

Auditor's Annual Report Cheltenham Borough Council

For the year ended 31 March 2025



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Members of the Audit Compliance and Governance Committee
Cheltenham Borough Council
Municipal Offices
Promenade
Cheltenham
GL50 9SA

Dear Members

Cheltenham Borough Council ('the Council') – Auditor's Annual Report 2024/25

We are pleased to attach our draft Auditor's Annual Report for the financial year 2024/25. This report summarises our audit conclusions and highlights the key findings arising from our value for money work.

We have initially discussed the contents of our report with management and have incorporated their comments where relevant.

This report is intended to be solely for the information and use of management and those charged with governance of the Council and should not be shared with anyone beyond the Council without our prior approval.

We would like to take this opportunity to thank the Council's officers for the co-operation and assistance afforded to us during the course of the audit.

Yours faithfully

Bishop Fleming Audit Limited

BISHOP FLEMING AUDIT LIMITED

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1. Introduction

Our Auditor's Annual Report (AAR) summarises the work that we completed for Cheltenham Borough Council (the Council) for the year ended 31 March 2025.

The Council is responsible for keeping proper accounts and proper records in relation to the accounts and for maintaining an appropriate system of internal control. The Council is responsible for the preparation of annual accounts for each financial year. Such accounts must present a true and fair view and comply with the requirements of enactments that apply to them.

The Council is also responsible putting in place appropriate arrangements to secure the economy, efficiency and effectiveness in its use of resources and to maintain an effective system of internal control that supports the achievement of their policies, aims and objectives whilst safeguarding and securing value for money from the public funds at their disposal.

The scope of our work is set in accordance with the National Audit Office's (NAO) Code of Audit Practice (the Code) and the International Standards on Auditing (ISAs) (UK). Our work is planned to provide a focused and robust audit. We are responsible for and are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We are also required to report to the Council by exception the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

In addition, we are also responsible for reviewing the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources. The Code requires us to report on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- 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.

We carried out our work in accordance with our Audit Plan, which we issued to the Council in April 2025 and was presented at the Audit and Standards Committee in May 2025.

2. Executive summary

Results from the audit of the financial statements

We will be issuing a modified disclaimed opinion on the Council's financial statements. This disclaimer is due to the lack of assurance over the opening balance from previous year's disclaimed opinions, but also the delay in the Council publishing its full final financial statements. See Section 3 for more details.

On finalisation of the external audit, we completed the component auditor procedures, in line with the National Audit Office group auditor instructions for the work required on the Whole of Government Accounts return. There are no issues to report to the Council.




Results on our work on other matters

Our work relating to other matters has been completed in line with our audit plan. For those minor areas that have required updates or amendments, management have engaged constructively with us and responded positively to our requests. See Section 3 for more details.




Results from our work on VFM arrangements

Under the Code, we are required to consider whether 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 2025.

Our conclusions are summarised below. See Sections 4-8 for more details.

Financial sustainability	 Amber	We did not identify any significant weaknesses in the Council's arrangements for financial sustainability. We have three unresolved improvement recommendation from the prior year. See Section 8 for details.
Governance	 Red	We identified a significant weakness in the Council's governance arrangements for the year ended 31 March 2025 in relation to the delayed production of the group financial statements. We have one unresolved improvement recommendation from the prior year. See Section 8 for details.
Improving economy, efficiency and effectiveness	 Amber	We did not identify any significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have two unresolved improvement recommendations from the prior year. See Section 8 for details.

Key:

	Green - No significant weaknesses in arrangements identified and no recommendations made
	Amber - No significant weaknesses in arrangements identified but recommendations made
	Red - Significant weaknesses in arrangements identified and recommendations made

3. Audit of the financial statements

Audit opinion on the financial statements

The scope of our work is set in accordance with the Code and the International Standards on Auditing (ISAs) (UK). As stated in Section 1 of this report, we are required to provide an independent opinion as to whether the financial statements:

- give a true and fair view of the financial position of the Council at the year end and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

It was not possible for us to complete all our planned work for the 2024/25 audit by the statutory backstop date. This is due to the delay in the finalisation of the group financial statements until after the backstop date, but also due to challenges impacting the finance team's ability and capacity to support the audit process. We also note that the 2023/24 audit was disclaimed due to the tight timeline following from the delayed completion of the previous audit, and as a result we could not place reliance on the opening balances.

Given these factors, we have not been able to complete all of our proposed work. As a result, we will be issuing a disclaimed audit opinion on the 2024/25 financial statements.

