

Herefordshire Council

Final Auditor's Annual Report
Year ending 31 March 2025

24 September 2025



Contents

01	Introduction and context	03
02	Executive summary	06
03	Opinion on the financial statements and use of auditor's powers	10
04	Value for Money commentary on arrangements	13
	Financial sustainability	15
	Governance	20
	Improving economy, efficiency and effectiveness	23
05	Summary of Value for Money Recommendations raised in 2024/25	31
06	Follow up of previous Key recommendations	35
	Appendices	37
A	Responsibilities of the Council	38
B	Value for Money Auditor responsibilities	39
C	Follow-up of previous improvement recommendations	40

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 8 Finsbury Circus, London, EC2M 7EA. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Herefordshire Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Herefordshire is a county covering a geographic area of 840 square miles and is home to nearly 200,000 residents across rural villages and market towns. The continuing impact of increasing demand for adult and children's social care, temporary accommodation and home to school and SEND transport services has placed the Council's resources under significant pressure during 2024/25.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024/25.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified; one improvement recommendation raised in relation to the DSG.	Two risks of significant weakness identified in relation to the adequacy savings schemes and the Dedicated Schools Grant (DSG) deficit.	R One significant weakness in arrangements for managing the Dedicated Schools Grant within budget was identified and a key recommendation raised. One improvement recommendation raised in respect of non-delivery of Council-wide savings schemes and ensuring lessons are learned.
Governance	A No significant weaknesses identified; two improvement recommendations raised in relation to risk management and waiver reporting.	No risks of significant weakness identified.	G No risks of significant weakness identified.
Improving economy, efficiency and effectiveness	R Significant weakness identified in relation to the Ofsted rating for children's services.	One risk of significant weakness identified in relation to prior year key recommendations on children's social care services.	R One significant weakness in arrangements for oversight of an individual capital project was identified and a key recommendation raised. We also downgraded the previous key recommendation in respect of Children's Services to an improvement recommendation.



No significant weaknesses or improvement recommendations.



No significant weaknesses, improvement recommendation(s) made.



Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council has generally sound arrangements for containing expenditure within budget. However, the Dedicated Schools Grant (DSG) deficit is worsening and now represents a significant threat to the Council's arrangements to ensure financial sustainability. We have updated our prior year Improvement Recommendation to a Key Recommendation.

In 2024/25 Council-wide savings were not delivered as planned. The Council has reviewed the relevant schemes and is seeking to learn lessons and strengthen arrangements. As non-delivery of planned savings schemes could lead to a significant weakness in arrangements we have raised an Improvement Recommendation.



Governance

Governance arrangements are generally sound and continue to develop. In-year financial reporting provides appropriate assurance that the budget is being managed effectively. The budget setting process is robust, with appropriate review and challenge.

Clear behavioural expectations are set out in codes and policies.

Decision-making is generally supported by appropriate information. However, we have identified a significant weakness in arrangements for one capital project where decision-making did not follow the Council's required processes. We have raised this in the Improving economy, efficiency and effectiveness section. We were alerted to this by the Council following an internal review.



Improving economy, efficiency and effectiveness

Owing to ongoing improvements in arrangements we have been able to reduce the key recommendation in respect of Children's Services to an improvement recommendation.

However, following an internal review, the Section 151 Officer alerted us to weaknesses in the way that procedures were followed in the procurement of a capital project and we have identified this as a significant weakness in arrangements and raised a key recommendation.

Quarterly performance reports to Cabinet provide comprehensive information, including action being taken where targets are not being met.

The Council has appropriate arrangements for working in partnership, but could further strengthen these to align with best practice.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome (to be updated following completion of our audit)
Opinion on the Financial Statements	Our audit work in well progressed with the aim to conclude the audit in late September following the Audit and Governance Committee meeting on 25 September 2025.
Use of auditor’s powers	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors (to be updated following completion of our audit).

Audit opinion on the financial statements

Our audit work in well progressed with the aim to conclude the audit in late September following the Audit and Governance Committee meeting on 25 September 2025.

