



Auditor's Annual Report
Derbyshire County Council– year ended 31 March 2025

February 2026

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Our reports are prepared in the context of the ‘PSAA Statement of Responsibilities of Auditors and of Audited Bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to Derbyshire County Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Derbyshire County Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements



We issued our audit opinion in February 2026. We issued an audit report which includes a disclaimer of opinion. This means our audit report does not express an opinion on the financial statements and no assurance is provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council's financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council publishes its audited financial statements.

Wider reporting responsibilities



We are still working on our response to two objections raised by electors on the 2023/24 financial statements and await information from the Council to enable us to conclude. We have not currently received any objections on the 2024/25 financial statements.

Value for Money arrangements



We stated in our audit report that we are not satisfied arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources. This is because we have issued recommendations in relation to significant weaknesses in those arrangements that are relevant to the 2024/25 financial year. Section 3 provides our commentary on the Council's arrangements and a summary of our recommendations, and the weaknesses identified.

Reporting to the group auditor



At the date of reporting our work on the Council's Whole of Government Accounts return remains incomplete whilst we wait for final instructions from the National Audit Office.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2024/25 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date.

We issued a disclaimed opinion on the 2023/24 financial statements as we identified a number of issues in relation to the Council's property valuations. The Council were required to revisit the valuations and there was insufficient time to complete this work ahead of the 2023/24 backstop date. We agreed the Council would revisit the valuations for both 2022/23 and 2023/24 in order to restate the prior year balances in the 2024/25 financial statements. We planned to complete testing over these revised valuations, and the Prior Period Adjustment as part of the 2024/25 audit, which would enable us to issue an unmodified opinion on the 2024/25 financial statements.

As reported in our Progress Report on 27th January, the Council were unable to publish their unaudited financial statements by the 30th June 2025 deadline. We scheduled our audit to commence in September, with the aim of completing the audit in advance of the 28 February 2026 deadline, subject to receiving the draft financial statements and supporting working papers in sufficient time, as well as receiving timely responses to queries throughout the audit process. We received a first draft of the financial statements on 10th October 2025, however they were not finalised and published on the Council's website until 5th November 2025. The Prior Period Adjustment (PPA) presented in the draft financial statements was also not complete as it did not include a restated third Balance Sheet as at 01/04/2023. We have not been able to complete our testing of the Council's Prior Period Adjustment (PPA) because the PPA presented in the draft financial statements was not complete. As a result of delays in receiving the required information, we have not had sufficient time to complete the testing required over the revised valuations. As a result, we determined that there is insufficient time to complete the work required to rebuild assurance ahead of the 27 February 2026 deadline and issue an unmodified opinion on the 2024/25 financial statements. We are therefore issuing another disclaimer of opinion, meaning we do not express an opinion on the financial statements.

03

Our work on Value for Money
arrangements

VFM arrangements

Overall Summary



VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The 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.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We identified one new risk of significant weakness in 2024/25 and we have outlined the risk and the work we have done to address the risk on page 12.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	12	Yes, one new risk of significant weakness in 2024/25. See risk on page 12	Yes- significant weakness brought forward from the prior year, and confirmed new significant weakness. See recommendation on pages 24-25	No
 Governance	17	No new risks of significant weakness in 2024/25	Yes- significant weakness brought forward from the prior year – see page 26. No new weaknesses.	No
 Improving economy, efficiency and effectiveness	20	No	No	Yes – see page 22

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Risks of significant weaknesses in arrangements in relation to Financial Sustainability

We have outlined below the risks of significant weaknesses in arrangements that we have identified as part of our continuous planning procedures, and the work undertaken to respond to each of those risks.

Risk of significant weakness in arrangements	Work undertaken and the results of our work
<p>1 DSG (Dedicated Schools Grant) deficit</p> <p>The Government’s statutory override for DSG deficits, originally due to expire in March 2026, has been extended for a further two years to March 2028. At 31st March 2025 the Council have a cumulative DSG deficit of £44.737m. There is a forecast in-year deficit on the DSG in 2025-26 of £39.027m. Adding this forecast to the existing brought forward balance would result in a total cumulative deficit of £83.874m by 31 March 2026. On expiry of the override, the Council will need to incorporate the cumulative deficit in its useable reserves, which would have a significant impact to the Council’s financial sustainability.</p>	<p>Work undertaken</p> <ul style="list-style-type: none">• Reviewed budget reports• Reviewed DSG monitoring reports• Discussed plans with officers <p>Results of our work</p> <p>The Council are drawing up plans, but do not yet have a finalised, robust plan to deal with the DSG override coming to an end. The deficit is forecast to be £83.9m at the end of 2025/26. Not having a robust plan to fund the deficit once the override ends, exposes the Council to significant financial loss, as such we consider this to be a significant weakness in arrangements for financial sustainability, specifically how the Council identifies and manages risks to financial resilience. This is because they do not have a reliable plan to mitigate the risks associated with the end of the DSG override. See page 24 for our recommendation.</p>

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Overall responsibilities for financial governance

We have reviewed the Council's overall governance framework, including Council and committee reports, the Annual Governance Statement, and Statement of Accounts for 2024/25. These confirm the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plan to best meet the needs of the Council's service users.

MTFS and budget setting

The Council's budget setting and medium-term financial planning follows a similar process and format to previous years. Our review is supported by discussions with officers during the year and experience from prior year audits.

We have read committee reports covering budget setting for 2024/25 and 2025/26, including the Medium-Term Financial Strategy (MTFS). The production of the Council's budget is undertaken in accordance with the requirements of the Council's Constitution, which requires Cabinet publicises a timetable for making proposals to full Council in relation to the annual Revenue Budget, along with arrangements for consultation with stakeholders, which should be for a period of not less than six weeks. Key assumptions underpinning the MTFS are not unreasonable.

