

Winchester City Council

Draft Auditor's Annual Report
Year ended 31 March 2025
January 2026



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Audit & Governance Committee
Winchester City Council
City Offices
Colebrook Street
Winchester
SO23 9LJ

19 January 2026

Dear Audit & Governance Committee Members

2024/25 Auditor's Annual Report

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 29 January 2026.

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

Yours faithfully

Simon Mathers
Partner
For and on behalf of Ernst & Young LLP
Enc

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

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

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

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



01

Executive Summary

Executive Summary

Purpose

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

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 07 July 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

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

Reporting by exception:

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

Responsibilities of the Council

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

Executive Summary (cont'd)

2024/25 conclusions

Financial statements	<p>As reported in our February 2025 Audit Results Report, we issued a disclaimer of opinion on Winchester City Council's 2022/23 and 2023/24 financial statements under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. We also have not been able to complete all planned procedures to gain assurance on the valuation of property, plant & equipment and investment property in either 2023/24 or 2024/25 because of weaknesses in the quality of evidence provided and in certain assumptions adopted by the Council's valuer for assets valued at Existing Use Value and Fair Value. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.</p> <p>This is consistent with NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01 and the illustrative timescale for progress to full assurance, which sets out that there is potential for qualified except for, but more likely to be disclaimed.</p>
Going concern	We are satisfied that the Director of Finance and S151 officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statements	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We have identified significant weaknesses in the Council's arrangements for the year ended 31 March 2025. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Additional powers and duties	We had no reason to use our auditor powers.

Executive Summary (cont'd)

2024/25 conclusions

Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.
Certificate	We will issue our certificate once we have completed our work on Whole of Government Accounts and the NAO have confirmed no questions will be raised on individual returns.

Executive Summary (cont'd)

Value for money scope

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

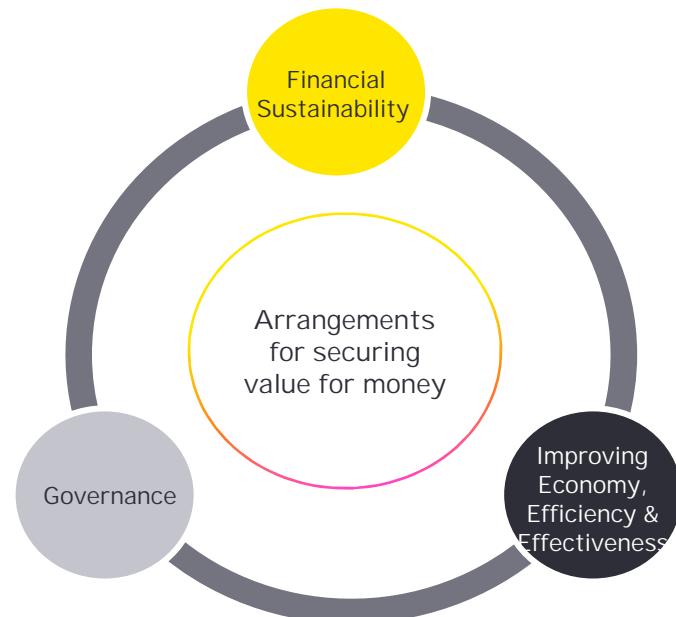
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

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

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



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report, which must be issued by 30 November 2025. The recommendations we have agreed upon with the Council are included in Appendix A.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness identified	Significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	Risk of significant weakness identified	Significant weakness identified

Executive Summary (cont'd)

Independence

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

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

EY Transparency Report 2025

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

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

[EY UK 2025 Transparency Report | EY – UK](#)



02

Audit of financial statements

Audit of financial statements

Key findings

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

Our audit of the 2024/25 financial statements is still ongoing. We will report our findings in our Audit Results Report to Audit & Governance Committee in January 2026.

Financial Statement reporting assessment

Management, and the Audit & Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. As at the date of this report our work to audit the Council's 2024/25 financial statements has commenced but is not sufficiently well progressed to allow us to form a view on the quality of both the draft financial statements submitted for audit and the Council's wider arrangements to produce the accounts and support the audit process. We have set out our views on the effectiveness of the Council's arrangements to support external financial audit across a range of relevant measures in our Audit Results Report presented to the Audit & Governance Committee in January 2026. Our assessment of factors impacting the execution of the audit is set out over page.

Page 13 sets out the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 13. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024. We will set out our view of the Council's progress against this timeline in our 2024/25 Audit Results Report and final Auditor's Annual Report following completion of our audit of the financial statements.