We have already begun to work with the Council to build back assurance on the financial statements in future years.

Key issues arising from the accounts audit

As mentioned above, we will be issuing a disclaimed audit opinion due to the lack of assurance over the opening balances and inability to complete build back assurance work in all areas proposed or complete work in some areas. Further detail is included in our Audit Completion Report which sets out an update to our planned audit approach for each of these audit areas for further clarity.

Other matters

As stated in Section 1 of this report, we are also required to report to the Council, by exception, the following matters, if:

- the Annual Governance Statement does not comply with "Delivering Good Governance in Local Government: Framework 2016 Edition" published by CIPFA/SOLACE; or
- we issue a report in the public interest under Section 24 of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Council under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- 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 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We concluded that there were no matters to bring to the Council's attention in respect of these matters.

Audit certificate

At the end of the audit, as auditors, we are required to certify the completion of the audit. The effect of this certificate is to close the audit and marks the point when the auditor's responsibilities in respect of the audit of the period covered by the certificate have been discharged.

We cannot formally conclude the audit and issue an audit certificate for Cheltenham Borough Council for the year ended 31 March 2025 in accordance with the requirements of Local Audit and Accountability Act 2014 and the Code until we have confirmation from the NAO that no additional work (beyond submission of the Assurance Statement) will be required in respect of the Whole of Government Accounts exercise.

More detailed findings can be found in our final Audit Completion Report.

4. Value for Money

Under the Code, we are required to consider whether 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 2025.

The Code requires us to report our commentary on the Council's arrangements under three specified reporting criteria:

- Financial sustainability – how the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – how the Council ensures it makes informed decisions and properly manages its risks; and
- 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.

The NAO has issued guidance for auditors to report against each of the three specified reporting criteria. The guidance also includes a number of further areas for review within each criterion for the auditor to assess those arrangements.

Our initial risk assessment did not identify any potential risks of significant weakness.

We asked management to complete an evidenced self-assessment of the Council's arrangements. We then reviewed the evidence provided and carried out follow up work as appropriate to consider whether there were any significant weaknesses in the arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our commentary on the Council's arrangements in each of these three areas is set out in Sections 5, 6 and 7 of this report. Our recommendations for improvement are included in Section 8.

5. Financial sustainability

We considered how the Council plans and manages its resources to ensure it can continue to deliver its services, including how it:

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

Overview and 2024/25 outturn

The Council approved the original budget for 2024/25 on 23 February 2024. The original budget set a total cost of services of £23.61m, net spend funded by Council Tax of £10.40m. The budget included a planned transfer of £0.63m to the general fund balance, savings and additional income to be generated of £2.74m, and a total general fund and earmarked reserves balance of £4.33m

The budget was revised through the year, with the final revised budget, approved by Council on 21 February 2025, reducing the planned transfer to the general fund reserve by £0.28m to £0.35m. This was presented for approval along with the budget for 2025/26. The papers included a summary analysis of the overspend from the original budget, with variances reported to cabinet in greater detail in the quarterly financial reporting. The largest variances due to overspends for interest recharges to the HRA (£0.13m) and planning income under delivering (£0.11m) with other positive and negative variances.

The 2024/25 final outturn was reported to Council on 21 July 2025 reported a total underspend of £914 against the revised budget, and a contribution to the general fund balance of £0.35m, in line with the revised budget. The Council delivered £2.01m of the planned £2.74m savings and rolled £0.63m forward into the 2025/26 budget.

The Housing revenue Account (HRA) originally forecast an operating surplus of £0.36m and increase to reserves of £0.17m after £0.19m revenue contribution to capital. The revised budget reduced the net operating surplus to £0.09m. The final outturn for the HRA was a deficit from services of £0.38m with a total net deficit of £0.33m after interest receivable, reducing the HRA revenue reserve to £0.60m at 31 March 2025, noting that this continues the reduction from 2023/24 which reduced the level of HRA revenue reserves by £0.57m.

For 2024/25, the Council budgeted for a capital programme of £20.4m with final capital outturn being £13.1m. The main areas of underspend were on replacement vehicles and recycling equipment and enabling the delivery of Private Rented Sector Housing. These primarily relate to deferred spend and slippage in the programme which have been included in future budgets. In addition, there was an underspend of £3.0m on the HRA Capital programme of £21.1m.

