



North West Leicestershire District Council

Auditor's Annual Report

Years ending 31 March 2024 and 31 March 2025

November 2025

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Headlines from our audit



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 2023/24 and 2024/25. This 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 by the Authority alongside the annual report and accounts.

Our responsibilities

Financial statements	Narrative report and Annual Governance Statement	Value for money
<p>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 in Local Authority Accounting ('the Code').</p> <p>Due to the challenges of undertaking an audit where previous years have been 'disclaimed' because of the local authority backstop, it has not been possible to regain full assurance. It is therefore not possible for us to undertake sufficient work for 2024/25 to support an unmodified audit opinion ahead of the backstop date of 27 February 2026.</p> <p>For 2023/24, we received draft financial statements after the statutory backstop date of 28 February 2025. We therefore intend to disclaim our audit report for both years.</p>	<p>We assess whether the Narrative report and Annual Governance Statement is consistent with our knowledge of the Authority.</p> <p><u>2024/25</u></p> <p>We are unable to conclude the other information included in the statement of accounts is consistent with our knowledge of the Council and the financial statements. This is because we have not yet received the financial statements and AGS and we do not expect to be able to undertake sufficient audit work to reach a conclusion before the statutory backstop date of 27 February 2026.</p> <p><u>2023/24</u></p> <p>We are unable to conclude the other information included in the statement of accounts is consistent with our knowledge of the Council and the financial statements. This is because we received the draft financial statements and AGS after the statutory backstop date of 28 February 2025.</p>	<p>We are required under Section 20(1)c of the Local Audit and Accountability Act 2014 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.</p> <p>We are required to report if we have identified any significant weaknesses as a result of this work.</p> <p>In both 2023/24 and 2024/25, we have identified three 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.</p>



Headlines from our audit

Statutory powers

We may exercise other powers we have under the Local Audit and Accountability Act 2014. These powers include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

Public interest report	Statutory recommendations	Advisory notice	Judicial review	Application to the court
<p>We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.</p> <p>If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.</p> <p><u>2023/24 and 2024/25</u> We have not issued a Public Interest Report during the periods.</p>	<p>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.</p> <p><u>2023/24 and 2024/25</u> We have not made any statutory recommendations during the periods.</p>	<p>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.</p> <p><u>2023/24 and 2024/25</u> We have not issued an advisory notice during the periods.</p>	<p>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.</p> <p><u>2023/24 and 2024/25</u> We did not make an application for judicial review during the periods.</p>	<p>We may apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.</p> <p><u>2023/24 and 2024/25</u> We have not applied to the courts during the periods.</p>



Headlines from our audit

Findings and recommendations

Findings from our financial statements audit	Recommendations arising from our financial statements audit	Key recommendations arising from our value for money work	Other recommendations arising from our value for money work
<p>Detailed findings from our audit of the financial statements, including our consideration of significant risks, will be communicated in the following reports:</p> <ul style="list-style-type: none">• audit opinion on the financial statements for the year ended 31 March 2024 and 31 March 2025.• audit findings (ISA 260) report for 2023/24 and 2024/25 to Those Charged with Governance <p>Our audit findings report for 2023/24 will be reported to the Council’s Audit Committee in November 2025.</p> <p>Our audit findings report for 2024/25 will be reported to the Council’s Audit Committee in February 2026.</p> <p><u>2023/24 and 2024/25</u> Requests for our audit findings (ISA260) reports should be directed to the Council.</p>	<p>Recommendations relating to internal controls and other matters arising from our financial statements work will be contained in the audit findings (ISA 260) report for 2023/24 and 2024/25.</p> <p><u>2023/24 and 2024/25</u> Due to the limited nature of our work performed on the financials statements audit. We have not identified any recommendations which reflect significant weaknesses in the Council’s arrangements to secure economy, efficiency and effectiveness in the Council’s use of resources.</p> <p>We have however raised significant weaknesses arising from our value for money work, which is noted in the box to the right.</p>	<p>We provide a summary of our findings in respect of value for money in the commentary in this report.</p> <p>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.</p> <p>We have made three key recommendations this year as a result of our value for money work. These apply for both the 2023/24 and 2024/25 years.</p>	<p>We make other recommendations if we identify areas for improvement which do not relate to identified significant weaknesses</p> <p>We have made two other (non-key) recommendations this year. These apply for both the 2023/24 and 2024/25 years.</p>