Executive Summary (cont'd)

Factors impacting the execution of the audit (cont'd)

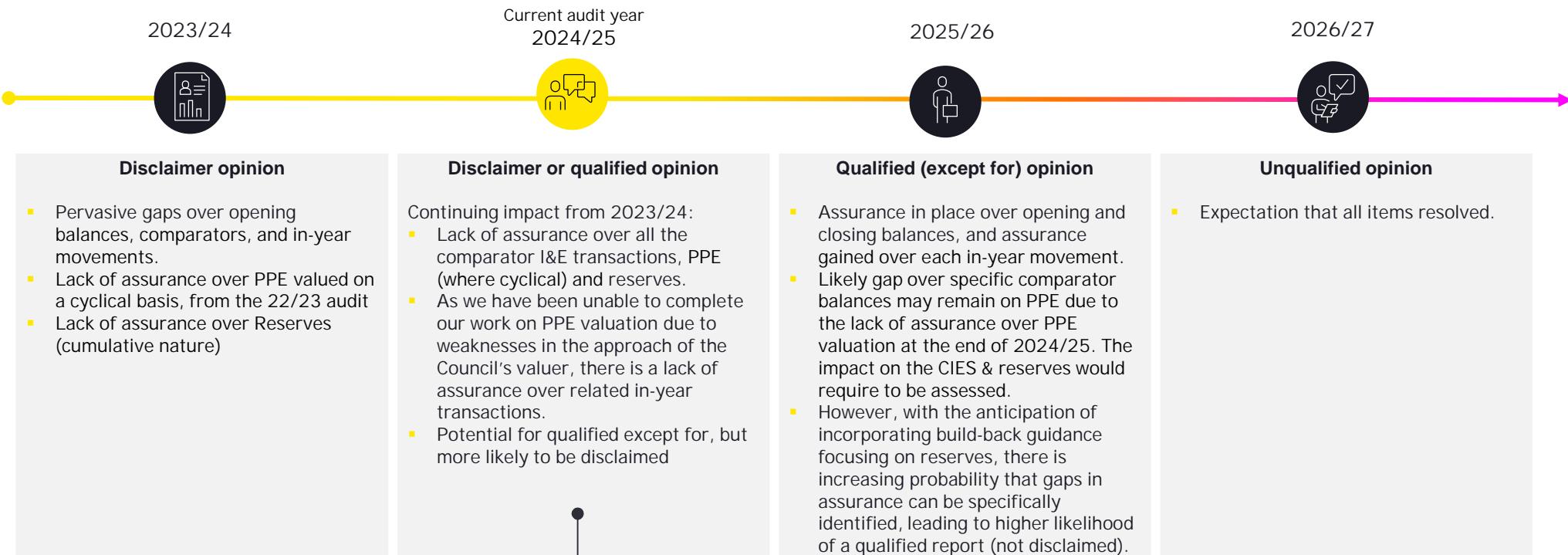
Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 th June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			The financial statements produced were complete and generally of adequate quality. Our procedures identified minor casting errors and inconsistencies within the accounts. We do not, however, consider arrangements in this area to be ineffective.
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were largely provided to the agreed timetable.
Quality of working papers and supporting evidence	Effective			Working papers and supporting evidence were generally of a good standard.
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			In general, management provided timely and good quality supporting evidence in response to the majority of our audit requests. However, during our land and building valuations testing we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method. EYRE applied their own judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. Due to the statutory backstop date of 27 February 2026, we were unable to complete further procedures to resolve the judgmental differences or conclude on whether it resulted in misstatements in the financial statements. We raised a recommendation on this in the prior year which we do not consider has been addressed - see Appendix A. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management so we can fully complete our procedures in this area by future statutory backstop dates.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			All key finance staff were generally available to support the audit.
Volume and value of identified misstatements	Effective			We have substantially completed our procedures, and final reviews are still ongoing. As of this writing, we have not identified any material misstatements as a result of our work.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.

Audit of financial statements

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

EXPECTED STATUS



CURRENT AUDIT STATUS OF WINCHESTER CITY COUNCIL

- The Council's progress is in line with the expected timescales for rebuilding assurance set out in LARRIG 01.
- Consistent with the prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's external valuer for assets valued using EUV/FV method and therefore were unable to gain assurance over the valuation of property, plant & equipment and investment property accounts for the in the financial statements. To be able to rebuild assurance on the Council's financial statements in line with the expected timescales, it is now essential that this issue is addressed by management. We have raised an associated recommendation for improvement in Appendix A.



03

Value for Money commentary

Value for Money

The Council's responsibilities for value for money

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

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

Our responsibilities

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

	Significant risk identified	Significant weakness identified
 Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	No significant risks identified	No significant weakness identified
 Governance How the Council ensures that it makes informed decisions and properly manages its risks.	Risk of significant weaknesses identified	Significant weaknesses identified
 Improving economy, efficiency and effectiveness How the Council uses information about its costs and performance to improve the way it manages and delivers its services.	Risk of significant weaknesses identified	Significant weaknesses identified



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

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

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

Significant risks identified during planning procedures

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

Overview of our conclusions

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

Financial Sustainability considerations

Medium Term Financial Strategy

The Council's Medium Term Financial Plan (MTFP) for 2024/25 sets out a strategy to maintain financial sustainability while addressing increasing service pressures and uncertainty in future funding. The plan confirms a balanced budget for 2024/25, supported by reserves and efficiency measures, and projects balanced positions for 2025/26 and 2026/27, see Exhibit 1. However, these forecasts are subject to risks including inflation, pay awards, and potential changes to government funding arrangements.