We have reviewed the setting of the budget, and the setting of the operational plan. The 2024/25 budget was presented to Cabinet on 1st February 2024. The 2024/25 Council Plan was presented to the same meeting. In the prior year we noted that the Council plan and financial budget were not set together. This year the Council has changed the way it conducts strategic planning by implementing a new Integrated Strategic Planning approach. This has been designed to achieve a closer integration of service and financial planning.

2024/25 Statement of Financial Position

We have reviewed the 2024/25 financial statements. The Council adequately summarises the financial position of the Council, including performance against its budget through the narrative report.

We considered the financial outturn as presented to Cabinet in July 2025. The overall Council underspend was £0.582m for 2024/25, which was after substantial one-off support from the use of £18.879m Earmarked reserves. The 2024/25 Budget approved by Council in February 2024 included the planned use of £10.977m of reserves. An additional £7.902m of Earmarked and General Reserves was drawn down from departmental reserves to support portfolio outturn positions, most significantly Adult Social Care and Health.

The £0.582m underspend differs from the Q3 forecast which projected a £25.975m overspend. A significant factor in the £26.557m movement was a £11.7m "underspend" on Minimum Revenue Provision (MRP). £10.7m of this saving was due to a change in MRP policy for the 2024/25 financial year. Whilst this has resulted in reduced expenditure for the Council, it is a one-off accounting measure and does not evidence the Council having arrangements in place to sustainably bridge their funding gaps going forwards. Another factor was the pay award being less than budgeted.

Whilst the overall outturn was a net underspend, the Council still faced significant challenges in specific directorates - namely Adult Social Care, and Children's Services, which saw £21.127m and £27.333m overspends respectively. Adult Social Care has seen a significant increase in the costs of care packages, which is consistent across the sector, whilst Children's services are predominantly experiencing demand-led pressures.

The 2024/25 utilisation of reserves follows the use of £37.108m Earmarked Reserves in 2023/24 (£23.707m planned). The 2025/26 budget does not include any planned use of reserves, although we note at quarter 1 the Council are forecasting a £1.331m overspend.

We carried out a high-level analysis of the financial statements subject to our audit, including the Movement in Reserves Statement. The Council's General Fund Reserve was £39.556m at 31 March 2025, whilst Earmarked Reserves totalled £192.814m. Earmarked reserves include £4.347m "Budget Management Reserve" (was £12.3m at 31st March 2023, and £4.6m at 31st March 2024). Whilst the Council ultimately delivered an underspend in 2024/25, we note there were £3.319m of underspends carried forward to 2025/26 which would need to be met by the general fund.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria continued

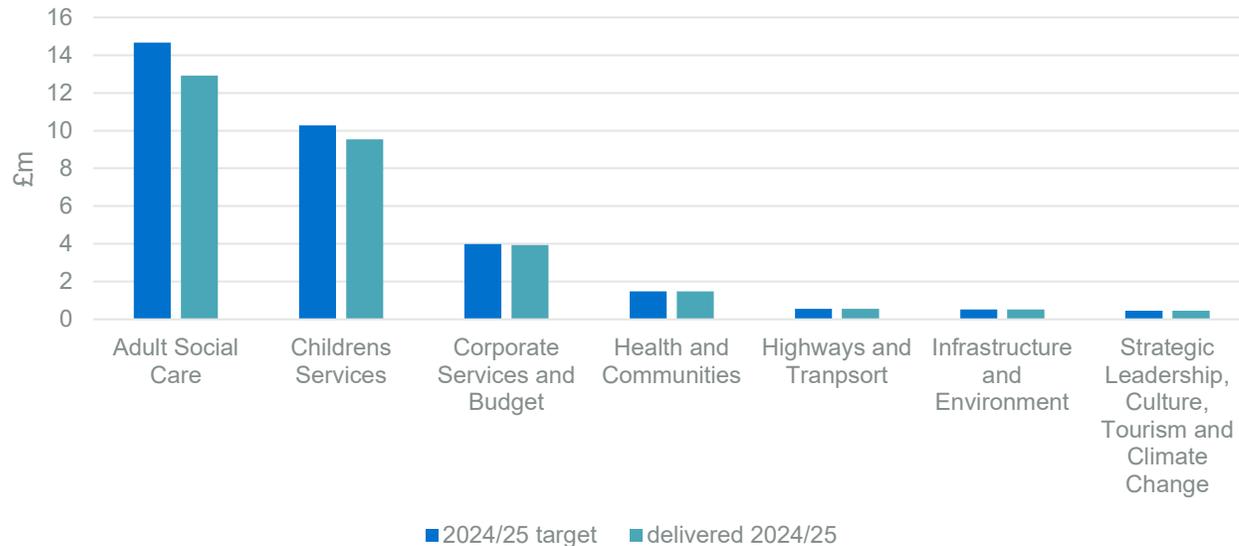
Savings plans

The Council has reviewed all of its savings initiatives and has developed a programme of savings proposals to address the estimated funding gap over the medium term. In the prior year we reviewed the 2023/24 quarterly monitoring reports and found that there were significant shortfalls on planned savings. Within 2023/24, the target savings were £16.190m but only £5.796m were delivered (35.8%).