The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts on 30 May in advance of the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers. Details of adjustments and recommendations can be found in our Audit Findings Report.

The audit team were able to visit the Council Offices for onsite visits with the finance team throughout the audit process which has helped to support an efficient audit process.

Our audit work in well progressed with the aim to conclude the audit in late September following the Audit and Governance Committee meeting on 25 September 2025.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. We will report this to the Council's Audit and Governance Committee on 25 September 2025. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>In 2024/25 the Council's net revenue budget was £212.8m, with an underspend of £0.5m. This is after use of £4m from the Budget Resilience Reserve (established in November 2024 following a transfer of £11.0m from the Business Rates Risk Reserve) to mitigate in-year cost pressures in respect of adult social care and homelessness. The balance on that reserve is now £7m. For 2025/26 the budget is balanced at £231.5m. This includes a 4.99% increase in council tax. The budget has been increased by £25.7m to fund known pressures. Savings and efficiencies of £6.9m are included. The budget setting report includes a table showing, for each Directorate, the financial impact of the pay award (£2.0m total); National Insurance (£1.5m); Inflation (£10.5m) and demand (£12.9m).</p> <p>The General Fund balance is £10.1m at 31 March 2025, representing 4.1% of net revenue expenditure for 2025/26. This is consistent with the Council policy of keeping the balance between 3 and 5%.</p> <p>The Medium Term Financial Strategy (MTFS) presented to February 2025 Cabinet models the budget through to 2028/29, identifying a £5m funding gap in that year, but with a surplus up to that point. Key funding streams such as Council tax, business rates, revenue support grant and social care support grant are shown. Expenditure is shown incrementally, with the prior year budget being brought forward and adjusted for items such as pay awards, growth - demand and pressures and any savings.</p> <p>Consistent with many councils, the Council's Dedicated Schools Grant (DSG) deficit is worsening and now represents a significant weakness in the Council's arrangements to ensure financial sustainability. We have updated our prior year Improvement Recommendation to a Key Recommendation. Please see page 18.</p>	R
--	--	---

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council: Commentary on arrangements

Rating

plans to bridge its funding gaps and identify achievable savings

For 2024/25 the Council approved a savings programme totalling £19.5m, comprising Directorate savings of £11.6m and £7.9m of Council-wide savings. As at 31 March 2025, £10.9m (56%) of the approved savings were delivered, with the balance mitigated in year. The biggest shortfall was "Council-wide savings" where only £2.2m of £7.9m was delivered. Officers have noted the challenges around overlap or conflict of different savings schemes and difficulties around Council-wide schemes, particularly staffing reductions in areas of increasing demand for services. The Council intends to enhance monitoring and better understand the demand and cost pressures which could impact schemes. However, this represents a weakness in arrangements to deliver savings as planned and we have raised an improvement recommendation to support the Council in this area. Please see page 19.

For 2025/26 approved savings and efficiencies total £6.9m, of which £3.9m savings are in the Children and Young People Directorate, with no other Directorate savings planned. The gap is bridged by £3.0m of mitigations, including £1.4m from the Contingency Reserve, which is to be repaid in future years. The remaining mitigations include use of capital receipts where appropriate (£0.6m) and increased fees and charges (£0.5m). At June 2025 £1.6m of the £3.9m has already been delivered and none is "At risk". Narrative explanations support delivery and provide assurance. Therefore, for 2025/26, the Council has a much lower savings target than in 2024/25 and is on track to deliver.

The MTFS forecasts a £5.00m in-year budget deficit in 2028/29. Actions the Council is taking to address this include transforming service delivery, better recovering costs of providing services, reviewing expenditure and the workforce. The Council is also updating its Commercial Strategy and reviewing council tax discounts and exemptions. The MTFS as a whole shows a total gap of £4.2m to 2028/29, noting the uncertainty around government funding. The £5m deficit in 2028/29 represents 1.7% of the net budget, and is therefore comparatively small, with time to implement the planned mitigations.