To strengthen resilience, the Council implemented '*Transformation Challenge 2025 programme*' or TC25, targeting £3 million in annual savings. Key priorities include digital transformation to improve service delivery, investment in carbon reduction initiatives, and support for residents facing cost-of-living challenges. While Winchester benefits from additional business rates retention and income from new developments, demand-led pressures are driving additional costs. The cost of external borrowing and loss of business rates also continue to pose financial challenges.

Exhibit 2 is the updated forecast which shows balanced budget for the next two years, followed by projected annual shortfalls towards the end of the decade. We note that the MTFP reflects a more stable position than forecast in previous years.

Overall, the MTFP demonstrates proactive planning and a commitment to efficiency. While ongoing reliance on savings and reserves, coupled with funding uncertainty beyond 2026, highlights the need for continued monitoring and strategic adaptation to ensure long-term value for money, we conclude that there is no significant risk of weakness in the Council's arrangements for securing financial sustainability in the medium term.

Exhibit 1: The Council's 2024/25 MTFP outlines a cumulative gap of £2.9 million by 2028/29

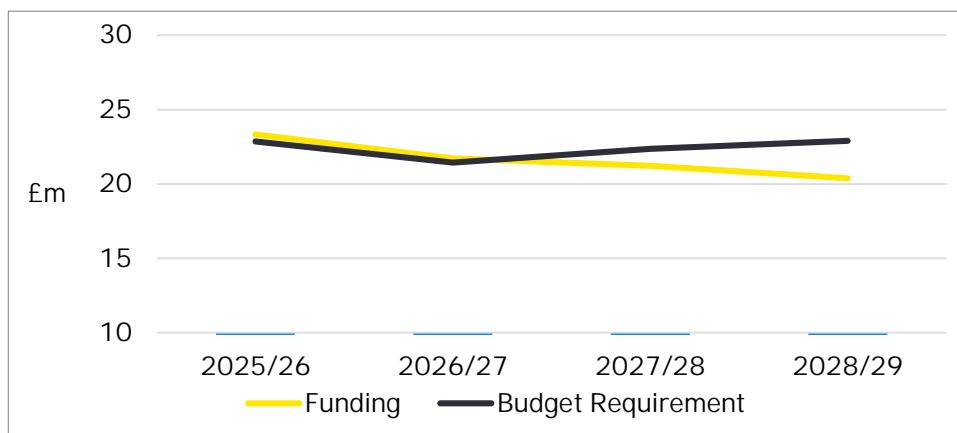
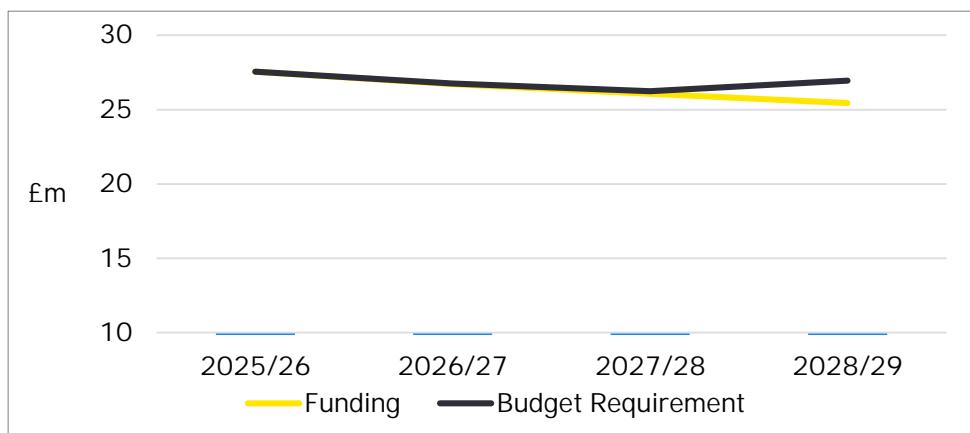


Exhibit 2: The Council's updated MTFP in Nov 2025 outlines a cumulative gap of £1.7 million by 2028/29





Financial Sustainability considerations

Savings plans

The Council's 2024/25 MTFP acknowledges a significant long-term financial challenge, with a projected £3 million annual budget gap at the end of the forecast period – equivalent to around 7.5% of the gross General Fund revenue budget or a 30% increase in council tax. To address this, the Council launched the TC25 programme in 2023 aimed at delivering

£3 million savings within three years through fundamental changes in service delivery. TC25 is overseen by the Transformation Programme Board, comprising senior political and executive leadership, and operates under clear principles for financial, workforce, and consultation management. Progress is monitored by the Programme and Capital Strategy Board and reported quarterly to the Scrutiny Committee.