Value for money



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 Practice 2024 and the requirements of 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 concluded there are significant weaknesses in the Council’s arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor’s report will refer to the significant weaknesses in arrangements we have identified.

The table below reflects our assessment for both 2023/24 and 2024/25.

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	Yes
Governance How the body ensures it makes informed decisions and properly manages risk	Yes	Yes	No	Yes	No
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	Yes



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 consider 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
- Interviews as appropriate with other executive officers and management
- Review of Council and committee reports and attendance at audit committee meetings
- Reviewing reports from third parties
- Considering the findings from our audit work on the financial statements
- Review of the Council's Annual Governance Statement and Narrative Report and other publications
- Considering the work of internal audit and the counter fraud function
- Consideration of other sources of external evidence.



Value for money

Overview

North West Leicestershire District Council (the Council) is a district council in Leicestershire. It works with other district and borough councils, local parish and town councils and Leicestershire County Council (which includes Leicestershire Fire and Rescue Service) in a two-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 provides social housing from an in-house Housing Revenue Account and has entered into a number of capital and investment schemes to promote regeneration and attract business to the area. The Council faces, over the medium term, growing financial challenge and increasing uncertainty over its longer-term income predictions, particularly in respect of a potential non-domestic rates reset.

Like all councils and the wider local government sector, the 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, reorganizing multi-tier council areas into a series of unitary authorities with devolved powers at a regional, mayoral level. The changes proposed would impact the 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 North West 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.

The Council has arrangements in place to mitigate the macro-risks posed by the national context and, at present, a strong useable reserves position. 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 for State for Local Government and English Devolution asked all councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. Final detailed proposals are to be submitted in September 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. 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 in respect of the use of reserves and concerns, where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, that these 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 to make sure 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 utilise 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.

Members, and in particular audit committee members, will need to be satisfied that where earmarked reserves are being utilised, they are being utilised 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, in line with the statutory duties placed on key staff. Effective governance and stewardship will remain key, particularly in the operation of the audit committee, delivery of internal audit and execution of the risk management process.



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.

Medium term financial strategy

We have reviewed the medium-term financial strategy (MTFS) which was presented to members in January 2025. We have also reviewed the latest draft MTFS which has been produced to cover financial years 2025/26 to 2027/28, up to the anticipated implementation date for local government reorganisation on 1 April 2028. The updated MTFS is due to be approved by Cabinet in November 2025, therefore our value for money review has been completed using earlier approved versions as well as the draft version provided by the Director of Resources (Section 151 Officer).

The latest draft MTFS identifies funding gaps in 26/27 and 27/28 of £578k and £1,616k respectively. The Council plans to address these by implementing a programme of savings centred around more efficient delivery of services. A funding gap was identified for 2025/26 and the Council has committed to delivering £599k of savings within year. At Q1 2025/26 £19k had been achieved and the Council reported being on track to deliver a further £527k of savings by the year end. We note that £53k of savings identified were reported as at risk of non delivery in Q1. Work is currently underway to identify how savings for 2026/27 and 2027/28 will be realised and are scheduled to be presented to Cabinet members for approval in October 2025.

Whilst savings requirements are being identified by the Council for 26/27 and 27/28, the Council has a healthy level of general fund reserves. Identifying saving requirements to ensure the Council can cover its cost of services annually is considered good practice.