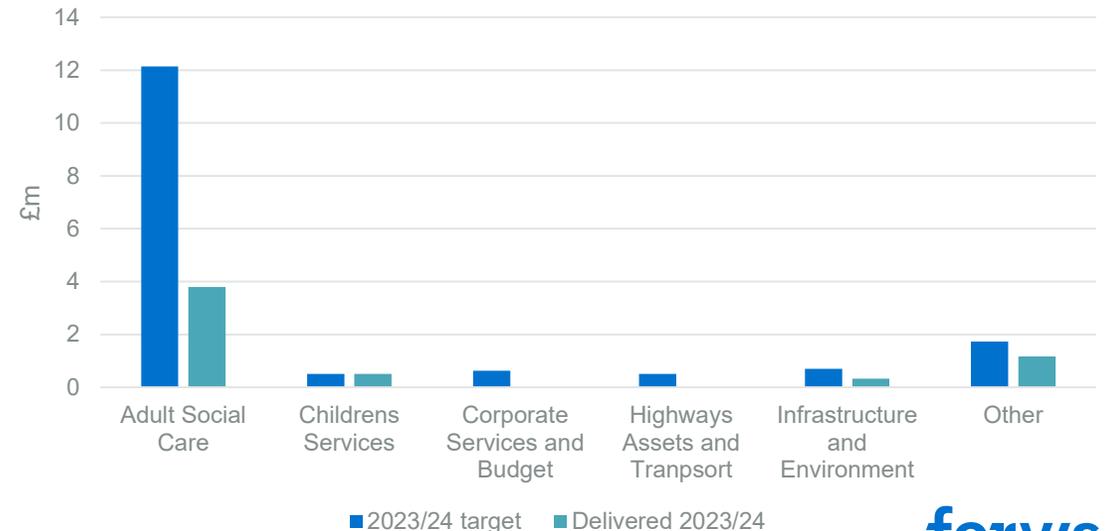
The Council introduced a programme management approach to the delivery of savings in 2024/25. This has improved the delivery and monitoring of savings proposals across the organisation. The 2024/25 budget included savings targets totalling £31.940m. Savings totalling £29.185m were achieved in year (93% of target).

This evidences a significant improvement over the prior year with regards to savings delivery. We do note however, that the Council's MTFP to 2029/30 requires further savings totalling £96.385m. £46.288m of these have been identified, which leaves a gap of £50.097m. The identified savings includes £37.499m to be delivered in 2025/26. The Council must ensure they continue to deliver their planned savings in order to prevent any further reliance on reserves.

2024/25 savings delivery



2023/24 savings delivery

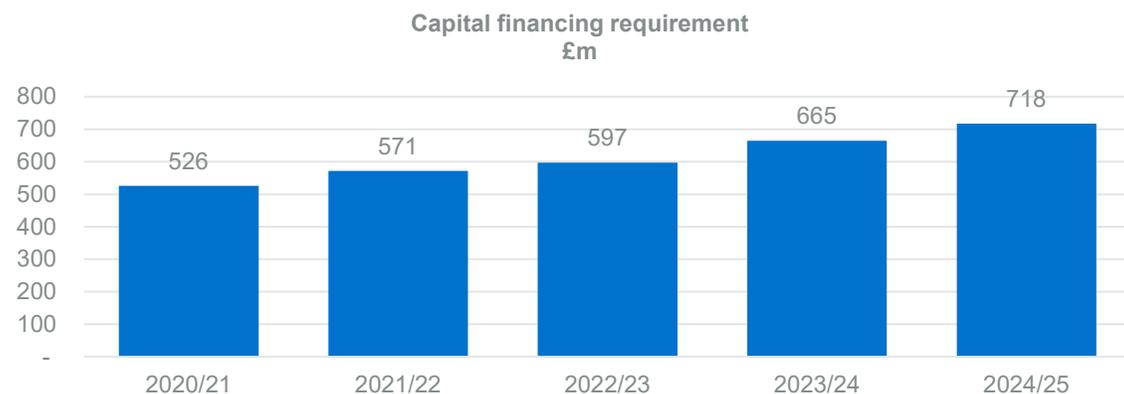


VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria continued

The Council's capital expenditure and financing

The Council's arrangements for setting and monitoring capital expenditure are consistent with the previous year, which we deem to be adequate. We considered the Council's capital financing requirement as set out in Note 16 of the financial statements, which has risen from £665m in 2023/24 to £718m in 2024/25, the increase representing the underlying need to borrow to finance capital expenditure.



In 2024/25, the Council spent £147m on capital additions, including £24m of REFCUS (Revenue Expenditure Funded from Capital Under Statute)

Flexible Capital Receipts

Flexible use of capital receipts allows Council to fund revenue costs from capital receipts. The Council has not previously adopted a Flexible Use of Capital Receipts Strategy. In February 2025 the Council adopted a strategy for 2024/25 to 2029/30. The Council agreed to use the powers under the Government's Statutory Guidance on the flexible use of capital receipts, to fund up to £6.9m of qualifying transformation expenditure throughout 2025/26. Whilst this may help to support the Council's budget position in the short term, capital receipts are non-recurring and so this isn't a long-term solution, and therefore does not improve the Council's financial sustainability.

Minimum Revenue Provision (MRP)

As part of paying down the capital financing requirement, the Council charged £23m in 2023/24 to the general fund as a "Minimum Revenue Provision". The duty to make Minimum Revenue Provision (MRP) is an important component of the Prudential Framework to ensure capital expenditure and borrowing can be repaid. The Council have revised their MRP policy from 1 April 2024. Where the Council previously calculated their MRP charge on a straight-line basis, they have now adopted an annuity method.

Minimum Revenue Provision as a % of the Capital Financing Requirement	2022/23	2023/24	2024/25
MRP charge (£m)	21.436	23.474	13.822
Closing Capital Financing Requirement (£m)	596.657	664.461	717.656
MRP as a % of the Capital Financing Requirement	3.6 %	3.5 %	1.9%

The table above shows the impact on the Council's MRP charge as a percentage of Capital Financing Requirement. The lower this percentage, the greater the risk of over-reliance on accounting measures to support the general fund budget.

Whilst we have not yet completed our work on the MRP charge as part of our audit, both methods are acceptable, and from the discussions we have had with officers and our initial review of the policy, there is no indication that the revised approach is not reasonable and prudent. We note though that this policy change was a significant factor in the Council being able to deliver an underspend against the 2024/25 budget. This is a one-off accounting measure, and does not evidence successful delivery of efficiency savings by the Council.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria continued

Dedicated Schools Grant (DSG)

At 31st March 2025 the Council have a cumulative DSG deficit of £44.737m. There is a forecast in-year deficit on the DSG in 2025/26 of £39.027m. Adding this forecast to the existing brought forward balance would result in a total cumulative deficit of £83.874m by 31 March 2026. The pressure on the DSG is coming from the High Needs Block, which is forecast to be overspent by £39.519m in 2025/26. Other blocks are either within budget or have small underspends contributing to the overall DSG position.