As of Quarter 4 2024/25 Performance Report for TC25 savings target, progress of approximately £1.56 million (52%) has been achieved, reflecting strong early delivery but acknowledging that savings become more challenging as the programme advances. The Council also faces additional uncertainty from potential Local Government Reorganisation (LGR), which could have unbudgeted implications.

Despite these challenges, TC25 progress does not currently impact the Council's financial sustainability. The Council has maintained a balanced medium-term financial position, supported by prudent planning and earmarked reserves, ensuring resilience while continuing to deliver strategic priorities.

Outturn position

The Council's 2024/25 outturn position demonstrates strong financial resilience and effective resource management. The Council delivered a balanced General Fund position without drawing on reserves, despite a challenging financial environment for local authorities nationally. A final outturn favourable variance of just over £2.4 million is reported, resulting from additional interest receivable and a number of favourable service variances.

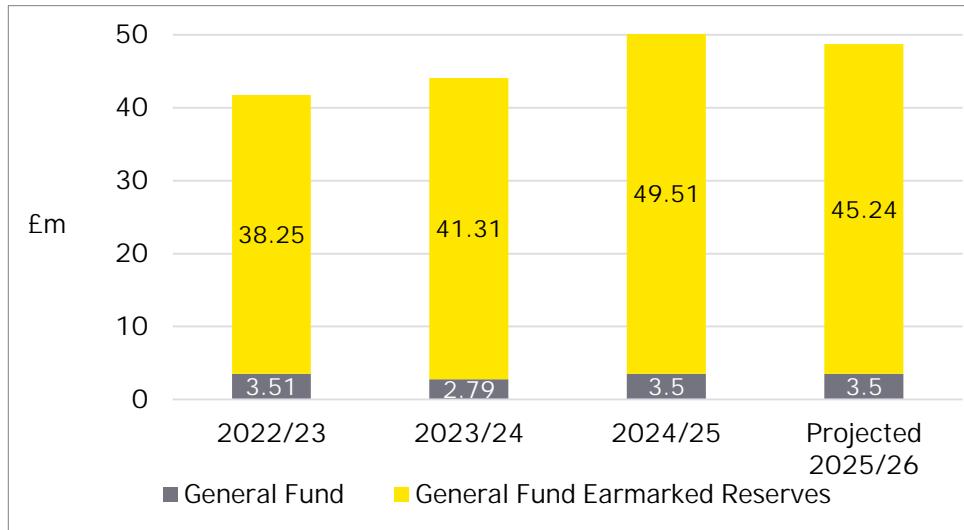
The 2024/25 General Fund baseline net service expenditure was budgeted at £18.9 million, with a final outturn of £16.1 million, representing a £2.8 million underspend. A significant portion of this variance relates to additional in-year funding, including allocations from the UK Shared Prosperity Fund and homelessness grants. Unspent amounts from these funding streams have been transferred to earmarked reserves for use in future financial years, ensuring resources remain available to support strategic priorities and maintain financial sustainability.

Financial Sustainability considerations

Reserves position

The Council approved the 2024/25 General Fund Budget in February 2024. The Budget specified that the minimum reserves to be held as uncommitted general funds is 15% of net revenue expenditure, which equates to around £2.8 million in 2023/24 and £1.8m in 2024/25. The budget seeks to maintain a strong commitment to delivering core services, while advancing Council Plan priorities while maintaining financial stability. It included targeted investment in the Greener Faster priority, such as enhanced recycling, food waste collection, and decarbonisation of the waste vehicle fleet, projected to reduce the Council's carbon emissions by 25%. Support for residents facing cost-of-living pressures continued through an uprated Council Tax Reduction scheme and additional funding for hardship support, alongside the ongoing community grants programme. Despite a challenging financial landscape for local authorities nationally, the Council has achieved a balanced budget for 2024/25 without drawing on reserves, reflecting sound financial management over the past five years and a strong short-term position despite uncertainty over future funding.

Exhibit 3: The Council's unallocated General Reserve is above the minimum reserve requirement at £3.5 million in 2024/25





VFM commentary: Governance

Governance: Our audit procedures

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

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/Audit & Governance Committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department

Within our Audit Planning Report, we identified risk of significant weakness in the Authority's arrangements under the reporting criterion Governance: *How the Council ensures that it makes informed decisions and properly manages its risks.*

In our 2023/24 VFM review, we reported that an external assessment of the Council's arrangements for compliance with legal and regulatory requirements for Housing Revenue Account properties resulted in a no assurance rating. Following a self-referral to the Regulator of Social Housing (RSH), the Regulator identified serious failings in meeting consumer standards, particularly in the Safety and Quality Standard and the Transparency, Influence and Accountability Standard. Key issues included incomplete health and fire safety checks, absence of an asbestos re-inspection programme, lack of up-to-date property condition records, and insufficient evidence of providing tenants with accurate performance information. These weaknesses created an overarching risk that the Council could not demonstrate compliance or ensure tenant safety. An action plan to address these issues was agreed by Cabinet in February 2025 (the Housing Compliance Improvement Plan) with progress being regularly updated and reported to members. Relevant actions remained ongoing at the end of the 2024/25 year.