A

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council Plan 2024-28 has four corporate priorities - People, Place, Growth and Transformation, with six or seven objectives for each priority. Whilst the budget setting report for 2025/26 does not include any references to the Council's objectives or priorities Officers consider that the budget report, and supporting financial and performance information, provides significant and valuable information for residents.	G
ensures 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	The "Workforce Strategy 2024-2028" sets out how the Workforce Plan aligns to and supports the Council Plan. This included the Council Transformation Programme (Thrive). The Strategy has six aims, and for each of these there are a series of actions or outcomes to support them. The Capital Programme is aligned to the Council's four priorities, and summarises the benefits of the programme - including reducing flooding, improving roads, and better facilities for children. Capital funding requests are reviewed to ensure the financial impact has been considered in the MTFP. The detailed capital strategy sets out how projects are prioritised - it is clear that projects only proceed where they support Council objectives. The capital strategy includes a number of climate change related schemes. The Council has incorporated reducing carbon emissions in new contracts for waste and the public realm.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Financial risks are clearly explained in quarterly finance reports and, in 2024/25, included increases in demand across social care budgets, temporary accommodation and Special Educational Needs transport. Management actions and their impact are explained. The Corporate Risk Register includes three finance related risks - demand based services; major project delivery and delivering a sustainable financial strategy. The register includes the risk appetite, controls / mitigations and risk scores. Budget setting reports include some sensitivity analysis on the key assumptions, showing the impact of a 1% change on council tax, pay costs, inflation, demand and interest on borrowing. A table then sets out the key financial risks, with likelihood and impact and mitigation.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: In our prior year report, we raised an Improvement Recommendation that the Council needed to work with partners to better control its Dedicated Schools Grant (DSG) expenditure. During 2024/25, the Council has continued work to address the DSG deficit. Engagement with schools and partners has focused on monitoring expenditure and managing cost pressures. Updates on the DSG position have been reported through the Council's financial performance reports and risk monitoring arrangements. The revised DSG management plan has been considered by the Schools Forum and forms part of the Council's discussions with the Department for Education.

The government has confirmed it is extending the statutory override on DSG deficits for a two further years (until 31 March 2028). This enables councils to treat the deficit as a negative reserve, but it remains a financial drain as expenditure has to be funded in-year. The Council has identified that it has insufficient revenue reserves to fund the deficit. Our Improvement Recommendation has been updated and increased to a Key Recommendation to reflect the worsening financial position and continued material risk. The focus is now on assessing the financial impact and ensuring delivery of the revised DSG management plan and monitoring financial risk until the deficit is brought to a sustainable level.

Evidence: The 2024/25 DSG outturn position is an overspend of £13.9m. This increases the Council's cumulative DSG deficit to £20.0m at 31 March 2025. A deficit budget of £20.2m has been approved for 2025/26. If expenditure is contained within the approved budget, the cumulative DSG deficit will total £40.2m by 31 March 2026.

Impact: The cumulative DSG deficit increased from £1.0m at 31 March 2023 to £6.1m at the end of 2023/24 and then to £20m at the end of 2024/25, with in year overspends on the High Needs block being the primary contributor. The financial risk remains material and unresolved. Measures are ongoing but not yet delivering improvement.

Key recommendation 1

KR1: The Council should continue to implement the Dedicated Schools Grant (DSG) management plan with the Department for Education and the Schools Forum, strengthening expenditure controls in the High Needs block, monitoring cost pressures and associated financial risks through quarterly finance reports, and reporting progress to Cabinet and the Schools Forum until the DSG position is sustainable.

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: Officers have reviewed the under delivery of some 2024/25 savings programmes and have recognised the challenges around delivering Council-wide transformation schemes, especially where these may conflict with other service delivery plans.

Evidence: The Council has plans in place to enhance monitoring of these schemes and to better understand demand and cost pressures.

Impact: Whilst the Council has taken appropriate action and the 2025/26 savings programme is significantly lower than that for 2024/25, if ongoing, non delivery of recurrent savings represents a potential significant weakness and therefore warrants an improvement recommendation.