The Council's assumptions within its MTFS are not unreasonable, but we do note there is risk attached to them. The strategy assumes pay increases of 3% in 2025/26, and 2% per annum thereafter. It assumes inflationary increases of 5% on utilities over the life of the MTFS and a general CPI increase of 1.5% in 2025/26, 1.6% in 2026/27 and 1.9% in 2027/28. The MTFS has also included factored in a reduction in income due to the cessation of New Homes Bonus.

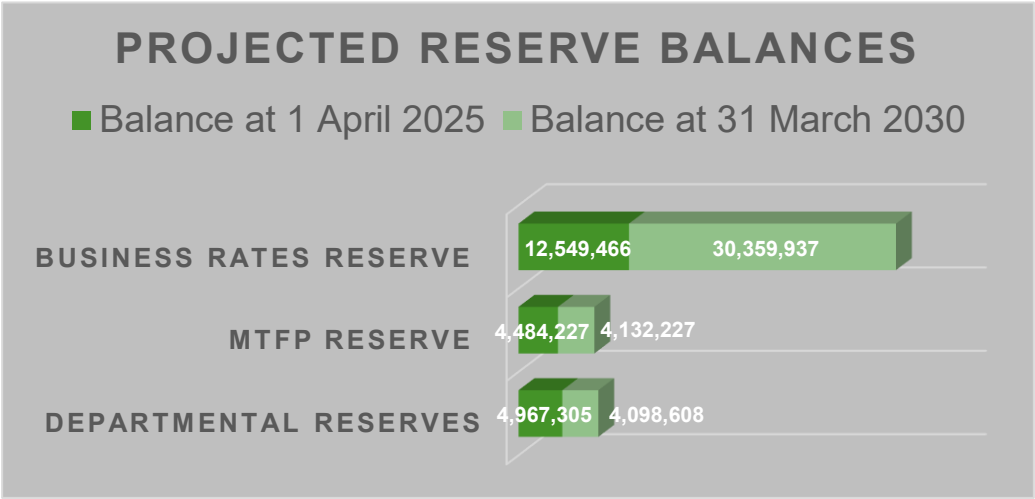
Notwithstanding this, and in anticipation of future pressures in these and other areas, the Council has built some contingency into its MTFS through the creation of the Medium-Term Financial Plan reserve. This reserve is designed to act as a buffer for any unexpected volatility in expenditure over the life of the MTFS. This may occur following the outcomes of the fair funding review, due to be communicated in December 2025. A reserve has also been created to offset any unanticipated cost pressures resulting from Local Government Reorganisation.



Value for money: financial sustainability

Reserves

As at the 31 March 2024, the Council’s general fund reserves stood at £15.25m, a slight increase from the general fund reserve balance as at the 31 March 2023 of £13.86m. We have reviewed the medium-term financial strategy which forecasts a general fund balance of £29.78m as at the 31 March 2028. Whilst the MTFS covers the period up to 27/28, the Council has also shown the forecasted general fund reserve balances to 31 March 2030, which total £38.59m.



Due to the high-level projections of reserve shown within the MTFS, we have obtained additional documentation from management which details the breakdown of the reserves balance shown above. The majority of the general fund reserve balance is made up of the retained business rates reserve and a number of earmarked reserves. Whilst earmarked reserves can be utilised if Members decide to change their use, they are earmarked for specific purposes in anticipation of specific costs. The Council plans to maintain an unallocated reserve of £1.5m for any unexpected challenges until 31 March 2030.

We have raised an ‘other recommendation’ to management to ensure that sufficient detail is included within the MTFS, so stakeholders have sufficient information available to make informed decisions.



Value for money: financial sustainability

Summary

Whilst we do not consider there to be a significant weakness in the Council's arrangements in 2023/24 or 2024/25 relating to financial sustainability, we continue to acknowledge the importance for the Council to continue to ensure they remain sustainable for the long term. The Fair Funding review is expected to improve the Council's ability to plan and budget as this provides the Council with more certainty over its settlement for multi-year periods, rather than on a year-by-year basis.