The Government's statutory override for DSG deficits, originally due to expire in March 2026, has been extended for a further two years to March 2028. On expiry of the override, the Council would need to incorporate the cumulative deficit in its useable reserves, which would have a significantly detrimental impact to the Council's financial sustainability.

Local authorities with a DSG deficit are required to have a DSG management plan to identify the strategy, key areas and decisions that are required to bring spending back in line with funding and to repay the deficit. Progress has been made on drawing up the plan but this is not yet finalised. The Council is preparing data and information that will facilitate a High Needs Management plan whilst continuing to liaise with the DfE. Currently there is no formal draft of data, information and strategies which the Council have confirmed are required to enable a plan to be drafted around mitigations that can then be costed. The Council have ongoing dialogue with the Department for Education (DfE) to discuss progress with the last meeting having been held on 2 July 2025. However, they do not yet have a formal plan in place. Not having a robust plan to fund the deficit once the override ends, exposes the Council to significant financial loss, as such we consider this to be a significant weakness in arrangements for financial sustainability, specifically how the Council identifies and manages risks to financial resilience.

Conclusion on Financial Sustainability

The Council has made notable progress on the recommendations from 2023/24, including significant improvements in delivering savings plans. In addition, the Council has revised its strategic planning approach so that the budget is aligned with the operational plan, resulting in better integration and more effective planning. However, the Council has continued to see significant overspends, particularly in Children's Services and Adult Social Care. Whilst the final 2024/25 outturn showed a small underspend, this was only possible due to a one-off accounting adjustment, without which the Council would have delivered a large overspend. In addition, the Council is planning to rely on the use of flexible capital receipts to support its budget going forwards, which is not a long-term solution. Consequently, we conclude there is still a significant weakness in the Council's arrangements for financial sustainability in 2024/25.

We have also concluded there is a new significant weakness in relation to the Council's preparation for the ending of the DSG override.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Authority's governance structure

The Council has a code of corporate governance, which is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance stating that “good corporate governance underpins credibility and confidence in our public services”. These are detailed in the Statement of Accounts and Annual Governance Statement (AGS). We have considered both documents against our understanding of the Council as part of our audit. Our review of Council and Committee papers confirms that a template covering report is used for all reports, ensuring the purpose, strategic context, governance issues, and recommendations are clear in support of informed decision making. Minutes are published and reviewed by Committees to evidence the matters discussed, challenge and decisions made.

Risk management

The Annual Governance Statement (AGS) is a key element of the Council's overall governance framework. It provides an evidence-based self-assessment of the Council's governance, assurance, and internal control arrangements for the financial year. We reviewed the AGS and held discussions with management regarding its content. We highlighted that the draft AGS did not fully capture the challenges currently faced by the Council and, in particular, did not adequately reflect the significance of the limited internal audit opinion. Following our feedback, the Council has revised the AGS to ensure it offers a transparent and accurate representation of its position.

The Audit Committee is responsible for overseeing the effectiveness of the Council's risk management arrangements, challenging risk information and escalating issues to the Cabinet. Our minute review and attendance at meetings confirms regular reports are received and discussed.

We have reviewed the Strategic Risk Register and determined it is adequate for the Authority's purposes, given it links the risk to the corporate strategy, includes a risk owner and current and target risk scores, and progress. From our review of the minutes, there is sufficient evidence of Member oversight of risk management, including holding Officers to account.

Audit Committee

The Council has an established Audit Committee. We have reviewed supporting documents and confirmed the Audit Committee meets regularly. Our attendance at meetings has confirmed there is an appropriate level of effective challenge.

Internal Audit

We have reviewed Internal Audit's reports to the Audit Committee. In 2023/24 the Head of Internal Audit gave

a limited opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control. This opinion was provided on the basis that significant weaknesses and/or non-compliance had been identified in key areas which expose the Council's objectives to a high risk of failure and therefore the framework of governance, risk management and control requires improvement.

Our review in 2023/24 found that the internal audit progress reports did not include any updates on previous recommendations. There was no tracking, showing if previous recommendations had been implemented, or how many remained outstanding.

Since July 2024, all departments have been provided with a monthly audit progress information pack, which includes a summary of the progress of audit work against the Audit Plan agreed by the Audit Committee. As part of this process, a detailed breakdown of the current level of outstanding recommendations by period, assigned officer and priority level can be visualised. Summaries have been included in the Internal Audit progress reports from December 2024 onwards, giving the Audit Committee clear oversight of which recommendations are overdue.

The Council have also implemented further monitoring through quarterly updates to the Corporate Management Team, monthly updates to each Department Management Team and twice-yearly meetings between Head of Internal Audit and the Council Leader. Furthermore, an updated Internal Audit Charter was approved in December 24 that reflects the expectations of the organisation.

Whilst there has been progress in respect of the implementation of audit recommendations, there are still a significant number of open recommendations, and action needs to be taken by all divisions to ensure that the appropriate controls are put in place to mitigate against the risks that have been identified. The March 2025 internal audit progress report showed:

- 29 outstanding recommendations over 12 months overdue. 19 of which are high risk.
- 11 outstanding recommendations 6-12 months overdue. 3 of which are critical, and 7 high risk
- 16 outstanding recommendations 3-6 months overdue. 10 of which are high risk
- 42 outstanding recommendations up to 3 months overdue. 1 of which is critical, and 23 of which are high risk

The 2024/25 Head of Internal Audit Opinion also gave a limited opinion once again. It noted that while some progress has been observed, the level of improvement achieved has not been sufficient to support an improvement on last year's Limited audit opinion. The Council has made strides in developing a clearer understanding of the areas requiring enhancement; however, it continues to face challenges in prioritising its limited resources to address these areas effectively.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria continued

Financial reporting

As set out in the commentary on financial sustainability, our minute reviews confirm Cabinet receive regular reporting on financial performance and on progress against the corporate plan. Our review of the quarterly performance reports demonstrate these are in sufficient detail to enable oversight and/or take corrective action if required and we have not identified any significant weaknesses in the Council's arrangements for governance. Furthermore, our work on the financial statements audit did not highlight any significant issues regarding the Council's arrangements for statutory financial reporting.

