

# Auditor's Annual Report on Doncaster Council

2021-22

20 December 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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.

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# 1. Executive summary



## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We considered the Council's arrangements in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness.

Overall, we have not identified any significant weaknesses and related key recommendations – this is a good outcome for the Council. We have identified two improvement recommendations to further enhance the Council's arrangements compared with five last year, which management has accepted and will implement. Our conclusions are summarised in the table below along with our findings from last year to show the direction of travel.

Criteria	Risk assessment	2020-21 Auditor Judgment	2021-22 Auditor Judgment	Direction of travel
<b>Financial sustainability</b>	No risks of significant weakness identified	<b>A</b> No significant weaknesses in arrangements identified. Two improvement recommendations made.	<b>A</b> No significant weaknesses in arrangements identified but two improvement recommendations have been made.	↔
<b>Governance</b>	No risks of significant weakness identified	<b>A</b> No significant weaknesses in arrangements identified. One improvement recommendation made.	<b>G</b> No significant weaknesses in arrangements identified.	↑
<b>Improving economy, efficiency and effectiveness</b>	No risks of significant weakness identified	<b>A</b> No significant weaknesses in arrangements identified. Two improvement recommendations made.	<b>G</b> No significant weaknesses in arrangements identified.	↑

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

# Executive summary



## Financial sustainability

The Council has a good track record of delivering a balanced financial position. The Council delivered an outturn underspend of £8.9m for 2021-22 (£6.0m underspend in the prior year, 2020-21). The outturn underspend position was a real achievement given the on-going pressures of Covid-19 which the Council was still dealing with. The underspend arose mainly as a result of changes which could not be easily projected including reduced expenditure on adults' social care as the on-going impact of Covid-19 did not increase demand as expected, reduced homecare expenditure as a result of a greater reductions in client numbers than anticipated as providers were unable to meet demand due to staffing issues, higher level of Housing Benefit Subsidy income and increased planning fees.

However, since the approval of the 2022-23 budget in March 2022, the financial outlook has worsened with inflation posing a real risk and the higher than expected pay award. The impact of rising energy, fuel and other prices is directly impacting on both the Council's revenue and capital budgets for 2022-23. The Quarter 2 Finance and Performance Improvement Report for 2022-23 presented to Cabinet on 30 November 2022, noted a forecast outturn overspend of £8.5m, mainly due to additional pay and energy costs as well as pressures within children's social care. The Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. Whilst the Council has a good history of delivering a balanced outturn position, we will continue to monitor the Council's financial position.

Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority. However, we have made two improvement recommendations.

Further details can be seen on pages 8-14 of this report.



## Governance

The Council continues to have effective Governance arrangements in place to ensure its business is conducted appropriately. Agenda items for Committee meetings are circulated in advance to allow Committee members sufficient time to review the information and make informed decisions. There is good challenge from members which we have observed at Audit Committee meetings. The Council has in place effective risk management arrangements and effective procedures for the prevention and detection of fraud and corruption including a Code of Conduct for members and officers.

Our work has not identified any significant weaknesses in the Governance arrangements at the Council.

Further details can be seen on pages 15-17 of this report.



## Improving economy, efficiency and effectiveness

The Authority continues to demonstrate a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness.

Further details can be seen on pages 18-22 of this report.



We have substantially completed our audit of your financial statements for 2021-22, and subject to the resolution of the national issue on infrastructure assets, expected in late December 2022, we expect to issue an unqualified audit opinion in January 2023. We have already reported the key findings from our 2021-22 accounts audit to the Audit Committee at its meeting on 27 October 2022 and summarised our findings in our Audit Findings (ISA260) Report dated 17 October 2022.

Our findings are set out in further detail on page 25.



# 2. Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have substantially completed our audit of your financial statements and subject to the resolution of the national issue on infrastructure assets, expected in late December 2022, we expect to issue an unqualified audit opinion in January 2023. We have reported the key findings from our 2021-22 accounts audit to the Audit Committee at its meeting on 27 October 2022. Our findings are set out in further detail on page 25.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations at the Council.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued any Public Interest Report at the Council.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not applied to the Court for any purpose relating to the Council.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued any advisory notices to the Council.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not made an application to court for a judicial review.

# 3. Key recommendations



The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.

Our work has not identified any significant weaknesses in arrangements and therefore we have not made any key recommendations.

The range of recommendations that external auditors can make is explained at Appendix C.



# 4. Securing economy, efficiency and effectiveness in the Council's use of resources

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. The Council's responsibilities are set out at Appendix A.

