

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RUSHMOOR BOROUGH COUNCIL**

### **Disclaimer of Opinion**

We were engaged to audit the financial statements of Rushmoor Borough Council ('the Council') and its subsidiary (the 'Group') for the year ended 31 March 2024. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 44 including material accounting policy information and including the Expenditure and Funding Analysis.
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

We do not express an opinion on the accompanying financial statements of the Council and Group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for disclaimer of opinion**

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2021, 31 March 2022 and 31 March 2023 for Rushmoor Borough Council were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 26 November 2024, 13 December 2024 and 13 December 2024 respectively.

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to delays in receiving audit evidence in sufficient time before the backstop date and delays in the previous year's audits we did not have the required resource available and, have been unable to complete our audit procedures on property, plant and equipment (2023/24 £119.76 million, 2022/23 £112.94 million) and investment property (2023/24 £138.73 million, 2022/23 £129.88 million). As a result of the disclaimers of opinion in the prior years and the backstop date, we also do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances, closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' that were not revalued in year.
- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet.
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.
- in the collection fund and accompanying notes: opening balances, comparatives and in-year movements that are calculated as a movement between the opening and closing balance.

Therefore, we are disclaiming our opinion on the financial statements.

### **Matters on which we report by exception**

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

### **Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources**

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in the Authority's arrangements for the year ended 31 March 2024:

*We have identified one significant weakness in arrangements for the year ended 31 March 2024:*

*Weakness in arrangements to secure future financial sustainability*

#### Weakness identified

At the end of 2023/24 the Council did not have adequate arrangements to reduce its recurrent level of revenue spending so that it can be contained within available resources without the need to call on reserves or reduce the level of planned service provision. In particular, the Council did not have arrangements to reduce its very high level of short-term borrowing to mitigate the impact of this on its revenue budget over the medium term and reduce the level of interest rate risk it is currently exposed to.

#### The evidence on which our view is based

- The level of actual overspending against the revenue budget in 2023/24, and the planned further call on reserves of £16.2 million for the period 2025/26 to 2028/29 to be able to balance the budget without the Authority taking steps to significantly curb spending.
- At the Corporate Governance, Audit and Standards Committee meeting on 29 January 2025, the Annual Treasury Management Strategy and Annual Non-Treasury Investment Strategy 2025/26 was presented to the committee. It concluded that at the Council held £145 million in loans at 31 December 2024 as part of its previous strategy for funding prior years' capital programmes. The Council expects to borrow a further £8 million in 2024/25. The Council's Capital Financing Requirement is projected to increase to £170.5 million in 2024/25 before reducing thereafter.
- The level of external borrowing held by the Authority and the proportion of this borrowing that is short-term. Changes in the wider UK economy in the periods leading up to the reporting date,

and specifically increased inflation and increased interest rates, also put further pressure on the Council's finances. As at 31 March 2024 the Council held total borrowing of £162 million of which £157 million was held short term. This was an increase in borrowing £47 million compared to the prior year.

### The impact on the Council

The current level of recurrent over-spending and high level of short-term borrowing will result in the Council being unable to set a balanced budget for 2026/27 unless mitigating action is taken, which could include the need to reduce the planned level of future service provision.

### Action required by the Council

The Council needs to fully implement and action its Financial Resilience Plan which contains a range of medium and shorter-term actions designed to ensure its financial sustainability. Specifically:

- Develop and implement appropriate arrangements to deliver a permanent removal from the base budget of £0.5 million each year for the four years commencing 2024/25.
- Identify and deliver a £40 million asset disposal programme to achieve the Council's interest and cost reduction savings targets.
- Seek to replace short-term with long-term borrowing to reduce the Council's exposure to interest rate risk and allow for more certainty in its medium-term financial planning arrangements.

The issues above are evidence of weaknesses in proper arrangements for sustainable delivery of services in accordance with strategic and statutory priorities.

### **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on pages 17, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether the Rushmoor Borough Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Rushmoor Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether the Rushmoor Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of Rushmoor Borough Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of Rushmoor Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Mathers  
Ernst & Young LLP  
Southampton  
26 February 2025