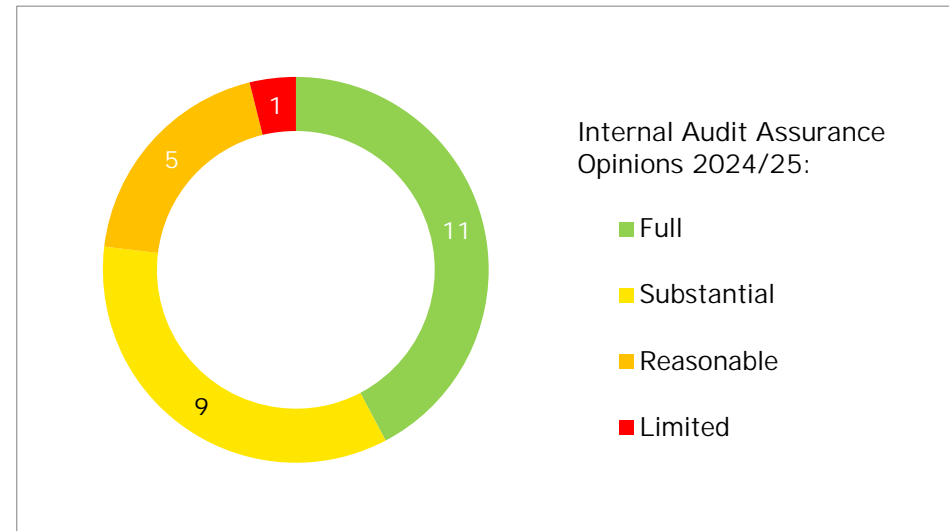
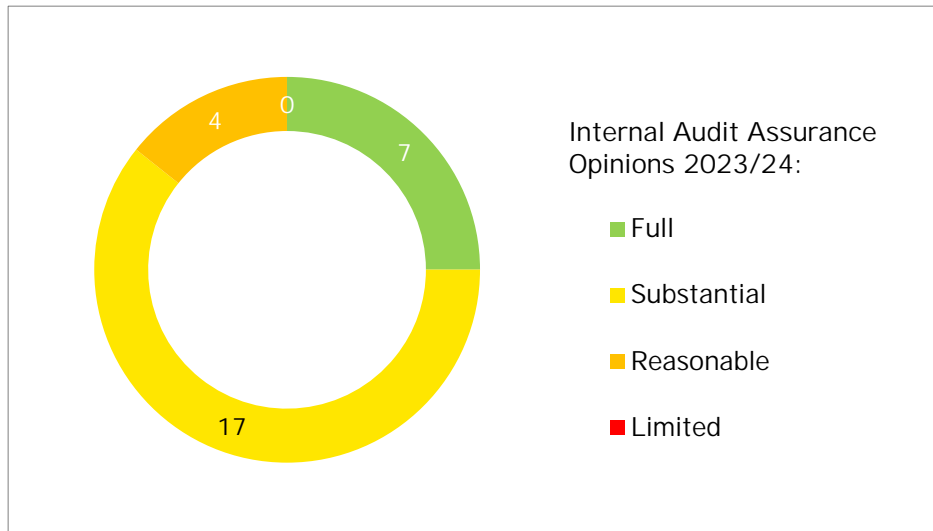
Governance considerations

Internal audit arrangements

Assurance over the effectiveness of internal controls and arrangements to prevent and detect fraud is gained through the Internal Audit function of the Council. The Chief Internal Auditor is required to provide the Chief Executive, Section 151 Officer and the Audit & Accounts Committee with an opinion on the effectiveness of the Council's risk management, control and governance processes. This is done on an annual basis through an annual internal audit report and, in addition, quarterly internal audit progress reports are presented and discussed at the Audit & Accounts Committees taking place during the year.

The internal audit opinion for 2024/25 was substantial assurance. During 24/25 there was one audit assignment that concluded with a 'Limited' assurance level in 2024/25 (Parking Services). We have reviewed each of the Limited Assurance report issued and note that we have not identified any risks relevant to our VFM responsibilities. Substantial assurance was given on the effectiveness of the council's risk management, control and governance processes which enables the council to meet its aims and objectives. No significant weaknesses were identified that would materially impact the Council's ability to deliver its objectives.

Exhibit E: Internal audit's assurance opinions have shown a general improvement since 2023/24





Governance considerations

Informed decision making and member challenge

The Council operates within a well-defined hierarchy for decision-making, progressing through the Senior Leadership Team, Strategic Management Board, Cabinet, and, where necessary, Full Council. Reports and briefing papers are prepared in advance, supported by appropriate evidence, and reviewed by relevant officers and members before being published on the council's website ahead of any decision. All reports follow a standard template that outlines the rationale for the recommended decision, alternative options considered, and details of any consultation undertaken. The template also includes dedicated sections addressing financial, legal, risk management, equalities, climate change, and HR implications.

The Constitution, including the Scheme of Delegation to Officers, sets out how different types of decisions are made, including who has the responsibility for making them and what procedures should be followed. Procedures include publishing committee report on the Council's website in advance of meetings.