Improvement Recommendation 1

IR1: In order to ensure that any future Council-wide savings programmes are delivered as planned it needs to ensure that it learns the lessons from the under-delivery of such schemes in 2024/25.



Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Risk management is supported by an approved strategy, an updated corporate risk register, and engagement from senior officers and Members. The revised Risk Management Strategy has been approved by Cabinet, with quarterly reporting to Cabinet in place during 2025/26. Internal Audit work is risk-based, aligned to strategic objectives, and subject to regular oversight by the Audit and Governance Committee. The Head of Internal Audit issued a “Reasonable” opinion for 2024/25, and no significant control weaknesses were identified. Arrangements for fraud prevention include a defined strategy, policy, and privacy notice. The Annual Counter Fraud Report was presented to the Audit and Governance Committee in January 2025, consistent with established practice, which provides Members with assurance on the Council’s approach to fraud risk.	G
approaches and carries out its annual budget setting process	The budget setting process starts in Quarter One of the current year and continues through until final budget setting in February the following year. The timetable shows the review and consultation process. The budget is a standing item at weekly Corporate Leadership Team meetings and Members receive regular updates and briefings, for example on the impact of the funding settlement. The budget setting report explains the challenges and developments for each Directorate, planned savings, risks and mitigation, consultation and the timeline. The timelines includes Cabinet reviewing the draft budget, Scrutiny Management Board consideration, further Cabinet and then Council.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	<p>Quarterly finance reports provide appropriate assurance that the budget is being managed effectively. Summary tables are supported by clear explanatory narrative with more detailed provided in appendices. The Dedicated Schools Grant and capital programme are reported. Reports are presented in a timely manner.</p> <p>Our work on the Council's financial statements has not identified any concerns regarding financial reporting arrangements.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Cabinet receives detailed reports that include key financial, legal, and risk information to support decisions. Minutes show Members discussing proposals and responding to external findings. Overview and Scrutiny Committees play a role in reviewing decisions and holding Cabinet to account, with access to information and powers to request Officer attendance. The Audit and Governance Committee reviews both internal and external audit reports, follows up on overdue actions, and challenges officers when required. Cabinet discussions demonstrate a constructive leadership tone, with evidence of transparency and responsiveness.	G
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council sets out behavioural expectations through published codes and policies and has processes in place for oversight and response. The Councillor Code of Conduct outlines required behaviours, and there is a formal process for handling complaints, overseen by the Monitoring Officer. The Audit and Governance Committee receives updates on complaints, providing oversight. The Council also has policies in place for managing public interactions and for supporting a respectful working environment. In relation to procurement, the Council publishes its principles and maintains a contract register that allows for visibility of awarded contracts. As recommended in the prior year, the Council has begun reporting tender waivers to the Audit and Governance Committee, which is good practice.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Quarterly Integrated Performance Reports are submitted to Cabinet and include updates on delivery plan objectives, performance indicators, RAG ratings, and risks, with lead Officers clearly identified. These reports are underpinned by a performance management framework which sets expectations for data quality and confirms that all Cabinet reports are reviewed by the Performance Team before publication. Cabinet minutes demonstrate that Members actively engage with performance information, asking questions and agreeing follow-up actions, particularly in areas where delivery is off track. The Council also considers external inspection findings, such as Ofsted feedback, as part of its performance oversight. Some use of external comparison is evident, for example referencing national averages.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement	<p>Cabinet receives quarterly integrated performance reports that include updates on progress, risks, and actions across strategic themes. These reports identify areas where targets have not been met and outline what is being done in response. Cabinet minutes confirm that Members engage with the reports and discuss issues where performance is off-track. In addition to internal monitoring, Cabinet has reviewed external inspection findings. Ofsted carried out monitoring visits in December 2024 and February 2025, each leading to updates to the Children’s Services Improvement Plan. The December visit focused on children at risk of extra familial harm, with Ofsted noting improvements in risk identification, audit activity, and partnership working. The February visit examined social work assessments, where Ofsted identified better timeliness, threshold application, and pre birth assessments. Challenges remain in workforce stability, placement sufficiency, and supervision consistency. Following each visit, the Council updated its Improvement Plan, which sets out actions, timescales, and leads. Cabinet minutes from December 2024 and March 2025 confirm that Members discussed the findings, reviewed progress, and agreed next steps.</p> <p>The prior year Key Recommendation in respect of Children’s Services has been downgraded to an Improvement Recommendation, with updated focus on workforce stability, placement sufficiency, and supervision consistency. Progress has been confirmed through Ofsted monitoring, but risks remain.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
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	<p>The Partnership Governance Framework describes how partnerships are formed, governed and reviewed. It requires each strategic partnership to complete an annual health check to assess progress and alignment with priorities. The Council also publishes a list of key partnerships and associated governance arrangements that support transparency. When developing the Council Plan 2024–2028, the Council engaged with a wide range of stakeholders, including residents, voluntary groups, education providers and parish councils. It is stated in the plan that nearly 1,000 responses were received and used to shape the strategic goals. Cabinet receives updates on major partnership programmes that involve external funding or joint delivery. These updates include delivery timelines, financial commitments and risks, and support oversight by showing how programmes align with strategic goals. However, these updates tend to focus on high-profile or grant-funded partnerships, with less evidence of regular reporting on other key partnerships. While this does not represent a weakness in arrangements we have highlighted this as an opportunity for the Council to further enhance arrangements.</p>	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