In the prior year, we concluded that these findings evidenced inadequate governance arrangements and reported this weakness by exception in our 2023/24 audit report. As a result of this and the underlying governance and internal control weaknesses within the Council's Housing Service and Property Service Department, further reviews were commissioned by the Council to gain assurance across three theme areas.



VFM commentary: Governance (cont'd)

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department (continued)

Theme 1 Irregularity - Investigated and addressed by the Southern Internal Audit Partnership (SIAP) Counter Fraud Unit (CFU)

Work was undertaken into:

- The duplication of jobs and approval of work. As part of its investigative work, the CFU developed an understanding of how the work carried out by Cardo Group, the Council's main housing repairs and maintenance contractor, was approved and recorded in the Council's housing management system. The CFU also compared, on a sample basis, the work recorded in the housing management system to the work invoiced by Cardo Group and the subsequent payments.
- Contract extensions for Cardo. The CFU reviewed information including the initial contract between the Council and Cardo Group, the subsequent extensions and evidence of the related approvals.
- Inaccurate returns to regulators. The CFU developed an understanding of the Council's returns submission process and reviewed relevant documentation and information, including evidence provided by the Council of the returns made and subsequent queries received by the Council from the recipients of the returns.

Theme 2 Control Weakness or Non-Compliance - Addressed by SIAP as part of internal audit assurance with input from Pennington Choices

SIAP reviewed process notes and documentation for key elements of the housing repairs and maintenance process. SIAP examined a sample of jobs carried out by Cardo Group as well as a sample of jobs carried out by other contractors. For each sample, SIAP reviewed the information raised on the housing management system, checked for evidence of authorisation, quotes, post-inspection sign-off, and analysed supporting invoices and records to assess whether controls were being applied consistently and whether sufficient evidence existed to support variations in job values (between purchase order value and invoice value) and the approval of completed works. Concerns around health and safety were addressed through work undertaken by the Council prior to CFU and SIAP commencing their investigative work. The Council engaged a third party, Pennington Choices, to provide a high-level assessment of property compliance management and performance for six compliance areas: gas, electric, fire, asbestos, water, and lifts.

Theme 3 Council Managed Risks - Investigated and addressed by the Council with the support of South-East Employers

This theme considered the culture and overall governance of the Council's Housing Service and Property Services Department.

Given the significance of the issues investigated across the three theme areas and their continued relevance to our consideration of the Council's VFM arrangements in 2024/25, the performance of all of the investigations was shadowed and reviewed by EY Forensics (EFY). The investigations and EFY's consideration of them were completed by September 2025. EFY's conclusion was that there was a sufficient basis to rely upon the scope of work and the findings set out in each of the investigation reports.

We considered the following adverse findings from the investigations as relevant to our 2024/25 assessment of the Council's VFM arrangements:

- There were insufficient records or evidence to conclude whether proper value was obtained from the main housing repairs contractor and that there was no duplication of jobs.



VFM commentary: Governance (cont'd)

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department (continued)

- The failure to follow defined processes extended to work undertaken by parties other than the main contractor.
- Although there was no evidence of financial irregularity or non-compliance with laws and regulation, full assurance could not be given that the contract extension with the main housing repairs maintenance contractor was carried out transparently and reported correctly.
- Inaccurate returns on housing stock condition were being submitted to regulators.
- Poor data quality and inadequate oversight and internal control within the housing service may lead to inaccurate data being used for performance reporting.

We consider that the lack of risk management arrangements to ensure the Council's legal and regulatory obligations in respect of its housing stock are being achieved and poor data quality in housing is evidence of significant weaknesses in arrangements for how the Council monitors and ensures appropriate standards, such as meeting legislative and regulatory requirements are met.

We consider the fact there are insufficient records or evidence to be able to conclude whether proper value was obtained from the housing repairs contractor and that there was no duplication of jobs, and that the failure to follow defined processes extended to work undertaken by parties other than the main contractor is evidence of significant weaknesses in arrangements for how the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

We expect to report by exception on the Council's VFM arrangements in respect of these two matters in our 2024/25 audit report. We consider the findings and conclusions of the investigations relevant to the Council's arrangements for improving economy, efficiency and effectiveness on pages 27 and 28 of this report.

Recommendation

Continue to take action to:

- Fully deliver the Housing Compliance Improvement Plan.
- Fully address the weaknesses in internal control and risk management arrangements within the Housing Service and Property Services Department highlighted by the SIAP, SIAP CFU and Pennington Choices reviews.



Governance considerations

Annual Governance Statement

Winchester City Council has prepared the 2024/25 Annual Governance Statement (AGS) which was presented to the Audit & Governance Committee in July 2025. The AGS confirms that the Council maintains a robust governance framework in line with the CIPFA/SOLACE principles and the Accounts and Audit Regulations 2015. The statement outlines how the Council ensures transparency, accountability, and integrity in decision-making and service delivery. Key elements include strong leadership and decision-making by Cabinet and Full Council, supported by legal advice; oversight through the Overview and Scrutiny Committee and the Audit and Governance Committee; a robust risk management strategy; and regular performance and financial monitoring. The AGS is reviewed annually by the Executive Leadership Board, statutory officers, and the Audit & Governance Committee.