Financial planning and monitoring

Annually the Council sets the budget and Medium-Term Financial Strategy (MTFS). The interim budget proposals for the general fund, HRA, and capital programme was approved by Cabinet on 19 December 2023, subject to conclusion of the consultation on the Local Government Provisional Finance Settlement. An update from the Budget Scrutiny Working Group on the response to the interim budget proposals was presented to the Overview & Scrutiny Committee on 15 January 2024. The 2024/25 general fund budget, HRA budget, capital programme, and 2024/25 – 2028/29 MTFS was approved by Council on 23 February 2024. These are updated through the year and are subject to review at Cabinet and Council. The final 2024/25 budget was revised and approved by Council on 21 February 2025.

Performance is monitored quarterly, with reporting taken to Cabinet which sets out delivery against the annual budget. The reporting includes analysis of significant variances at each quarter, demonstrating the variances to the budget, and tracking of the delivery of savings, with an analysis of on-track and a RAG rating for the delivery of each identified savings programme. This approach ensures that financial targets, including saving initiatives, are closely tracked against key performance metrics. This proactive governance framework supports the Council in responding to emerging financial challenges while maintaining fiscal sustainability.

As at 31 March 2025, the Council has borrowings of £205.7m, an increase of £2.9m from the prior year balance of £202.8m. The level of current borrowings has decreased by £14.2m from 2023/24, with current borrowings at 31 March 2025 being £56.0m (27% of total 2024/25 borrowings) compared to £70.2m (35% of 2023/24 borrowings) at 31 March 2024. Borrowing levels have increased from £174.1m at 31 March 2021, and the Council's debt ratio (the total debt as a percentage of total assets) increasing in that period from 28.9% to 30.7%. Moreover, the 2025/26 Treasury Management Strategy forecasts external borrowing to decrease in the next three years to £192.7m by 31 March 2028 but also notes that the capital financing requirement rises to £377.0m over the same period from £215.8m at 31 March 2025. The 2025/26 Capital Programme (to 2028/29) includes £98.97m budgeted spend on the delivery of the National Cyber Innovation Centre at Golden Valley, which is a key driver in the increase of the CFR. The Council has noted in the 2025/26 budget papers the expectation to realise capital receipts from the sale of the Municipal Offices and Gloucestershire Airport, offsetting the requirement to increase the level of borrowing. We raised a recommendation in our 2023/24 Auditor's Annual Report that the Council needs to put plans in place to manage the levels of debt and have carried this recommendation into this year.

Achieving efficiency savings

As part of the 2024/25 approved budget, the Council approved a four year savings strategy and had planned to make £2.7m of savings. This included cost savings across several service areas. Of the total savings, £2.01m were delivered with £0.63m deferred to 2025/26 due to the timing of delivery. As noted above, delivery of the planned savings was reported to Cabinet in the quarterly financial reporting. We have therefore included a recommendation below as the Council should review savings targets and understand reasons for not meeting these.

The Council's 2025/26 budget includes total savings of £1.1m.

2025/26 financial planning

The financial planning and budgets are based on provisional budget settlements issued by UK Government departments, which feed into the Council's overall planning assumptions. The Council's approach to the capital programme aligns with its approach to the budget planning. The Council's capital programme budget and outturn reports are presented to Cabinet alongside General fund revenue account budgets and outturn reports. The costs of financing the capital programme are reflected within the general fund revenue account budget.

Cabinet approved the 2025/26 interim budget proposals for the HRA, General Fund Revenue & Capital for consultation on 17 December 2024. The Overview and Standards Committee received the Budget Scrutiny Working Group's response to the interim budget proposals on 13 January 2025. The Council received and approved the 2025/26 Final Budget Proposals on 21 February 2025. The approved budgets set a HRA net operating surplus of £0.08m, net General Fund budget contributing to general fund reserves of £0.56m, and a capital programme budget of £39.66m.

There is no workforce strategy implemented at the Council, which is in line with prior year findings. The functions of Cheltenham Borough Homes have been subsumed into the Council in 2024/25, with the staff TUPED across to the Council on 1 July 2024. The Council previously noting that work on a workforce strategy would not commence until this was completed. There has not been a workforce plan implemented in 2024/25. We have included this within Section 8 of the report within the prior year recommendations for follow-up.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's financial sustainability arrangements. We have ongoing recommendations for improvement at Section 8.

6. Governance

We considered how the Council ensures that it makes informed decisions and properly manages its risks, including how it:

- monitors and assesses risk and how it gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- approaches and carries out its annual budget setting process;
- 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;
- 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
- 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.