commissions or procures services, assessing whether it is realising the expected benefits

We confirmed that a structured framework is in place, supported by the Contract Register, the Procurement Strategy, and performance management arrangements for key contracts such as the £64m waste and recycling contract with FCC Waste Services. Contract monitoring is being undertaken through weekly, monthly, and quarterly meetings, with performance data reviewed. For FCC, Internal Audit has also provided Reasonable Assurance over the mobilisation of the contract. No new commercial ventures have been entered into during 2024/25, and Cabinet reports confirm that legal advice was obtained to support the decision to terminate the Public Realm contract with Balfour Beatty Living Places, ensuring compliance with procurement regulations. This indicates that risks associated with large contractual changes have been considered.

The Council identified weaknesses in the processes followed and controls in place in respect of an individual capital project and an internal review was carried out by the current Director of Finance (S151 Officer). The key issues identified include insufficient segregation of duties, incomplete minutes to record key project actions and judgements. Whilst the review identified areas where procedures and controls should be strengthened, it also confirmed that existing controls were effective in ensuring that the project was not taken beyond the approved stage of works or project budget. The Council has undertaken a comprehensive assessment to provide assurance that there are no further risks to other council projects or activities, arising as a result of the review findings.

At a programme level, recurring slippage and re-profiling of £63.3m in 2024/25 reduces transparency over delivery against original plans.

We have raised a Key Recommendation in relation to ensuring capital controls are applied consistently and challenge is strengthened. Please see pages 27 and 28.

R

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Significant weakness identified in relation to Improving economy, efficiency and effectiveness

Key finding: The Council's Section 151 Officer alerted us to weaknesses in the application of the Council's capital governance arrangements in respect of one project.

Evidence:

Governance and decision making controls not consistently applied

The Council's Capital Strategy and Capital Programme, supported by Cabinet approval processes and Programme Management Office oversight, set out a governance framework intended to provide assurance over cost control, delivery monitoring, and escalation for major capital projects. However, these arrangements are not consistently applied. Review of the Student Accommodation project identified management override of expected controls, with approval decisions made using outdated viability assessments, insufficient segregation of duties, procurement lacking a documented rationale, legal advice not escalated appropriately, and documentation and audit trails for key decisions were incomplete.

Extensive further investigation work was completed by the Council and the audit team to establish whether this was an isolated issue, including the involvement of forensics specialists where necessary. No further areas of concern were identified as a result of this work.