Local government reform adds an additional complexity and, at times, is a competing priority for the Council to consider moving forward. The Council should therefore continue to ensure that long term plans are being considered with their wider potential LGR counterparts, to ensure that long term financial sustainability for the region as a whole is at the heart of their decision making.

Other recommendation:

1. We recommend that the Council ensures there is sufficient detail included within their MTFS, particularly relating to the breakdown of useable reserves by category and financial year. This will allow members and wider stakeholders to make informed decisions and promotes transparency of reporting with regards to the Councils financial position.



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 setting process

The Council has a well-established budget setting process, which considered the previous years budget, factoring in any known changes and amendments needed for the following period. Finance meet with the heads of service lines to obtain budget proposals and assess for any new cost requirements, as well as savings plans for the year. The service line budgets are then assessed and reviewed by the Corporate Leadership Team (CLT). Once the CLT have reviewed the proposals, the finance team run a workshop with Cabinet to ensure full stakeholder involvement, ensure strategic priorities are considered.

The same process is followed for both Capital and Revenue budgets, with the Capital budget being assess by the Capital Strategy Group before being presented to Scrutiny and Full Council.

Risk management

The Council has a Risk Management Policy, that was last reviewed and approved by Cabinet in September 2024. Risk Management is co-ordinated corporately by the Director of Resources (S151 Officer) and through the Corporate Risk Management Group (RMG), chaired by the S151 Officer. Progress on Corporate Risk Management is reported to Members through performance reports to the Audit and Governance Committee, at least quarterly.

As part of our value for money assessment, we have reviewed the Corporate Risk Register. This is reported to the Audit and Governance Committee regularly. For 2023/24 and 2024/25, we have noted that the risk relating to the implementation of the Councils ledger system is not included, despite the significant risk this has presented to the Council. We have considered this in more detail on the following page.

Value for money: governance

Unit 4 Implementation

In 2017/18 Deloitte completed a review of the Council's finance system and made recommendations to improve efficiency. One of these recommendations was to replace the Council's existing 'Totalmobile' financial ledger system.

In December 2020, the Council awarded a contract for a new finance system to Embridge Consulting ('Embridge') to implement Unit 4. Implementation began in January 2021 with a targeted go live date of Autumn 2021. The Council were then again approached by Embridge in the Summer of 2021, offering the Council the opportunity to be a pilot for a new fully cloud-based version of Unit 4 (Unit 4 ERPx), despite the new version not being fully developed at this point.

We have obtained a report presented to Cabinet in September 2022, in which officers documented the risks involved in moving onto the new cloud-based system. Despite these risks, the project board *"made a decision to go with the new cloud-based system as this would mean that we would be on the latest version of the system and would not require to upgrade in future years."* The revised go live date was then set for April 2022.

We have requested information relating to the project board on a number of occasions, including meeting minutes.

Whilst we are satisfied with the arrangements relating to procurement in 2023/24 and 2024/25, the Council have been unable to provide us with evidence and documentation which supports the initial and ongoing decisions made by the project board historically in relation to the implementation of Unit 4. Specifically, considerations of the risks and potential impacts associated with implementing a new system (which had not been fully developed at the point). Where the Council decided to be a pilot body for this new system, we would expect to see a full options appraisal performed and an assessment of the risks as well as consideration of mitigations needed to reduce the risks to an acceptable level. We have raised a key recommendation for the Council relating to this finding.

Since implementing the cloud-based ledger system, the Council has experienced numerous delays and additional costs as a result of implementing Unit 4 ERPx. The Council was unable to produce the 2023/24 statement of accounts until August 2025, thereby missing the national backstop deadline for the publication of audited accounts by 28 February 2025. The 2024/25 statement of accounts are expected to be produced by the end of November 2025, which is significantly delayed beyond the statutory deadline of 31 May 2025.