Risk management

The Council has a Corporate Risk register which is reviewed regularly by the Audit, Compliance and Governance Committee. The register was reviewed three times by the committee during 2024/25, at the July 2024, October 2024, and January 2025 committees. The committee also reviewed the Risk Management policy in October 2024, with the revised policy reflecting that previously CBC and CBH had separate policies, and these have been consolidated into a single policy following the transfer of CBH into CBC.

The Risk Register details a specific reference, the risk detail, the risk manager, current assessment score based on impact and probability, change from last assessment, a risk action indicator, current control details, and a review date. We raised a recommendation in 2023/24 that the Corporate Risk Register was missing features of best practice such as linking to strategic objectives, specific risk mitigation details and direction of travel. The latest 2024/25 Corporate Risk register includes "change from last assessment" which summarises any changes in the documented risk as well any movement in the assessment. There is an absence of a risk appetite statement although the policy does refer to "tolerance" of risk and high-level guidance on levels which are RAG rated. Our recommendation remains ongoing and the details can be found in Section 8.

The Council's Governance Structure is made up the Full Council, Cabinet, Overview and Scrutiny Committee and the Audit, Compliance and Governance Committee, along with a number of other committees and sub-committees. The Cabinet is made up of the Leader of the Council and eight Councillors. Each Cabinet member has assigned responsibilities for an area of the Council allowing them to consider levels of risk in each area. The Cabinet meets regularly throughout the year and convened 11 times through 2024/25.

In regard to management of fraud risk, the Council has a Counter Fraud Enforcement Unit ('CFEU') in order to perform reactive review if a fraud is identified or a referral received. We have seen evidence of steps taken by the CFEU of both proactive and reactive positive review actions.

Internal control

The Audit, Compliance and Governance Committee has a key role to play in ensuring the overall effectiveness of internal controls. The Committee discharges this function appropriately, meeting four times a year, and adhering to its terms of reference and challenging officers in relation to internal and external audit findings.

A key element of internal control is the role of Internal Audit. Southwest Audit Partnership (SWAP) are the Council's Internal Audit supplier. A representative at each of the Audit and Governance Committee meetings to present any findings. The Audit, Compliance and Governance Committee approves the Annual Internal Audit Plan and is provided with a progress

report against the plan at each meeting. The plan for 2024/25 was approved by the Audit and Governance Committee on 17 April 2024.

The annual opinion, which gives an overview of the Council's governance arrangements, risk management processes and internal control environment, was presented by SWAP on 19 July 2025. The 2024/25 internal audit annual opinion was "reasonable assurance". There were no individual internal audit reports that concluded "no assurance", with two "limited assurance" reports, two "reasonable assurance" reports, and five "substantial" assurance reports. Neither of the two reports with the overall "limited assurance" ranking contained any individual findings that were individually rated as high priority.

We are satisfied with the internal control arrangements at the Council.

Budget setting and budgetary control

Consistent with our reporting in the previous year, budgets are designed and set by budget holders before presentation and consultation by the Cabinet with review of the performance against the prior year undertaken alongside budget holders before being approved at a Full Council meeting.

The budget setting process for 2024/25 considered past performance, analysis of market conditions such as interest rates, risk scenarios linked to the MTFs. We have seen through Committee papers including those presented and discussed at Cabinet and Full Council that budget setting is considered at all levels from budget holders, Portfolio Holder for Finance, the Chief Executive, Deputy Chief Executive, S151 Officer and Senior Leadership Team.

Within the monitoring reports seen, budget holders are held to account for delivering budget or developing mitigating actions. Minutes of the Cabinet meetings show quarterly monitoring and scrutiny. Budgets are presented for approval at Cabinet. We have seen the 2024/25 budget was approved at Cabinet in the meeting of 18 February 2025 and then by Full Council on 21 February 2025.

The General Fund and HRA capital programme forms part of the quarterly reporting to Cabinet, evidencing monitoring and oversight of capital projects and progress.

Sufficient evidence has been seen through review of minutes to provide assurance that the budget setting and monitoring processes are reported and discussed with leaders throughout the year. Analysis of budget variations and explanations were included in the reporting.

Decision making

We are satisfied that appropriate arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made, and that there are arrangements for challenge of such decisions before they are made.

There is an appropriate culture set by senior officers, driven by the code of conduct set out in the Council's Constitution. This includes appropriate levels of engagement by the leadership team with other senior members and attendance at governance meetings. Leadership also ensure that the appropriate experts are consulted for unusual or complex transactions such as the Publica transition reports.