Conduct

We have reviewed the Derbyshire Democracy website and the Council website and confirmed policies are in place for:

- Anti-money laundering
- Anti-fraud and anti-corruption strategy
- Fraud response plan
- Whistleblowing policy

The Council has a code of conduct for employees and members, embedded in its constitution. The Council's website provides guidance on complaints about members and a Governance, Ethics and Standards Committee is in place with responsibility for promoting and maintaining high standards of conduct by members and assisting members of the Council to observe our code of conduct.

Conclusion on Governance

Whilst the Council has made improvements- particularly in relation to the clearer monitoring of internal audit recommendations, there are still a significant number of overdue recommendations including many classed as critical and high-risk. This is reflected in another limited assurance opinion for 2024/25, and we therefore conclude that the significant weakness remains in place for 2024/25.

VFM arrangements

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



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness

Corporate Plan and Performance Monitoring

The Council Plan sets out the Council's ambition and values together with the outcomes that the Council is seeking to achieve, working with partners and local communities. This year the Council has changed the way it conducts strategic planning by implementing a new Integrated Strategic Planning approach. This has been designed to achieve a closer integration of service and financial planning, supporting the alignment of the budget to the Council's priorities, ensuring that their ambitions match their capacity to deliver. The new approach has involved the development of planning assumptions, an agreed and understood set of assumptions about the forthcoming year for the Council to plan against. Using these assumptions, the Council has identified a set of Strategic Objectives and supporting actions, setting out the key activity the Council must deliver in the year to achieve the Council's ambition and outcomes. A total of 33 Strategic Objectives were identified for delivery during 2024/25, each aligned to one of the Council's five Outcomes.

Our review of committee reports confirms Cabinet receive periodic (Quarterly) reports on performance which summarises progress against the 33 Strategic Objectives. This includes an expected completion date and a RAG rating which clearly demonstrates whether progress is satisfactory. The Performance and Budget Monitoring Report presents both Council Plan performance and financial budget monitoring and forecast outturn data. The Performance Summary sets out the progress the Council was making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities. The Revenue Budget Position and Financial Summary provide an overview of the Council's overall budget position and forecast outturn.

Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for scrutiny and oversight of service and financial performance at the Council.

Regulators

Our review of minutes was supported by a review for any reports issued by Ofsted. We obtained the full Children's Services inspection report from November 2023, published in January 2024, where services were rated 'good' and read the focused inspection letters issued in November 2021 and September 2022. We also reviewed the most recent focused inspection letter dated June 2025 which was overall positive, but noted some points for improvement. The Council have accepted the points and are working to making the required improvements. There is no indication of a significant weakness in respect of these specific findings.

We also reviewed the area SEND inspection of Derbyshire Local Area Partnership, published in November

2024, from the inspection in September 2024. This concluded that *"There are widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently."* As a result of this inspection, His Majesty's Chief Inspector requires the local area partnership to prepare and submit a priority action plan to address the identified areas for priority action. A priority action plan was developed in January 2025 to address areas highlighted by the inspectors for improvement. As this is specifically in relation to SEND within the Derbyshire Local Area Partnership, and Derbyshire County Council Children Services is still overrated "good", we don't believe this indicates a significant weakness in arrangements. In addition, arrangements are in place to develop an action plan and monitor its delivery.

Partnerships and Commissioning

Our work to date on the financial statements has not identified any significant concerns regarding commissioning or procurement.

There are currently 5 local strategic partnerships operating within Derbyshire. The Derbyshire Partnership Forum is the county-wide local strategic partnership which focuses on strategic issues facing the County, and aims to add value to local partnerships. In addition, there are 4 district based local strategic partnerships with each having an elected board.

D2N2 was the Local Enterprise Partnership (LEP) for which Derbyshire County Council was the accountable body. In December 2024 D2N2 transferred to East Midlands Combined County Authority.

Joined Up Care Derbyshire, also known as Derbyshire's Integrated Care System (ICS), is a collaboration between health and care providers across the County and City, including NHS providers, Derby City Council and Derbyshire County Council.

The Council's cleaning, caretaking and property design services transferred to two new joint venture companies Vertas Derbyshire Limited (VDL), and Concertus Derbyshire Limited (CDL) on 1 September 2020. In addition, on 1 February 2022 Programme and Projects management staff TUPE'd to CDL.

The Council is currently undertaking a review of its partnership arrangements and protocols.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on Improving Economy, Efficiency and Effectiveness continued

The Council, along with its neighbouring authorities, Nottinghamshire County, Nottingham City and Derby City secured an East Midlands Devolution Deal which will provide a guaranteed funding stream of £38m per annum for 30 years. East Midlands Combined County Authority (EMCCA) was formed in March 2024, is led by an elected mayor, and will focus on transport, housing, skills and adult education, net zero, economic development, and visitor economy across both cities and counties.

None of the above are considered significant to our value for money commentary.

Local Government Reorganisation

Local government reorganisation (LGR) is a complex undertaking that requires strategic foresight, collaborative leadership, and robust planning. It presents both opportunities and challenges for Councils seeking to improve service delivery, financial sustainability, and democratic accountability. Effective planning is essential to ensure a smooth transition and long-term success.

Derbyshire County Council worked with districts and boroughs in Derbyshire to prepare an interim plan, which was approved by Full Council in February 2025 and submitted in March 2025. Since then the Council has been progressing several pieces of work to meet the business case deadline in November 2025 including an options appraisal and a public and key stakeholder engagement plan.