Based on our understanding, and due to the issues experienced in the implementation of the new ledger system, a number of key financial procedures, such as bank reconciliations, are still having to be performed manually, and there continue to be known 'bugs' in the system that require urgent resolution.

The finance team has experienced capacity concerns and has a high level of dependency on agency staff. There is a further risk that these staff who have been involved with the implementation of Unit4 ERPx could leave at short notice, potentially losing corporate memory. To mitigate this, there have been standard operating procedures created for key processes, and there is a plan to recruit a permanent systems accountant. We however have raised a key recommendation for the Council relating to this finding.



Value for money: governance

A contract extension (at an additional cost of £36k) was agreed with Totalmobile to enable the Council to continue to use the existing finance system, during the delayed Unit 4 implementation. Extra consultancy support and project team resource have been required, both at considerable extra cost compared to the original project budget. The budget which was communicated to Cabinet in September 2022 reported costs of £633k, and members were asked to approve an additional £300k of spend on the project. The latest financial monitoring that we have been able to obtain, from May 2024, noted a revised budget of £975k, and actual spend of £997k. We have requested evidence to understand the total additional costs incurred to date, but we have not received any evidence beyond May 2024 and there is no evidence that additional costs incurred have been communicated to members.

CIPFA was engaged by the Council in February 2025 to complete a review of the Council's exchequer function. This included the implementation of Unit4 ERPx with specific consideration of the system issues experienced, relating to the accounts payable and accounts receivable functions. CIPFA have made three recommendations, one with the following specific comment. *'The Project Board acknowledged that NWLDC did not have the specialist knowledge and experience within the organisation to deliver the project. Although external support was secured to provide expertise, it appears much of the key decision-making was made either by the Project Board or the Project Sponsor without necessarily seeking expert guidance or fully understanding the risks associated with some of those early decisions.'*

The Council is trying to reach an agreement with Embridge on what further support and corrective action is needed to implement the CIPFA recommendations, as well as wider support needed to ensure the Unit4 ERPx system is running effectively. The current contract with Embridge is due to expire in November 2025, and the Council is intending to complete a procurement exercise to find a new implementation partner.

Given the scale of the impact of the delayed implementation, we would have expected this to be captured on the Corporate Risk Register. The version presented to the Audit Committee in April 2025 did not include this.

An update was provided to Cabinet in September 2022. However, we have reviewed papers presented to subsequent cabinet meetings until September 2025 and have not identified any other update provided by management to members.

The Section 151 Officer did write to the Chair of the Audit and Governance Committee in May 2024 outlining the reasons for the delays to the publication of the 2021/22 and 2022/23 accounts. The letter included a paragraph on the transition to the new finance system. However, it is our view, that this communication did not fully communicate the severity, extent or the impact of the issues experienced with the implementation of Unit 4 ERPx. The Statement of Accounts update presented to the Audit & Governance (A&G) Committee on 05 February 2025 mentions issues with Unit 4 ERPx. However, a review of reports submitted to A&G since April 2023 shows that management has not provided any other update to the committee during this time period on the problems with Unit 4 or the associated costs.

We have raised a key recommendation for the Council relating to the transparency, regularity and timeliness of communication with members, specifically relating to the continued implementation of the Unit4 ERPx system.



Value for money: governance

Internal Audit

The Council has a shared Internal Audit service with Blaby and Charnwood Councils. The Head of Internal Audit has issued a limited assurance opinion for the years 2023/24 and 2024/25. During 2024/25 Internal Audit raised 36 high and 31 medium recommendations. In addition, a large number of recommendations relating to key financial controls remained outstanding from 2023/24. The majority of these recommendations were not able to be implemented by management as they related to the issues with Unit 4. A decision was made not to carry out further audits in this area, but to review the recommendations and confirm if they remained relevant to the financial year 2024/25. Progress against these actions is being tracked separately through a dedicated action plan.