Ensuring appropriate standards

The Council has appropriate policies and procedures in place to ensure appropriate standards are maintained. These include the code of conduct in the Council's Constitution. We have seen compliance with the standards as an example in the gifts and hospitality declarations which are included on a register and on the Council's website. We have not encountered any examples of gaps in standards during the course of our work and have been assured by management that no serious data breaches have occurred. The Audit, Compliance and Governance Committee receive cyber security update reports to enable monitoring of the adequacy of cyber security arrangements.

We have identified a significant weakness in the Council's arrangements for 2024/25 regarding the production of the financial statements. The significant weakness centred on the Council being unable to produce its full 2024/25 group financial statements before the 20 June 2025 statutory deadline, instead producing them on 5 March 2026, also after the 27 February 2026 backstop date being set by the Ministry of Housing, Communities and Local Government.

The Council did produce a set of Council only financial statements and publish these on their website on 22 July 2025. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year that were required to be processed, such as the valuations of property, plant and equipment. These amendments were made for the full group accounts published 5 March 2026.

The Council noted that the turnover in the finance team following the merging of Cheltenham Borough Homes into the Council and delay in receipt of the statutory accounts of the joint venture contributed to the delay in the production of the Council's full group financial statements. Cheltenham Borough Homes housing activity and staff were transferred back into the council on 1 July 2024.

Based on the work carried out, we have identified one significant weakness in arrangements and issued written recommendations to the Council to address this. We also have an additional ongoing recommendation for improvement at Section 8.

7. Improving economy, efficiency and effectiveness

We considered how the Council uses information about its costs and performance to improve the way it manages and delivers its services, including:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides 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, in order 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.

Assessing performance and evaluating service delivery

Service managers produce quarterly performance reports which are presented to the internal leadership team (Chief Executive and Deputy Chief Executive, S151 Officer, Deputy s151, Directors, Monitoring Officer and Head of Performance). As we reported last year, Individual programmes and projects also have their own targets and performance expectations and are reported via the programme/project boards as required.

The Cabinet received the 2023/24 end of year performance report at the 23 July 2024 meeting, as part of the 2023-2027 Corporate Plan Year One Review. The year one review report collates information for the key projects aligned with each of the Council's 5 key priorities. The end of year performance report sets out more granular KPIs for the Council's various service areas, including a target, performance across the 4 quarters of the year, and an overall RAG rating with end of year commentary and notes. This gives an overview as well as the trend analysis across the year which enables inquiry and challenge by the Cabinet. The majority of KPIs were assessed as green, but where they were assessed as Amber or red, there is greater level of detail in the commentary to provide context and enable informed discussion of the results.

Peer challenge is a core part of the Local Government's Association's (LGA) sector support offer to councils. We note that the last corporate peer review was undertaken at the Council on 18th November 2022. The peer review report was published for the Full Council meeting in April 2023. The report highlighted a number of areas where the Council has made good improvements since the last review and went on to develop an action plan to address the further development areas. A progress report in respect of the actions and recommendations of the peer review was presented at the 9 September 2024 Overview and Scrutiny Committee. The report set out the 12 key recommendations made by the peer review and provided an update on the progress taken against each of the recommendations.

Partnership working

The Council participates in a wide range of local partnerships and has a track record of working with strategic partners to develop strategies and translate those into actions for the Council to deliver.

The Council's key partnerships are UBICO, The Cheltenham Trust, One Legal, Publica, and Cheltenham Borough Homes. The services and staff of CBH were transferred back into the Council on 1 July 2024.

The Council maintains oversight and monitoring of its partners with regular meetings occurring within the senior management team. These are reported annually to the Overview and Scrutiny Committee and the Cabinet who review the progress made within the partnerships in line with the framework for partnership working. For example, in 2024/25 the Overview and Scrutiny Committee reviewed the 2023/24 UBICO performance report at the 9 September 2024 meeting and the 2024/25 UBICO business plan was presented to Cabinet on 2 April 2024.

One of the Council's Key Priorities is to achieve net zero by 2030. The Corporate plan clearly sets out the need to work with residents' communities, businesses and the voluntary sector to achieve this. Decisions made about commissioning from Ubico in the coming years are likely to be critical both to future savings plans and to the Council's ability to reach net zero targets. The Council has a good working relationship with Ubico and arrangements for annually reviewing Ubico's business plans and performance, which will be important.

As the Council progresses work with the Golden Valley project, the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well. For 2024/25 the Council did not have a partnership policy or register of its key partners. In the previous year's report, it was recommended

that the council should consider adopting a new partnership strategy and register and the details can be found in Section 8 below, this recommendation remains valid for the current year.