Programme oversight and assurance gaps

Overall, while governance arrangements exist, deviation from approved processes and controls can increase risks to timely, cost effective, and transparent delivery of capital schemes. The Council recognises this risk and in October 2024 the Section 151 Officer undertook a comprehensive review of the decision-making process in respect of the Student Accommodation project, identifying nine issues with recommendations for each. The Council also requested Internal Audit to review the project, with an advisory report received in February 2025. The results of this work confirm that no spend was incurred above approved budget. We understand that the Council has strengthened arrangements to enhance and strengthen governance, internal challenge and oversight of the Council's major and capital projects with the establishment of a Major Projects Forum. This Forum will provide oversight with representation from a variety of stakeholders across the Council to provide internal check and challenge. A further layer of assurance will be provided via a Corporate Services Gateway Board to be chaired by the Deputy Monitoring Officer and Deputy Section 151 Officer to provide an opportunity for cross-cutting legal, financial, governance issues and risks to be considered separately for upward reporting to the Major Projects Forum.

Impact: Deviation from approved processes and controls represents a significant risk to arrangements to deliver economy, efficiency and effectiveness in the use of resources. The Council has established that this was an isolated incident and taken timely, proportionate and appropriate action. If the strengthened controls are effective, it is unlikely that a repeat will occur.

Improving economy, efficiency and effectiveness

Key recommendation 2

KR2: The Council should improve its governance and oversight of capital programme procurement decisions by ensuring that the actions it has identified are implemented and embedded and lessons learned. In particular, the Council needs to monitor the new arrangements to ensure that they are effective. This includes the Major Projects Forum and Corporate Services Gateway Board.



Improving economy, efficiency and effectiveness

Area for Improvement: Children's Services

Key Finding: Since our 2021/22 Auditor's Annual Report we have raised a significant weakness in regard to the Council's arrangements for delivering Children's Social Care Services in respect of the Ofsted "Inadequate" rating issued in September 2022. In 2023/24 our recommendation focused was on delivering the Improvement Plan, stabilising the workforce to reduce agency reliance, improving placement sufficiency, and strengthening supervision.

Evidence: In 2024/25, Ofsted monitoring visits confirmed improvements in risk identification, partnership working, assessment timeliness, and leadership oversight. The Improvement Plan has been updated after each visit, and Cabinet continues to monitor progress. However, risks remain. Workforce stability is still a challenge, placement sufficiency issues persist, and supervision consistency needs further improvement to ensure service quality is sustained.

Impact: Given that monitoring arrangements are in place, improvement activity is being delivered, and progress is being confirmed through Ofsted visits, the Key Recommendation has been downgraded to an Improvement Recommendation. This reflects that while risks remain, they are being managed through established oversight and governance processes.

Improvement Recommendation 2

IR2: The Council should continue to work with the Department for Education to address the remaining high-risk areas in Children's Social Care Services. This should focus on improving workforce stability to reduce agency reliance, increasing placement sufficiency, and strengthening consistency of supervision to ensure sustained service quality.



Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of partnership working, but could challenge itself to go further, based on the best arrangements we see across the sector



What the Council is already doing

- The Council's Partnership Framework sets out clear governance for identifying, managing, and reviewing partnerships. It defines significant partnerships, sets risk assessment requirements, and explains oversight arrangements. This reflects recognised good practice. Cabinet receives regular updates on major partnerships, especially those with external funding or joint delivery. These reports cover objectives, timelines, budgets, and risks, helping Members assess alignment with strategic objectives. Examples include Safer Streets 5 and the Single Homelessness Accommodation Programme. Cabinet minutes show Members engage with these updates. However, there is less evidence of regular Cabinet reporting on other significant partnerships without major grant funding.



What others do well

- The most effective partnership governance arrangements we see include reporting on all significant partnerships.