Oversight by Those Charged With Governance

The Council has an Audit and Governance Committee whose role is to provide independent assurance of the adequacy of the Council's risk management framework and the associated internal control environment. The Audit and Governance Committee meets regularly and has an annual programme of work to support the achievement of the committees' objectives, for example the Corporate Risk Register is presented to the committee on a quarterly basis. Our attendance at the Audit and Governance Committee has confirmed there is an appropriate level of challenge by members on information they have been provided with. However, we have previously noted a recommendation in relation to the transparency of information reported to members.

Summary

In completing our value for money work for governance, we met with; the Director of Resources (Section 151 Officer), the Chair of the Audit Committee, the Monitoring Officer, the Head of Internal Audit and a number of service line heads. We also requested and reviewed a number of key documents, including externally prepared reports from CIPFA. We do consider that significant weaknesses exist in the Council's arrangements for governance and how the body ensures that it makes informed decisions and properly manages its risks.

We have made the following key recommendations:

1. We recommend that the Council records are maintained for key procurement activities, which clearly support management's decision-making process. For such decisions, the Council should perform options appraisals, considering the risks present and mitigations needed to reduce any risks present to an acceptable level.
2. We recommend that the Council ensure sufficient capacity is available within the finance team, on a substantive basis to ensure the financial accounts can be produced to the required quality standards and in line with statutory deadlines.
3. We recommend that the Council enhance the transparency, and timeliness of reporting to members, ensuring all risks are captured in the risk register, with a specific focus on the continued implementation of the Unit4 ERPx system.



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.

Procurement

The Council has in place a procurement strategy and set of contract procurement rules which are included in the constitution outlining how the procurement of goods, works and services is achieved. The strategy was updated in Spring 2025 to reflect internal audit recommendations and changes to the Procurement Act 2023. The Council has partnered with V4 to further assist with implementing changes required, following revisions to the act. V4 have delivered contract management training and will be involved in the procurement of any major contracts to be awarded by the Council. They are also reviewing a range of the Council's existing contracts to determine whether better value for money on procurement activities can be achieved.

Performance and performance monitoring

The Council Delivery Plan sets out the priorities for the Council for a five-year period and performance against the plan is reported to Cabinet on a quarterly basis. The Council Delivery Plan is underpinned by directorate business plans. Below this are annual service level plans which are used to inform Key Performance Indicators and metrics to monitor activity and service performance. Service areas produce annual performance reports which are presented to Cabinet.

Benchmarking is not widely undertaken across the Council's services to understand how performance compares to other district councils. However, we note that an exercise is currently being undertaken to review income from fees and charges and how this compares to similar local authorities. Discussions with senior management indicate there is sometimes insufficient income and expenditure information available for them to be able to understand the costs of delivering services and therefore assess whether they are achieving value for money. We have raised an "other" recommendation on the next page relating to this.

The use of Artificial Intelligence (AI) is being considered as a way to make service delivery more efficient. The Council has obtained 25 licenses for Co-Pilot and are currently working on proof of concepts overseen by an AI steering group, with a focus on reducing people hours.



Value for money: improving economy, efficiency and effectiveness

Partnerships

North West Leicestershire is one of three councils in a joint Revenue and Benefits Partnership. There is a joint management board which the S151 officers from the three councils attend once a month, to discuss performance and the financial position. There is also a joint committee which is made up of councillors from the three councils which meets every 2-3 months. The Council also shares an Internal Audit service with two other Councils. Monthly performance review meetings are attended by the Internal Audit Manager and the Head of Legal and Support Services. We are aware that although the S151 officers from all three councils meet regularly and discuss internal audit as part of these conversations, there is no formal performance or contract monitoring arrangements in place between the partner authorities.

In addition, to support the growth of the district, North West Leicestershire District Council aims to drive economic growth by working in partnership with local businesses, Leicester and Leicestershire Enterprise Partnership (LLEP), Leicestershire Growth Hub, East Midlands Development Corporation, neighbouring authorities and other regional bodies.