Commissioning and procuring services

We reported last year that the Council has a procurement and project management strategy in place, which was last updated in July 2015. In 2024/25 there were draft Contract Rules that were updated to be in line with the Procurement Act 2023 (PA23) and the Procurement Regulations 2024 (PR24) which come into effect February 2025. This outlines how procurement services are outsourced to Publica, and the communicated vision is to demonstrate value for money through effective commissioning and procurement whilst minimising impacts on the environment. The Council have an in-house procurement executive who oversees the Publica procurement function in detail. The Council has continued to update the tools and guidance for staff for procurement to address the new requirements. The overarching procurement strategy had not been revised in 2024/25 to reflect the ongoing changes to made to address the new requirements and we have raised a recommendation below in Section 8, to this effect.

There is no evidence that suggests the Council is failing to operate a fair procurement exercise for significant contracts.

Based on the work carried out, we are satisfied that there are no significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness. We have made recommendations for improvement at Section 8.

8. Recommendations

KEY:






Red - Recommendations that refer to issues that have resulted in a significant weakness in the Council's arrangements.



Amber - Recommendations that should improve the arrangements in place at the Council but are not as a result of identifying a significant weakness.

Current Year Issues

Governance – Delayed production of financial statements	
2024/25:  <i>Red</i>	
<p>Finding</p> <p>The Council did not produce the full 2024/25 group financial statements before the 20 June 2025 statutory deadline, instead producing them on 5 March 2026, also after the 27 February 2026 backstop date being set by the Ministry of Housing, Communities and Local Government.</p> <p>The Council did produce a set of Council only financial statements and publish these on their website. These financial statements were not complete, as they only reflected the Council and not the group, and did not include material adjustments for the year that were required to be processed, such as the valuations of property, plant and equipment. These amendments were made for the full group accounts published 5 March 2026.</p>	<p>Recommendation</p> <p>In future years the Council must produce 'true and fair' draft financial statements which are signed off by its in line with statutory requirements and deadlines.</p> <p>The Authority should consider whether it has sufficient and appropriate resource and suitable workflows to manage the various ongoing projects and to enable the timely production of financial statements before statutory reporting date.</p> <p>Management Comment</p> <p>We acknowledge that due to exceptional circumstances around resourcing this year, that statements were not able to be produced in time including group accounts. New resources have joined the team during 2025/26 and plans have been put in place to produce accounts to statutory deadlines this year.</p>

Financial Sustainability – Level of borrowing	
<p>2023/24:  <i>Amber</i></p>	<p>2024/25:  <i>Amber</i></p>
<p><u>2023/24 Finding</u> The Council’s level of borrowing has increased significantly over recent years and is forecast to increase more so over the life of the Treasury Management Strategy, whilst there are a number of ongoing strategic projects that the Council are investing in. There is also increasing borrowing for capital expenditure for the replacement of housing property components in the HRA.</p> <p>A significant proportion of the debt is short-term borrowing following movements in interest rates have made long term fixes less attractive.</p>	<p><u>2023/24 Recommendation</u> We recommend that the Council closely tracks the need for additional borrowing as projects such as the Golden Valley development and strategic disposals progress.</p> <p>The Council should review options to reduce external borrowing (such as strategic disposals to fund reinvestment in the HRA) in order to minimise finance costs and manage risks of adverse movements in interest rates.</p> <p><u>2023/24 Management comment</u> At the end of 2024/25 the Capital Financing Requirement of the Council is estimated to be £211.02m. This is split between the General Fund (£112.2m) and Housing Revenue Account (£98.8m). The total £211m includes approximately £60m of temporary debt with the remaining being fixed into long term maturity deals. The growth in the borrowing requirement over the life of the Treasury Management Strategy is to fund two significant areas:</p> <ul style="list-style-type: none"> • Capital Investment in housing stock; and • The National Cyber Innovation Centre. <p>Work is currently ongoing to review the 30-year HRA business plan which tracks a number of different measures including interest cover and borrowing levels. Reducing our reliance on borrowing will be crucial to ensuring the long-term financial sustainability of the HRA. Management will work with the administration to agree a strategy around borrowing and investment which will support this.</p> <p>Of the existing temporary borrowing, £40m relates to the land purchased for the Golden Valley development. We are looking to fix this debt once PWLB rates fall. The financial model on which the Development Funding Agreement for the National Cyber Innovation Centre decision was based also include assumptions for the cost of debt. Our funding options for the project are being reviewed with the objective of minimising the borrowing required to ensure that the investment meets the principals and viability tests set out in the same decision paper.</p> <p><u>2024/25 Update</u> The Council’s level of borrowing has increased significantly over recent years and has increased from 2023/24. The portion of debt that is short-term has reduced from 2023/24 but remains a significant proportion of overall debt. Our recommendation remains ongoing.</p> <p><u>2024/25 Management comment</u> The council continues to monitor it’s levels of borrowing and takes external advice to ensure it balances the amount of debt it carries across the short-term and also fixed through PWLB. The Council continues to explore the assets that it holds that could be used to reduce it’s borrowing levels if these are identified as assets that are surplus and not required for operational reasons.</p>