The Constitution contains a detailed explanation of roles and responsibilities of each committee which in turn lead to effective working of the Council.

The Monitoring Officer and Chief Finance Officer (s151 Officer) maintain their legal responsibilities to ensure that the Council acts legally and within its financial means and are present at all the executive Committee meetings.

Any key decisions due to be made should be published 28 days prior, to enable wider transparency and opportunities for representation to the decision makers.

The Council rules allow public participation at Council meetings except where personal or confidential matters are disclosed (exempt information). The Audit and Accounts Committee are responsible for providing independent assurance on the adequacy of the risk management and internal control frameworks and oversees financial reporting and annual governance processes as well as overseeing internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.



Governance considerations

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfill statutory duties. According to MHCLG guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorized to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.

Failure to Prevent Fraud legislation

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures.

Basingstoke and Deane Borough Council's Anti Fraud and Corruption Policy has not been specifically reviewed; however they have reviewed the Fraud and Corruption Strategy against the Home Office's Economic Crime and Corporate Transparency Act 2023: Guidance to organisations on the offence of failure to prevent fraud and reference has been made in the strategy to the failure to prevent fraud offence.

There have been no further changes to the strategy as the principles/elements of the fraud prevention framework are already in place. However, Basingstoke and Deane Borough Council are carrying out a larger review of the Fraud and Corruption Risk Register to ensure they have an up-to-date risk assessment. Staff were made aware of the failure to prevent fraud offence as part of Fraud Awareness week in November 2024, and a further (more in depth) session is being presented as part of staff briefings in November 2025.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

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

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

Performance monitoring is undertaken to understand if and how priorities identified in the Council Plan are being achieved with the desired outcomes. The performance is measured through service planning and identification of key performance indicators (KPIs).

The Council has robust processes that continually review, collect data and report financial and non-financial performance to various committees. The Council's Performance Framework lays out what information is reported, the recipients/audience and the purpose of reporting and outcomes to be achieved.

A line-by-line budget review was conducted of budgets as part of the MTFS review and budgeting setting for 2024/25 (and again in 2025/26) which looked at in year spend and identifying areas for future pressures or savings. The Performance report and scorecard is reported to Senior Leadership Team, Cabinet, Performance Panel quarterly and Scrutiny Committee half yearly. This encourages continuous improvement, recognises achievements and identifies any areas requiring further review or action.

The Council also monitors performance through resident surveys and consultations to inform service improvements, and the results of the survey have been published in the Financial Statements for 2024/25; the results have been used as part of budget setting for 2025/26 and future years.

Partnership working

The Council has a Partnership Governance Framework and each partnership is risk assessed to enhance partnership delivery on objectives, help secure value for money and improve stakeholder confidence and trust, whilst ensuring there are no conflicts of interest aspects to entering into the partnership. The Partnership Governance Framework is regularly reviewed to account for changes in regulations and environment.

The Council's most significant partnership relates to the property development joint venture (JV) with Hampshire County Council, Manydown Garden Communities LLP, which has a governance structure in place. Governance and performance reports are presented to partner entities and the Manydown Overview Committee.

The Council has shared services arrangements with Hart District Council, with the most significant one being the waste shared services contract. We note that the Councils have agreed an 8 year extension with Serco from 1 October 2025.

Other engagements with partners are less formally governed but performance monitoring against expectations is still undertaken on a regular basis through established networks. This includes local partnerships that come under the Basingstoke Area Strategic Partnership (BASP), such as the Housing Priority Action Group and Basingstoke Health and Wellbeing Partnership. Regular meetings take place with Council members and officer representations and minutes/actions are published on the BASP website.



Improving economy, efficiency and effectiveness considerations

Procurement and commissioning of services

The Council's Constitution sets out the legal and internal policies for procuring services under contracts and an internal contracts management handbook. The Council also has a dedicated procurement team who oversee all procurement and contracts working with spending departments. Financial regulations and procedures also set out the procedures to be followed once the contract has been awarded and are complied with alongside contract standing orders.

The council operates under a Procurement and Contract Management Strategy, which provides a clear framework for acquiring goods, works, and services at competitive prices. Contracts are advertised on the South East Business Portal and Contracts Finder, ensuring open competition and access to a wide supplier base. The council uses competitive tendering and evaluates bids based on overall value for money, balancing cost with quality and service standards.

The council adopts the Procurement Act 2023 principles, which emphasise transparency, integrity, and equal treatment of suppliers, and evaluation criteria for awarding contracts include quality, reliability, delivery times, technical assistance and ensuring services meet residents' needs. The council's Council Plan (2023–2027) prioritises delivering high-quality services and protecting the environment, which influences procurement decisions (e.g., sustainability requirements in tenders). Performance monitoring and safeguarding requirements are embedded in contracts to ensure compliance.

The council publishes contract opportunities, awarded contracts, and spending data on the Council Website, aligning with the Local Government Transparency Code. Internal Audit also audit contract standing orders and contract management every year as part of their internal audit plan; the last report was presented to the Audit and Accounts Committee in November 2024 and full assurance was given.

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