Crucially, the Council will need ensure it puts in place robust arrangements to oversee the agreement and implementation of an agreed plan. This includes effective governance and committed leadership, such that there are clear arrangements for decision-making and manage relationships between partners, especially in joint or competing proposals.

During the transition period, each Council will retain full sovereignty over its assets and liabilities. However, MHCLG expects local leaders to collaborate in establishing voluntary agreements that ensure prudent, coordinated, and value-for-money decisions on expenditure as proposals are developed.

There are a range of other factors to incorporate into future planning, including but not limited to:

- Robust financial planning, managing transition costs, but also addressing existing deficits and future funding uncertainties.
- Supporting the workforce, including engagement, morale and more detailed determination of employee contracts, redundancies and retention. This includes Ensuring there is sufficient resources available to implement programme management on the delivery of the finally agreed case.

- Maintaining continuity in services, but identifying opportunities/threats on duplication, gaps and service delivery models. This would also include effective consultation and engagement with residents, service users and other stakeholders.
- Considering the impact of technology as a barrier and enabler, including data protection, cyber resilience and ability to integrate systems.

“Other” Recommendation: The Council needs to maintain effective and transparent governance arrangements in the progression of plans for local government reorganisation, including effective leadership and the audit & governance committee should seek specific assurance, once plans are finalised, over the key controls in place to support the transition to a new organisation.

Conclusion on Improving Economy, Efficiency, and Effectiveness

We have not identified any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness in its use of resources for 2024/25.

VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



VFM arrangements - Identified significant weaknesses and our recommendations

Identified significant weaknesses in arrangements and recommendations for improvement

As a result of our work we have identified significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below.

Identified significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Recommendation for improvement	Our views on the actions taken to date
<p>Dedicated Schools Grant (DSG) deficit</p> <p>The Government's statutory override for Dedicated Schools Grant (DSG) deficits, originally due to expire in March 2026, has been extended for a further two years to March 2028. At 31st March 2025 the council had a cumulative DSG deficit of £44.737m and is forecasting a cumulative deficit of £83.874m by 31 March 2026. On expiry of the override, the Council will need to incorporate the cumulative deficit in its useable reserves. Local authorities with a DSG deficit are required by the Department for Education (DfE) to have a DSG management plan to identify the strategy, key areas and decisions that are required to bring spending back in line with funding and to repay the deficit. They are required to respond to any requests for information from the DfE with regards to its plans, high needs pressures, and potential savings; and keep the schools forum regularly updated. Whilst the Council has an ongoing dialogue with the DfE and the Schools Forum, as at 31 March 2025, the Council has not yet developed a formal management plan.</p> <p>1 This in our view, evidence of a significant weakness in arrangements for financial sustainability, specifically how the Council identifies and manages risks to financial resilience; how the Council plans to bridge its funding gaps and identify achievable savings; and how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. Failing to effectively manage the DSG deficit could result in a significant impact on the Council's available reserves and underlying financial sustainability.</p>	●			<p>The Council should develop a robust management plan to identify ways in which they can fund the DSG deficit as required by the Department for Education.</p> <p>This plan should include specific, actionable steps to mitigate its impact and establish a structured process for ongoing monitoring and evaluation of progress against these actions.</p>	<p>The Council has a dialogue with the Department for Education and is in the process of compiling a management plan. At this stage, there is no formal draft of data, information and strategies which are being progressed. The Council has confirmed these are required to enable a plan to be drafted around mitigations that can then be costed.</p>

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weaknesses and made recommendations for improvement in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council's progress against the recommendations made, including whether the significant weakness is still relevant in the 2024/25 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Financial Sustainability</p> <p>The Council has relied on reserves to support its financial position in 2023/24. The overall Council overspend of £21.655m was after substantial one-off support from the use of £37.108m of the Council's earmarked reserves. This included the planned use of £23.707m from the Budget Management earmarked reserve and an additional £13.401m of earmarked reserves drawn down from departmental reserves to support the outturn position. The Council's aggregated target savings for 2023/24 were £28.228m, but only £8.723m was delivered, a shortfall of £19.505m. The 2024/25 budget also included the planned use of £21.206m of reserves. At Quarter 3, the Council reported that if the forecast overspend for 2024/25 cannot be reduced during the final quarter of the year, it will result in the Council utilising a further £44.130m of reserves.</p> <p>Without developing achievable financial plans, to reduce the unsustainable reliance on reserves, the Council faces the risk of not having sufficient resources to be able to deliver a balanced budget in future years.</p> <p>In our view the level of unachieved savings, and the significant planned and unplanned use of reserves to fund the resulting budget gap is evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identifies achievable savings).</p> <p>The 2023/24 budget was presented to Cabinet on 2nd February 2023 and approved at Full Council on 15th February 2023. The 2023/24 Council Plan and Service Plan Refresh went to Cabinet on 16th March 2023. The service plans were finalised after the budget had been approved. We believe the lack of connection between financial and operational plans is evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities).</p>	<p>Financial Sustainability</p>	<p>The Council should develop sustainable, deliverable financial plans to ensure services can be provided within available resources. Specifically, the Council should:</p> <ul style="list-style-type: none"> Consider its operational plans alongside setting the budget, to ensure that the financial impact of the Council's planned services are appropriately reflected within the budget Develop savings plans that are achievable in conjunction with delivering the Council's operational plans, in order to reduce the reliance on reserves to fund the budget gap 	<p>For 2024/25, the budget report, and Council Plan were presented to the same Cabinet meeting. The Council has changed the way it conducts strategic planning by implementing a new Integrated Strategic Planning approach. This has been designed to achieve a closer integration of service and financial planning and better connect the Council's ambition and outcomes to operational activity and resources.</p> <p>There has been a significant improvement in the delivery of savings in 2024/25. However, the Council has also incurred significant overspends, particularly in Adult Social Care and Children's Services. In 2024/25, these overspends were largely mitigated through a one-off accounting adjustment, which does not represent a sustainable approach to addressing the budget gap. The Council must therefore develop and implement long-term strategies to manage funding pressures in Adult Social Care and Children's Services, in order to prevent further reliance on reserves.</p> <p>We also note that the Council has approved the use of flexible capital receipts for 2025/26, which will support the budget in the short-term but is not a long-term solution.</p>	<p>We conclude that there is still a significant weakness in the Council's arrangements for financial sustainability, specifically how the Council plans to bridge its funding gaps and identifies achievable savings.</p>