The Council could consider

- The Council could build on its Partnership Framework by introducing a structured schedule for proportionate Cabinet reporting on all significant partnerships, not only those with major external funding. This could be a rolling programme of short assurance summaries covering performance, risk, and strategic alignment, extending good practice to lower-profile partnerships.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
KR1	The Council should continue to implement the Dedicated Schools Grant (DSG) management plan with the Department for Education and the Schools Forum, strengthening expenditure controls in the High Needs block, monitoring cost pressures and associated financial risks through quarterly finance reports, and reporting progress to Cabinet and the Schools Forum until the DSG position is sustainable.	Financial sustainability (page 18)	<p>Actions: The Council will continue to work with schools, education providers and the DfE through the SEND and AP Change Programme to support the management of cost pressures in the High Needs Block. The DSG Deficit Management Plan was recognised by auditors and is a valuable tool to monitor the impact of planned changes to reduce and contain the forecast overspend. We will continue to update the Plan as we identify impact on both the financial position and service outcomes. These results will be reported to Cabinet as part of routine quarterly reporting arrangements.</p> <p>Responsible Officer: Corporate Director Children & Young People and Director of Finance (S151 Officer)</p> <p>Due Date: 31 March 2026</p>

Key recommendations raised in 2024/25 (continued)

Recommendation	Relates to	Management Actions
<p data-bbox="107 625 173 662">KR2</p> <p data-bbox="191 458 1090 719">The Council should improve its governance and oversight of capital programme procurement decisions by ensuring that the actions it has identified are implemented and embedded and lessons learned. In particular, the Council needs to monitor the new arrangements to ensure that they are effective. This includes the Major Projects Forum and Corporate Services Gateway Board.</p>	<p data-bbox="1128 591 1523 696">Improvement economy, efficiency and effectiveness (pages 27 – 28)</p>	<p data-bbox="1574 479 2430 701">Actions: The Council identified opportunities to strengthen arrangements following the internal review and these actions have already been implemented. The effectiveness of improvements will continue to be monitored through the Major Projects Forum and follow-up work by Internal Audit in 2025/26.</p> <p data-bbox="1574 722 2328 759">Responsible Officer: Director of Finance (S151 Officer)</p> <p data-bbox="1574 776 1931 813">Due Date: 31 March 2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	In order to ensure that any future Council-wide savings programmes are delivered as planned it needs to ensure that it learns the lessons from the under-delivery of such schemes in 2024/25.	Financial Sustainability (page 19)	<p>Actions: The Council has made significant progress in the current financial year (2025/26) in the delivery of approved savings and brought forward savings targets. Directorate Saving Boards have been established to monitor and challenge progress in-year and we will continue to review the delivery of savings as part of routine monthly budget monitoring arrangements through Directorate Budget Boards, Corporate Leadership Team, Cabinet Member Briefings and Cabinet.</p> <p>Responsible Officer: Corporate Leadership Team</p> <p>Due Date: 31 March 2026</p>
IR2	The Council should continue to work with the Department for Education to address the remaining high-risk areas in Children's Social Care Services. This should focus on improving workforce stability to reduce agency reliance, increasing placement sufficiency, and strengthening consistency of supervision to ensure sustained service quality.	Improvement economy, efficiency and effectiveness (page 29)	<p>Actions: Significant progress has been made both in the stability of leadership and in the quality of operational delivery in line with the Improvement Plan. The Council is now focused on delivery of the agreed actions in Phase 3 of the Improvement Plan and progress will be reported to and monitored by the Improvement Board.</p> <p>Responsible Officer: Corporate Director Children & Young People</p> <p>Due Date: 31 March 2026</p>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council should continue to work with the Department for Education to improve its Children's Social Care Services. This should focus on:</p> <p>Ensuring that the refreshed Improvement Plan is delivered, with regular reporting to Members.</p> <p>Efficiencies made, for example, through reducing the number of agency staff and increasing permanent staff continue, in order to ensure that costs are contained within the agreed budget.</p> <p>Working with other areas of the Council to ensure a holistic and joined up approach to improving services whilst remaining within the agreed financial budget.</p>	2023/24	<p>In 2024/25, Ofsted monitoring visits in October 2024 and February 2025 confirmed progress in risk identification, audit activity, partnership working, assessment timeliness, and threshold application. Cabinet reviewed the findings in December 2024 and March 2025, with updates incorporated into the Phase 2 Improvement Plan, which sets actions, leads, and timescales. The Plan is monitored by the Improvement Board, chaired by the DfE Commissioner, with oversight from Cabinet and Scrutiny. While governance and practice have strengthened, challenges remain in supervision quality, workforce stability, and placement sufficiency.</p> <p>Given that monitoring arrangements are in place, improvement activity is being delivered, and progress is being confirmed through Ofsted visits, the Key Recommendation has been downgraded to an Improvement Recommendation. This reflects that while risks remain, they are being managed through established oversight and governance processes.</p>	In progress – Updated and Downgraded	<p>The Council should continue to work with the Department for Education to address the remaining high-risk areas in Children’s Social Care Services. This should focus on improving workforce stability to reduce agency reliance, increasing placement sufficiency, and strengthening consistency of supervision to ensure sustained service quality.</p>