The 2024/25 AGS identified significant governance issues requiring urgent attention:

- Regulator of Social Housing Consumer Standards – Following a self-referral, the Regulator issued a judgment highlighting serious failings in meeting consumer standards, particularly around Safety and Quality and Transparency, Influence, and Accountability.
- Local Government Reorganisation – Capacity risks in maintaining service delivery while collaborating with partners to deliver reorganisation at pace.

The first issue is consistent with our VFM review of the Council's governance arrangements set out on pages 21 to 23 of this report,

An action plan has been developed, assigning responsibilities to senior officers, and will be monitored quarterly by the Audit & Governance Committee.

Internal audit arrangements

The Southern Internal Audit Partnership (SIAP) provides the Council with an internal audit service covering the entire control environment. The Head of SIAP considers the Council's assurance and monitoring mechanisms, including risk management, when forming their opinion. The Internal Audit Plan is aligned to the Corporate Risk Register and supports the review of control effectiveness. Progress reports to the Audit & Governance Committee include audit opinions, summaries of findings for any reviews with Limited Assurance, and updates on recommendation implementation.

SIAP issues an annual opinion on the internal control environment and highlights matters for inclusion in the governance statement. Internal audit must complete an annual self-assessment and an independent external assessment every five years, reporting any non-conformance in its annual report and opinion.

We reviewed the Annual Internal Audit Conclusion 2024-25 and noted that the Head of Internal Audit opinion concluded that the framework of governance, risk management, and control is "reasonable", with controls generally working in practice. Where weaknesses were identified, corrective actions and timelines were agreed with management. The internal audit review confirmed that the Council maintains a strong commitment to preventing fraud and corruption through established governance and control frameworks. The Anti-Fraud and Corruption Policy remains in place and is supported by clear procedures for reporting and investigating suspected irregularities.



Governance considerations

Risk Management

The Council presents an annual review of its Risk Management Policy and Risk Appetite, which define the arrangements for identifying and managing risks and their integration with corporate governance and performance management. The report demonstrates that the Council has developed structured systems to identify, evaluate, and mitigate risks that may impact its ability to deliver services and achieve strategic objectives. Central to this framework is the Corporate Risk Register, which is managed by the Executive Leadership Board (ELB). Each corporate risk is assigned a risk owner, who is typically a member of the ELB, and the register is updated regularly to reflect new and ongoing risks. This register is formally reviewed and approved by Cabinet alongside the Council's Risk Management Policy, ensuring alignment with the Council's risk appetite and governance priorities.

The Corporate Risk Register details the most significant strategic risks facing the authority. The highest-rated (red) corporate risks currently include: the availability of suitable sites for new housing development, the risk of failing to adequately tackle the Climate Emergency (and reduce the Council's and district's carbon emissions), and challenges around nutrient neutrality (phosphate levels) affecting planning and development. Other key risk areas relevant to VFM – such as partnership working, financial viability, business continuity, and cyber security – are all assessed as medium risk after mitigation, given the controls and regular performance monitoring the Council has in place for each area. Financial risks are likewise rated medium in the judgment of the Council's Section 151 Officer, owing to the ongoing savings delivered through the TC25 and the Council's strong reserve levels, which together help offset potential budget pressures

Oversight is reinforced by the Audit and Governance Committee, which reviews both the Risk Register and Policy, offering independent assurance and recommendations to Cabinet on the effectiveness of risk arrangements. At the operational level, Service Leads are responsible for identifying and managing risks within their service areas, implementing corrective actions, and maintaining internal controls to ensure service delivery aligns with Council objectives.

Strategic oversight functions including Finance, Legal Services, Procurement, and HR provide direction, policy frameworks, and compliance assurance. The Council's Anti-Fraud and Corruption Policy, which includes a Whistleblowing Policy, encourages staff to report concerns that may expose the Council to risk.

Project risks are overseen by the Programme and Capital Board. In addition, the S151 Officer plays a key role in ensuring integrity through robust systems for identifying, profiling, controlling, and monitoring strategic and operational risks, in line with CIPFA guidance

Internal Audit, delivered by the Southern Internal Audit Partnership, provides independent assurance on the effectiveness of governance, risk management, and internal controls. This multi-layered governance structure ensures risks are actively monitored, escalated when necessary, and addressed through coordinated oversight.



Governance considerations

Informed decision making and member challenge

Decision-making at Winchester City Council is governed by its Constitution, which sets out clear roles and responsibilities for committees, Cabinet, and Full Council. Key policy decisions are taken by Cabinet or Full Council, informed by detailed officer reports and supported by legal and constitutional advice under the Council's Standing Orders and Scheme of Delegation.