VFM arrangements – Prior year significant weaknesses and recommendations

Progress against significant weaknesses and recommendations made in a prior year continued

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p>Governance</p> <p>The Head of Internal Audit’s report for 2023/24 gave a limited opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management, and control. This conclusion was due to a high proportion of audits reported by Internal Audit in year that gave limited assurance opinions, and the lack of clear evidence that previous audit recommendations raised had been fully implemented. The report included limited assurance opinions within each of the Council’s service areas, demonstrating control weaknesses exist across the organisation.</p> <p>Without addressing the weaknesses identified and implementing robust monitoring going forwards, the Council risks developing a weak control environment which ultimately increases the Council’s susceptibility to fraud or error.</p> <p>In our view the Head of Internal Audit opinion, and the reasons underpinning it, is evidence of a significant weakness in the Council’s governance arrangements (how the Council gains assurance over the effective operation of internal controls).</p>	<p>Governance</p>	<p>The Council should:</p> <ul style="list-style-type: none"> • Appropriately respond to recommendations made by internal audit, and take actions as required to address those recommendations • Implement robust monitoring processes to track progress made against internal audit recommendations 	<p>Since July 2024, all departments have been provided with a monthly audit progress information pack, which includes a summary of the progress of audit work against the Audit Plan agreed by the Audit Committee. As part of this process, a detailed breakdown of the current level of outstanding recommendations by period, assigned officer and priority level can be visualised. Summaries have been included in the Internal Audit progress reports from December 2024 onwards, giving the Audit Committee clear oversight of which recommendations are overdue. Whilst there has been progress in respect of the implementation of audit recommendations, there are still a significant number of open recommendations, and action needs to be taken by all divisions to ensure that the appropriate controls are put in place to mitigate against the risks that have been identified.</p> <p>The Council have also implemented further monitoring through quarterly updates to the Corporate Management Team, monthly updates to each Department Management Team and twice-yearly meetings between Head of Internal Audit and the Council Leader.</p> <p>Furthermore, an updated Internal Audit Charter was approved in December 24 that reflects the expectations of the organisation.</p> <p>Whilst there has been progress in respect of the implementation of audit recommendations, there are still a significant number of open recommendations. At March 2025 this included 29 outstanding recommendations over 12 months overdue, 19 of which were classed as high risk. The 2024/25 Head of Internal Audit Opinion also gave a limited opinion once again which reflected that progress has been made, but the level of improvement has not been sufficient to support an improvement on last year’s limited audit opinion.</p>	<p>We conclude that there is still a significant weakness in the Council’s arrangements for governance specifically how the Council gains assurance over the effective operation of internal controls</p>

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any such objections in relation to the 2024/25 accounts. We have received questions which we are reviewing. We are also still considering an objection raised in 2023/24.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We have been unable to conclude our work as we have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

05

Audit of Derbyshire Pension Fund

Audit of Derbyshire Pension Fund

Summary of key information

As the auditor for Derbyshire Pension Fund ('the Pension Fund'), our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). This section of the AAR summarises how we have discharged these responsibilities and the findings from our work we have undertaken as the Pension Fund auditor for the year ended 31 March 2025.



Opinion on the Pension Fund financial statements

We issued our audit report on 24 February 2026. Our opinion on the financial statements was unqualified.



Risks, misstatements and internal control recommendations

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix B. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.



Consistency report

We concluded that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Derbyshire County Council.



Wider reporting responsibilities

We have not exercised any of these powers as part of our Derbyshire Pension Fund's 2024/25 audit.



Significant difficulties during the audit

During the course of the audit, we did not encounter any significant difficulties, and we have had the full co-operation of management.

Appendices

Appendix A: Further information on our audit of the Council's financial statements

Appendix B: Further information on our audit of the Pension Fund financial statements

Appendix A: Further information on our audit of the Council’s financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits. You should assess this risk as part of your oversight of the financial reporting process.</p>	<p>In line with our methodology, we planned to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual. <p>We have not identified any issues to report in relation to accounting estimates, or significant transactions outside the normal course of business or otherwise unusual.</p> <p>We have been unable to complete our work on journal entries ahead of the backstop date.</p> <p>We are therefore unable to conclude on this risk, and do not provide any assurance on this area.</p>
<p>Valuation of land and buildings</p> <p>Land and buildings assets are a significant balance on the Council’s balance sheet. The valuation of these properties is complex and is subject to a number of management assumptions and judgements. Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p> <p>This risk covers (figures have been taken from the draft 2024/25 financial statements):</p> <p>Land and buildings £798.557m</p> <p>Heritage assets £23.190m</p>	<p>We planned to address this risk by:</p> <ul style="list-style-type: none"> • critically assessing the scope of work, qualifications, objectivity and independence of the Council’s valuer to carry out the required programme of revaluations; • considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA code of practice and the Council’s accounting policies; • Testing a sample of valuations carried out in the year to confirm they have been carried out on the correct basis and that the underlying judgements are based on relevant inputs and are reasonable; • assessing whether valuation movements are in line with market expectations by considering valuation trends; and • critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2024/25 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers. <p>We have completed testing of the assets revalued during the 2024/25 year. However, we have been unable to complete our testing of the prior year restated valuations. As only a portion of the assets have been revalued again in 2024/25, we therefore cannot gain sufficient assurance in this area for the 2024/25 audit, as it relies on us gaining assurance on the 2023/24 valuations. We cannot conclude in this area and we do not provide any assurance on these balances in the financial statements.</p>