07 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	In order to reduce the forecast Dedicated Schools Grant deficit, the Council needs to work with schools and other stakeholders and partners to ensure that expenditure is reduced.	2023/24	<p>During 2024/25, the Council has continued work to address the forecast Dedicated Schools Grant (DSG) deficit. Engagement with schools and partners has focused on monitoring expenditure and managing cost pressures. Updates on the DSG position have been reported through the Council’s financial performance reports and risk monitoring arrangements. The revised DSG management plan has been considered by the Schools Forum and forms part of the Council’s discussions with the Department for Education.</p> <p>There remains a DSG deficit at the end of 2024/25. Available financial information indicates that the position has worsened compared to the prior year. The cumulative DSG deficit increased from £1.0m at 31 March 2023 to £6.1m at the end of 2023/24 and then to £20m at the end of 2024/25, with in-year overspends on the High Needs block being the primary contributor.</p> <p>The financial risk remains material and unresolved. Measures are ongoing but not yet delivering improvement. Government has announced that this statutory override will contribute until 31 March 2028, giving councils more time to return the DSG to financial balance.</p>	In progress – Updated to a Key Recommendation	The Council should continue to implement the Dedicated Schools Grant (DSG) management plan with the Department for Education and the Schools Forum, strengthening expenditure controls in the High Needs block, monitoring cost pressures and associated financial risks through quarterly finance reports, and reporting progress to Cabinet and the Schools Forum until the DSG position is sustainable.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR2	<p>The Council should improve its risk reporting arrangements by:</p> <ul style="list-style-type: none"> - Enhancing the Corporate Risk Register to include the corporate objective it relates to, when the risk was last reviewed or updated and the direction of travel. - Reporting to Cabinet on a quarterly basis, after review by the Audit and Governance Committee. 	2023/24	<p>Progress has been made in strengthening risk management arrangements. A revised Risk Management Strategy has been approved by Cabinet, setting out clearer roles, responsibilities, and alignment with strategic objectives.</p> <p>The Corporate Leadership Team has engaged in workshops to confirm risk appetite and review key risks. Quarterly reporting to Cabinet has commenced in 2025/26. These actions demonstrate that the recommendation has now been implemented.</p>	Implemented	N/A
IR3	<p>In order to enhance arrangements where it is necessary to waive normal tendering arrangements, and to implement best practice, the Council should report tender waivers to Audit and Governance Committee on a quarterly basis. The report should include sufficient details for the Committee to form a view on the reasonableness of the waiver.</p>	2023/24	<p>The Council has implemented reporting of tender waivers to the Audit and Governance Committee. The June 2025 Committee papers include a report titled “Contract Procedure Rules – Waivers and Exemptions 2024/25,” which sets out a summary of waivers granted during the year. The report includes waiver values, types, reasons for exemption, and commentary on compliance and improvement actions. This completes the prior year recommendation.</p>	Implemented	N/A



© 2025 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.