2023/24:  Amber

2024/25:  Amber

2023/24 Finding

Within the Strategic Risk Register, the individual risks are not mapped to specific corporate objectives or KPIs.

2023/24 Recommendation

While many improvements have been started during 2024/25, we would suggest that a clear link to the five key strategic priorities of the Council, with a clear articulate risk appetite statement. We would expect to see the inherent risk score, impact of mitigations and therefore residual risk score reflected to allow management and committee to interrogate controls in place and their effectiveness over time.

2023/24 Management comment

The existing Corporate Plan for 2023-27 is currently being reviewed and a draft was provided as part of the audit evidence. Once the Corporate Plan and strategic priorities of the administration have been refreshed for 2025-2029 then we can consider whether an overall risk appetite is appropriate.

2024/25 Update

The Corporate Plan 2023-27 was in place for 2024/25 and has since been refreshed in July 2025 for the Corporate Plan 2025-28. Our recommendations regarding the clear linking of the five key strategic priorities of the Council, a statement clearly articulating the Council's risk appetite, and impact of mitigations remain ongoing.

2024/25 Management comment

This matter remains ongoing as the corporate plan was refreshed during the year and approved in the new financial year.

2023/24:  Amber

2024/25:  Amber

2023/24 Finding

The Council's procurement and contract management strategy requires updating, including giving appropriate consideration to the Procurement Act 2023 which is effective from 24 February 2025.

2023/24 Recommendation

The Council Procurement and contract management strategy should be reviewed, and revised where appropriate, to ensure that it is not failing to operate a fair procurement exercise for significant contracts and the revised procurement and contract management strategy should reflect current governance arrangements.

The Council should obtain specialist advice and support to ensure that the procurement and contract management strategy is revised and updated in a timely manner and reflects current legislation.

2023/24 Management comment

As evidenced as part of this review, the Council now have in post a specialist Strategic Procurement Manager who is assessing and supporting our readiness for the implementation of the new Procurement Act.

As part of this role, documentation and procurement toolkits are being updated and relaunched with accompanying training and support. The toolkit will split out current procurement and contract management strategy into smaller sections making it easier to access and use.



2024/25 Update

The Council now has in place procurement documentation and training for the Procurement Act 2023, and a procurement toolkit that are all accessible from the Council's intranet. An overarching strategy which reflects these changes has not been finalised.

2024/25 Management comment

The focus for strategic procurement has been to ensure that we prioritised the detailed toolkits and procurement documentation to ensure compliance with the new act. Consideration of a refresh of the overarching strategy will also need to be considered in the light of potential changes as part of LGR.