Appendix A: Further information on our audit of the Council’s financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Net defined benefit liability/asset valuation</p> <p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council’s balance sheet. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area. Relevant Account Balances (taken from the 2024/25 draft financial statements):</p> <p>Net Pension Liability – LGPS: £56.986m</p>	<p>We addressed the risk by:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the Pension Fund’s Actuary; liaising with the auditors of the Derbyshire Pension Fund to gain assurance over the design and implementation of the controls in place at the Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements. Reviewing and challenging the Council’s assessment, under the requirements of IFRIC14, of any Pension surplus and confirming that the accounting treatment is appropriate and reasonable. <p>Our work in this area is complete.</p> <p>We have raised one control recommendation that Management should document their review of the assumptions to be used by the actuary. We have identified no other issues to report.</p>

Appendix A: Further information on our audit of the Council’s financial statements

Significant risks and audit findings

As part of our audit of the Council, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>IFRS 16 implementation</p> <p>IFRS16 is applicable from 1 April 2024, designed to report information that better shows lease transactions and provides a better basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The Council is required to account for its lease arrangements in line with this new standard for the first time in the 2024/25 accounts. This requires the Council to re-classify their leases and account for a right of use asset.</p> <p>In addition, IFRS16 applies to service concession arrangements. Under IFRS16, the annual Unitary Payment must be separated between an amount for services and an amount for the property. The services element must be recognised in operating expenses to reflect the services received. The liability for the property element must be calculated and subsequently revalued</p>	<p>We planned to address the risk by: Substantively testing lease balances recognised under IFRS 16 and seeking evidence to support that they have been correctly classified and accurately measured under the new standard and:</p> <ul style="list-style-type: none"> • obtaining an understanding of the approach taken by the Council in valuing the right of use assets; • sample testing the valuation of the right of use assets; • agreeing the valuation to underlying data and review the underlying valuation assumptions. <p>In addition, we reviewed the work the Council has carried out for the implementation of IFRS16 for service concession arrangements, review the IFRS16 model and test inputs to ensure they are consistent with the underlying PFI contracts as well as testing the accounting entries for the remeasurement as at 1st April 2024.</p> <p>We have been unable to complete our work in this area.</p> <p>We have identified an error in relation to “holding over assets”. These are assets that the Council leases, but due to the lease agreement being expired, the Council made the judgement not to recognise a right-of-use asset or lease liability on their Balance Sheet. We have concluded that these leases should be recognised. At this stage we are unable to quantify the value of the error, and so we cannot conclude. We do not provide any assurance on these balances in the financial statements.</p>

Appendix A: Further information on our audit of the Council’s financial statements

Other key areas of management judgement/ enhanced risks

Risk	Our audit response and findings
<p>Minimum Revenue Provision (MRP)</p> <p>MRP is a statutory charge the Council makes from revenue to repay their borrowing for capital expenditure. It reduces the Council’s Capital Financing Requirement. The Council has flexibility over the method used to calculate the charge, but they must make a “prudent provision”. At 1 April 2024 the Council changed their MRP policy which resulted in a significant reduction in the MRP charge. Given the change in approach we consider this to be an enhanced risk area for 2024/25</p>	<p>We addressed the risk by:</p> <ul style="list-style-type: none">• Reviewing the Council’s MRP policy for compliance with statutory guidance• Ensuring the MRP approach is consistent with the Council’s policy• Reviewing the Council’s MRP calculations for accuracy <p>Our testing is complete and we have not identified any issues to report.</p>

Appendix A: Further information on our audit of the Council’s financial statements

Summary of uncorrected misstatements for the Pension Fund

We reported one unadjusted misstatement as part of our completion reporting.

Description	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr Government Grants and Contributions	Extrapolated	1,929			
Cr Debtors					-1,929
Our grants testing identified an £841k overstatement of a grant, as a result of a portion of income being double counted. This was identified as part of a sample and this is the total extrapolated error amount.					
Aggregate effect of unadjusted misstatements		1,929			-1,929

Internal control observations

We reported 13 internal control recommendations from our audit work, This included 3 recommendations that were raised in our 2023/24 Audit Completion Report that have yet to be implemented.

Appendix B: Further information on our audit of the Pension Fund’s financial statements

Significant risks and audit findings

As part of our audit of the Pension Fund, we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Risk	Our audit response and findings
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>Our response</p> <p>We addressed the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p> <p>Our findings</p> <p>Our audit work is complete with no matters to report.</p>
<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>As at 31 March 2025 the fair value of investments classified within level 3 of the fair value hierarchy was £1,882m, which accounted for 28% of net investment assets. Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing the at year end.</p> <p>As the pricing of these investments assets is subject to judgements, they may be susceptible to pricing variances for 2024/25 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	<p>Our response</p> <p>We addressed this risk by:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the skills, experience and qualifications of any external valuers used by the Pension Fund; • Obtaining an understanding of the basis of valuation applied in the year, and reviewing the valuation methodologies; • Agreeing a sample of valuations to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • Reviewing management’s reconciliation of fund manager reports to the custodian’s report; and • Agreeing a sample of valuations to audited accounts or other independent supporting documentation and considering the impact of any modified audit reports on those audited accounts. <p>Our findings</p> <p>Our work identified the valuation of investment assets was understated by an immaterial amount. The Pension Fund amended the accounts such that the unadjusted value was below our trivial reporting threshold.</p>

Appendix B: Further information on our audit of the Pension Fund's financial statements

Summary of uncorrected misstatements for the Pension Fund

We reported no unadjusted misstatements as part of our completion reporting.

Internal control observations

We reported two internal control recommendations from our audit work, Both recommendations were agreed by management.

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