Summary

Whilst we do not consider there to be a significant weakness in the Council's arrangements in 2023/24 or 2024/25 relating to improving the economy, efficiency and effectiveness in the use of the Councils resources, we have raised an "other" recommendation below.

Other recommendation:

1. We recommend that the Council ensure that budget monitoring information is available in a timely manner and in sufficient detail to allow service areas to review and monitor the cost effectiveness of existing activities, identifying those which do not contribute sufficient value, and consider alternative, lower cost options for service delivery.



Recommendations



Value for money: significant weaknesses and key recommendations

The significant weaknesses we have identified, and the key recommendations made are set out below. Our detailed commentary is set out in this Auditor's Annual Report.

Key recommendation	Criteria	Sub criteria	Managements response
We recommend that the Council records are maintained for key procurement activities, which clearly support management's decision-making process. For such decisions, the Council should perform options appraisals, considering the risks present and mitigations needed to reduce any risks present to an acceptable level.	Governance	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	<p>The council maintains robust and transparent governance arrangements, ensuring clarity and accountability in all aspects of decision making. These arrangements are explicitly outlined in the Council Constitution, which provides a clear framework for how decisions are made at every level.</p> <p>Our decision-making processes are firmly established within the Council Constitution. This structure ensures that responsibilities and authorisations are clear, enabling well-informed and timely decisions. Over the past year, the Council has placed particular emphasis on improving officers' understanding of these processes, including the provision of recent training to support effective and consistent application across the organisation.</p> <p>The council is committed to good procurement practice. We employ a full-time procurement officer who oversees the procurement function and ensures that all activities align with best practice standards. In addition, the Council continues to benefit from its partnership with V4, which brings specialist expertise and further supports compliance and value for money. Continued overleaf...</p>



Value for money: significant weaknesses and key recommendations

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Value for money: significant weaknesses and key recommendations

The significant weaknesses we have identified, and the key recommendations made are set out below. Our detailed commentary is set out in this Auditor’s Annual Report.

Key recommendation	Criteria	Sub criteria	Managements response
We recommend that the Council ensure sufficient capacity is available within the finance team, on a substantive basis to ensure the financial accounts can be produced to the required quality standards and in line with statutory deadlines.	Governance	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; ensures corrective action is taken where needed, including in relation to significant partnerships	<p>The Council has recently utilised agency staff to help address the backlog in the preparation of the statement of accounts. While this approach has offered much-needed support, we fully recognise that a sustainable, permanent finance team is essential to ensure the timely and efficient completion of statutory accounts going forward.</p> <p>The Council has recently recruited a Finance Team Manager, whose expertise will further strengthen our team. In addition, we are actively working to fill key technical positions with permanent staff to build stability and retain valuable financial expertise within the Council.</p> <p>The Council’s focus has now shifted from simply publishing outstanding accounts to prioritising the recruitment and retention of skilled finance professionals. This includes our intent to recruit a Local Government Association (LGA) Graduate, adding fresh talent and additional capacity to the team.</p> <p>Alongside these staffing efforts, the Council have implemented enhancements to its Unit4 financial management system. These improvements are designed to accelerate the closedown process, supporting quicker and more accurate financial reporting.</p> <p>In closing the accounts for 2023/24 and 2024/25, the Council have taken a proactive approach by engaging third party support to assist with key reconciliations. This further demonstrates the Council’s dedication to upholding high standards of financial management. Continued overleaf...</p>



Value for money: significant weaknesses and key recommendations

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Key recommendation	Criteria	Sub criteria	Managements response
We recommend that the Council ensure sufficient capacity is available within the finance team, on a substantive basis to ensure the financial accounts can be produced to the required quality standards and in line with statutory deadlines.	Governance	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; ensures corrective action is taken where needed, including in relation to significant partnerships	Continued- To ensure the Council meet all statutory financial reporting deadlines, it plans to bring in temporary staffing where required. This proactive approach will help maintain the Council’s commitment to robust financial governance and service continuity. The Council remain dedicated to building a strong, resilient finance team and continuously improving our financial processes for the benefit of all stakeholders.