The Constitution embeds compliance checkpoints to ensure decisions meet prescribed rules and statutory requirements. Oversight is provided by two key committees: the Overview and Scrutiny Committee, which holds Cabinet to account, reviews decisions, and monitors performance; and the Audit & Governance Committee, which is formally charged with governance. The latter combines audit functions, such as reviewing internal and external audit work and assessing risk management arrangements, with governance responsibilities, including promoting high standards of conduct and supporting adherence to the Members' Code of Conduct. These arrangements, reinforced by the Annual Governance Statement, ensure transparency, accountability, and strong control across the Council's decision-making framework.

Legislative/regulatory requirements and standards in officer/member behaviour

The Council operates within a governance framework designed to ensure compliance with all legislative and regulatory requirements while upholding the highest standards of conduct among Members and officers. The Constitution sets out clear rules for lawful decision-making, supported by Standing Orders and the Scheme of Delegation, with legal and constitutional advice provided by the Monitoring Officer and financial oversight by the Section 151 Officer. All reports to Cabinet and committees must demonstrate alignment with the Council Plan and address legal, financial, risk, equality, and procurement considerations.

Standards of behaviour are reinforced through the Members' Code of Conduct, adopted in line with the Local Government Association's model, which promotes principles of integrity, accountability, and transparency. Members are required to declare and manage conflicts of interest, with registers published for public inspection. Complaints regarding Member conduct are handled by the Audit and Governance Standards Sub-Committee. Officers are bound by professional codes and the Council's protocols for Councillor-officer relations, ensuring impartiality and ethical behaviour.

The Council also maintains whistleblowing and anti-fraud policies, a formal complaints procedure, and provides induction and ongoing training for Members. These arrangements are reviewed annually through the Annual Governance Statement, which confirms compliance with statutory requirements under the Accounts and Audit Regulations 2015 and identifies areas for improvement. In July 2024, an LGA Peer Challenge concluded that strong governance and ethical standards are embedded across the organisation, supporting transparency, accountability, and public trust.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

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

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. We updated our risk assessment at the execution phase of the audit and determined that the significant risk set out below and considered in respect of the Council's governance arrangements on pages 21 to 23 of this report, is also relevant to the Council's arrangements for improving economy, efficiency and effectiveness.

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department

We have set out the issues relevant to the risk and details of the investigations into those issues on pages 21 to 23 of the report.

We consider the following findings and conclusions from the investigations to be evidence of significant weaknesses in the Council's arrangements for how financial and performance information has been used to assess performance to identify areas for improvement:

- Housing stock data is currently held in multiple systems meaning that the Council does not have a single consolidated record that allows it to distinguish between different property types and tenures.
- There are insufficient records or other evidence to be able to conclude whether proper value was obtained from the main housing repairs contractor and that there was no duplication of jobs.
- The failure to follow defined processes also extended to work undertaken by third parties other than the main contractor.
- Inaccurate returns on housing stock condition were being submitted to regulators. Weaknesses in data quality and a lack of oversight and internal control within the housing service meant that similarly flawed data could be being used to report performance.



Improving economy, efficiency and effectiveness considerations

Significant risk: Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department (continued)

We also consider the lack of assurance over the value obtained from payments made to the main housing repairs contractor, potential for duplication of jobs and the fact the failure to follow defined processes also extended to work undertaken by third parties other than the main contractor is evidence of significant weaknesses in arrangements for how the Council assesses whether it is realising the expected benefits where it commissions or procures services.

We expect to report by exception on the Council's VFM arrangements in respect of these two matters in our 2024/25 audit report.

Financial and performance information

The Council produces Quarterly Finance and Performance Monitoring Reports that include updates on Strategic Key Performance Indicators (KPIs) linked to the priorities in the Council Plan. These KPIs are grouped under the five strategic themes from the five-year Council Plan which was adopted on 15 January 2020 and ran until 31 March 2025 :

- Tackling the Climate Emergency
- Living Well
- Homes for All
- Vibrant Local Economy
- Your Services, Your Voice

The Quarterly Finance and Performance Monitoring Reports include rationale for annual targets and historical trend analysis, enabling informed resource allocation and continuous improvement. The reports use a Red-Amber-Green (RAG) status system to flag areas requiring improvement and outline actions to address weaknesses. Cabinet and the Overview and Scrutiny Committee review these reports to monitor progress and ensure mitigating actions are taken where targets are not met. This approach supports transparency and continuous improvement in performance management.

The 2024/25 annual report of the Council addressed the revised Council Plan 2025-2030, which sets out the Council's key ambitions and outcomes for the next five years across six priorities. Coming into effect on 1 April 2025, these priorities include: Greener Faster, Thriving Places, Listening and Learning, Efficient and Effective, Good Homes for All, and Healthy Communities.

We note that the Council demonstrates commitment to improving efficiency through integrated financial and performance reporting, enabling early identification of risks and corrective actions, and alignment of budgets with strategic priorities, ensuring resources are directed to areas of greatest impact.