Prior Year Issues reported by the predecessor auditor – ongoing

Financial Sustainability – Achieving savings targets	
2023/24:  Amber	2024/25:  Amber
<p><u>Predecessor Auditor’s finding</u> Discipline over savings plans will be necessary to re-build the general balance.</p> <p><u>Predecessor Auditor’s recommendation</u> Savings and additional income plans: For future years, a detailed look back at the previous areas of overspend and non-delivery should feed into assumptions made at the budget setting stage. Sensitivity analysis, both during budget setting and refreshed during the year, will be important for remaining mindful of the impact that any shortfall in savings plans could have.</p> <p><u>Previous management comment</u> Work is going is ongoing to ensure that there is a collective accountability across the organisation for budget and saving decisions. Where work has been successful in identifying savings, some have not been seen through to achievement and in some budget areas we are going reporting overspends against base budgets which needs to be owned and managed by service areas.</p>	<p><u>2023/24 Update</u> Savings and additional income plans were not delivered in full for 2023/24, as had been the case for the two previous financial years. Savings plans will need to be adhered to, given the reducing level of reserves.</p> <p><u>2023/24 Revised management comment</u> The Section 25 report produced by the Section 151 Officer to accompany each final budget proposal makes a number of assumptions to determine the appropriate level of general balances. One of those assumptions is the level of savings delivered each year. In 2024/25 that was assumed to be 80%, with general balances sufficient to cover any shortfall. At January 2025 we have delivered 73% of the £2.741m. This is a significant increase in the level of savings delivered in 2023/24 which reflects the work with the administration and budget holders on collective accountability.</p> <p>Work continues on the 2024/25 savings and any undelivered target will need to be achieved in 2025/26. The 2025/26 budget also makes much more prudent assumptions on levels of commercial income, fees and charges which have missed their targets during the post pandemic period. Together, these actions should result in a significant replenishment of reserves and balances by 31 March 2025.</p> <p><u>2024/25 Update</u> The Council had an overspend of £0.28m compared to its original budget, it set savings and additional income plans of £2.71m of which £2.01m were delivered with £0.63m rolled into the 2025/26 savings target of £1.13m included in the 2025/26 budget. The recommendation remains ongoing.</p> <p><u>2024/25 Management comment</u> The focus remains on delivering to budget including delivery of savings targets. A number of these targets are held centrally, including during 25/26. A refreshed approach to splitting out these targets was considered for budget setting for 26/27.</p>

Financial Sustainability – Formal Workplan

2023/24:  Amber 2024/25:  Amber

Predecessor Auditor's finding

Scope for strengthening workforce planning arrangements for better alignment with the budget.

Predecessor Auditor's recommendation

The Council should consider developing a formal workforce strategy.

Previous management comment

Once the transfer of Cheltenham Borough Homes (CBH) employees has been undertaken and we have a stable HR operation, work will be undertaken on a larger term sustainable workforce strategy to meet future needs.

2023/24 Update

The decision was taken in October 2023 to wind up CBH and the staff were transferred back to the Council in July 2024. The decision was taken to delay the development of a workforce strategy until the new structures and alignment of the two sets of officers was embedded.

2023/24 Revised management comment

Although the staff from Cheltenham Borough Homes were transferred back to the Council in July 2024, operationally many teams are still transitioning. In the final quarter of 2024/25 the second phase of management reorganisation is underway and it is expected that teams will start to stabilise under new structures by late Summer 2025. At this point the future workforce strategy will be reviewed, taking into account the resilience of our officer functions in preparation for Local Government Reorganisation within Gloucestershire.

2024/25 Update

The CBH functions were subsumed into the Council during 2024/25. The recommendation remains ongoing.

2024/25 Management comment

This action remains ongoing.

2023/24:  Amber 2024/25:  Amber

Predecessor Auditor’s finding

The council does not have a partnership policy or a register of its key partners. The council is in the process of identifying how key partners contribute to the corporate objectives as they develop performance management.

Predecessor Auditor’s recommendation

The Council should develop and approve a partnership strategy and partnership register which includes:

- A central record of Council's partnership activity, including partnership governance arrangements
- An assessment of partnership risks and subsequent mitigations through the inclusion of a partnership risk register.
- Best practice information for officers in respect of partnership management

Previous management comment

The council recently appointed a full time Director with responsibility for governance who also acts as the Council Monitoring Officer. Partnership governance arrangements and activity will be overseen and coordinated through this postholder. Partnership risks are currently captured on CBC’s corporate risk register but these could be categorised and pulled out for a separate register in the future. Different partners require a differing approach from client managers, but we can consider incorporating some suitable training on the best approach as long it is specific to that partner.

2023/24 Update

The Council does not at present have a partnership policy or register of its key partners. As the Council progresses work with the National Cyber Innovation Centre and associated housing developments around it, new commercial partners are likely to become more important as well.

2023/24 Revised management comment

There is a clear distinction between our partners who are commissioned to deliver core services on our behalf and contractual partners who are procured for specific goods and services. The monitoring of each will differ dependent on the nature and specification of those services with the latter falling much more within the contract management recommendation above as part of the new Procurement Act regulation.

For partners who are engaged under commissioning arrangements, we are currently reviewing our management structures as part of an organisational restructure following the transfer of housing services back to the Council. This includes commissioning functions to ensure there is capacity and resource to scrutinise, support and monitor delivery.

2024/25 Update

The Council did not have a partnership policy or strategy in place during 2024/25. The recommendation remains ongoing.

2024/25 Management comment

Significant action has been undertaken in 25/26 to address this including a detailed partnership register.



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