Value for money: significant weaknesses and key recommendations

Key recommendation	Criteria	Sub criteria	Managements response
We recommend that the Council enhance the transparency, regularity and timeliness of reporting to members, with a specific focus on the continued implementation of the Unit4 ERPx system.	Governance	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	<p>Numerous enhancements have been made to the Unit4 financial management system to streamline operations and support more efficient financial reporting. The Council's Corporate Leadership Team receives regular updates on operational matters, ensuring that any ongoing implementation issues are identified and addressed promptly. Recognising the importance of transparency and accountability, the Council will record any such issues in its risk register and provide updates to the Audit and Governance Committee as appropriate.</p> <p>Looking ahead, the Council anticipates further improvements and enhancements to the Unit4 system with the move to a new support and maintenance contract from December 2025. This transition is expected to deliver added value and ensure the system continues to meet the evolving needs of the organisation.</p>

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.

Criteria	Other recommendation	Managements response
Financial sustainability	We recommend that the Council ensures there is sufficient detail included within their MTFS, particularly relating to the breakdown of useable reserves by category and financial year. This will allow members and wider stakeholders to make informed decisions and promotes transparency of reporting with regards to the Councils financial position.	The Council will include sufficient reserves detail in the revised MTFP for Cabinet review in November 2025, along with information on government proposals for business rates retention and the Fair Funding Review to clarify upcoming financial challenges.
Improving economy, efficiency and effectiveness	We recommend that the Council ensure that budget monitoring information is available in a timely manner and in sufficient detail to allow service areas to review and monitor the cost effectiveness of existing activities, identifying those which do not contribute sufficient value, and consider alternative, lower cost options for service delivery.	The Council has enhanced the monitoring functionality within Unit4 within the last 12 months. However, it recognises that officers need substantial training on the system to ensure that they can access relevant information to support decision-making. There will be further training in the next 12 months to ensure that Unit4 provides relevant financial information and meets the needs of different officers. In the last 12 months, the Council has continued reporting regular quarterly financial monitoring to Cabinet. Portfolio Holders meet with Directors and finance officers on a quarterly basis to ensure an understanding by all stakeholders.

Value for money: follow up of prior recommendations

The following key recommendation was made in 2022/23 by the Council's predecessor external auditors. We have set out below the detail with our auditors update for 2023/24 and 2024/25 to address the finding.

Observation previously reported	Criteria	Recommendation previously made	Auditor update
<p>Statutory financial reporting</p> <p>We have been unable to complete the majority of our work on the 2021/22 and then 2022/23 statement of accounts audit which has mainly been due to weaknesses in arrangements for:</p> <ul style="list-style-type: none"> the Council not maintaining accurate or up-to-date property records leading to materially incorrect asset valuations in the financial statements; and capacity challenges in the finance team exacerbated by a shortage of skilled and capable resources in the labour market.” <p>Of the work performed on 2021/22 material errors were identified been corrected, although none affect general fund balances. The Council made a conscious decision that constrained resources were diverted into budget setting and financial ledger implementation rather than financial reporting. Further, as the identified accounting issues lie in asset valuations, we do not believe there is a threat to financial sustainability or unreliable budget setting/financial planning as a result of the delays.</p>	<p>Governance</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> Management have a review process in place to support the preparation of draft financial statements to ensure sufficient quality review procedures are in place to support accurate statutory financial reporting; and Sufficient capacity is made available within the Finance team to support the rebuilding assurance process. 	<p>Due to the delays in producing the Statement of Accounts for 2023/24 and 2024/25 it has not been possible to complete the necessary audit work to confirm whether management have made improvements to property records required for valuation purposes.</p> <p>We have raised a similar key recommendation in 2023/24 and 2024/25. Therefore, we consider this key recommendation superseded by our key recommendation raised on page 22 of this report.</p>