Improving economy, efficiency and effectiveness considerations

Procurement, contract management, and commissioning of services

The Council's procurement and contract management arrangements are governed by the Contract Procedure Rules (CPRs) set out Section 4.7 of the Constitution. These rules ensure compliance with the Procurement Act 2023 and require all procurement activity to be transparent, competitive, and aligned with the Council's strategic objectives. Officers must follow approved processes for tendering and contract award, supported by guidance from the Head of Procurement.

Commissioning is treated as part of the procurement process and must follow approved procedures to ensure transparency, fairness, and value for money. Officers are required to consider the most appropriate procurement route, including competitive tendering or negotiation, and ensure that specifications reflect service requirements and strategic priorities. Pre-market engagement may be used where appropriate to inform commissioning decisions.

A formal Contract Register is maintained to provide transparency and enable monitoring. Once contracts are awarded, officers are responsible for effective contract management throughout the lifecycle. This includes monitoring contractor performance against agreed terms and key performance indicators, managing risks, and ensuring compliance with legal and regulatory requirements. Financial Procedure Rules must be adhered for all payments, and any variations or extensions require proper authorisation and documentation. Accurate records of decisions, performance reviews, and changes must be maintained to ensure transparency and auditability. Significant issues or risks must be escalated to senior management and, where appropriate, reported to the Audit and Governance Committee.

Partnership working

Winchester City Council's approach to partnership working is structured and embedded within its governance framework. The Annual Governance Statement 2024/25 confirms that the Council identifies significant partnerships that contribute to delivering its strategic priorities, such as housing, health, and economic development. For each partnership, roles and responsibilities are clearly defined to ensure accountability and compliance with statutory obligations.

The Council monitors delivery against its objectives through established governance arrangements. Performance is reviewed regularly against agreed plans and priorities, and progress is reported through quarterly performance and financial monitoring reports and to the Audit and Governance Committee. Where areas of concern are identified, actions are agreed and tracked to ensure improvement.

Stakeholder engagement is achieved through consultation exercises, community forums, and collaborative initiatives, ensuring that decisions reflect local needs and priorities. These mechanisms allow the Council to maintain transparency and responsiveness while fostering trust with residents and partners.

The Council also embeds partnership principles within its procurement and commissioning strategies to ensure services deliver value for money and align with strategic priorities. Recent procurement strategies, such as for the Housing Repairs and Maintenance Programme, emphasize moving beyond a transactional supplier relationship to a collaborative partnership model. The Council seeks providers who share its values and commitment to customer service, innovation, and sustainability. Key objectives include improving service quality, enhancing digital engagement, ensuring transparency, and fostering continuous improvement through joint working arrangements.

We are of the view that the Council have sufficient arrangements in place for managing and monitoring performance with Key partners.



04 Appendices

Appendix A – Recommendations update

Recommendations from 2023/24

The following recommendations were made as part of our 2023/24 Audit results Report and Auditor's Annual Report. We set out our assessment below of progress made against the recommendations in the current year.

Issue	Recommendation	2023/24 Management response	Current Year Update
Land and Building valuation	Management should continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer.	Officers will continue to challenge both the key inputs and assumptions used in the valuation and the outputs from its professional valuer.	Similar with prior year, we identified weaknesses in the quality of evidence provided and assumptions made by the Council's valuer for assets valued at Existing Use Value and Fair Value. We engaged our specialist valuation experts (EYRE) to challenge the work of the Council's valuer. EYRE applied their own independent judgments based on available market information and evidence provided by the Council and its external valuer. Results of EYRE review showed that certain assumptions used by the external valuer were inconsistent with wider valuation practice. The quality of evidence to support the valuation was also insufficient in some areas. As a result, we do not consider the recommendation to be addressed. To be able to fully restore assurance on the Council's financial statements it is essential that this issue is addressed by management. We therefore now consider it be a high priority.
Vehicle, plant and equipment asset identification	Management to review the existence of assets recognised in its fixed asset register and accounts.	Officers will undertake a review of all fully depreciated vehicles, plant, and equipment assets and, where it is not possible to confirm their existence, will dispose of in them in the 2024/25 accounts. As the assets are fully depreciated, this will have no impact on the council's balance sheet	We have gained assurance over the existence of assets accounted in 2024/25 through our testing in the current year. We are therefore satisfied the recommendation has been addressed.

Appendix A – Recommendations update

Current year recommendations

We raise the following recommendation in respect of the significant weaknesses in the Council's VFM arrangements reported in 2024/25.

Issue	Recommendation	2023/24 Management response
Weaknesses in property compliance management for Housing Revenue Account properties owned or managed by the Council, and governance and internal control within the Council's Housing Service and Property Services Department.	<p>Continue to take action to:</p> <ul style="list-style-type: none">• Fully deliver the Housing Compliance Improvement Plan.• Fully address the weaknesses in internal control and risk management arrangements within the Housing Service and Property Services Department highlighted by the SIAP, SIAP CFU and Pennington Choices reviews.	<i>A response will be provided by management for the final version of this report.</i>

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