Councils 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's Auditor Guidance Note (AGN) 03, 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 management, risk management, and ensuring the Council makes 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.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 8 to 22. Further detail on how we approached our work is included at Appendix B.

# 5. Financial sustainability



## We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

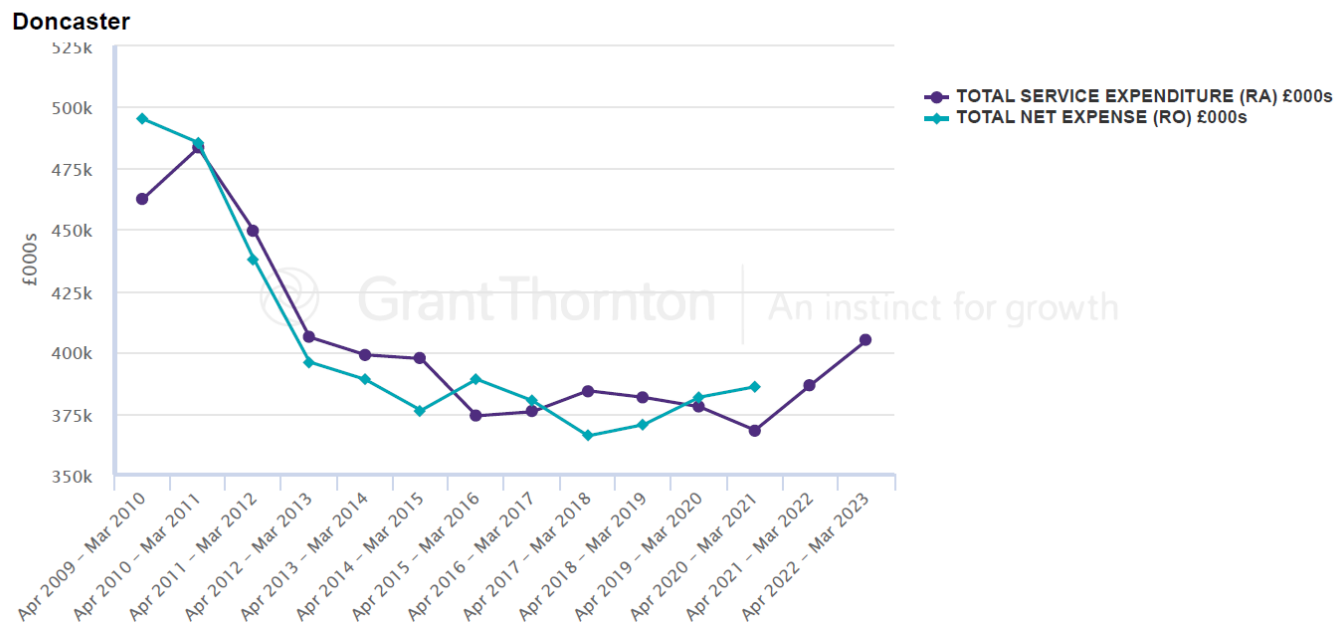
## Summary of the Authority's arrangements

The Council has established processes in place which detail the responsibilities of Authority members and senior management for planning and managing the Authority's finances. These are set out in the Authority's Constitution (Part 4 - Procedure Rules). We have not identified any evidence of the Authority not complying with these processes.

Financial performance is monitored and routinely reported on a quarterly basis to Cabinet through the Finance and Performance Improvement Reports with monthly management reporting also taking place through senior management team meetings within individual Council directorates.

The reports to Cabinet set out key financial information, such as actual and forecast outturn performance against budget. These reports are sent out in advance of meetings which enables sufficient time for members to consider the content, and formulate questions for discussion and scrutiny allowing appropriate challenge to take place. The chart below sets out the Council's budget against its actual service expenditure from 2009-10 to 2022-23 (projected) and illustrates the accuracy of budget setting. It also shows the reduction in overall Council spending although budgeted spending is expected to increase slightly in 2021-22 and 2022-23.

## Analysis of Budgeted Net Spend (RA) vs Actual Net Spend (RO)





# Financial sustainability

The Council has in place a Medium Term Financial Strategy (MTFS) covering a three year period which it updates each year at budget setting time during March, and again during October each year, extending for a further year to ensure the MTFS remains current and includes all available information at that time. This process ensures the MTFS remains a live and up to date financial plan for the Council. The MTFS approved in March 2021 covering the period 2021-22 to 2023-24 put forward a series of proposals which forecast a balanced budget for the three years.

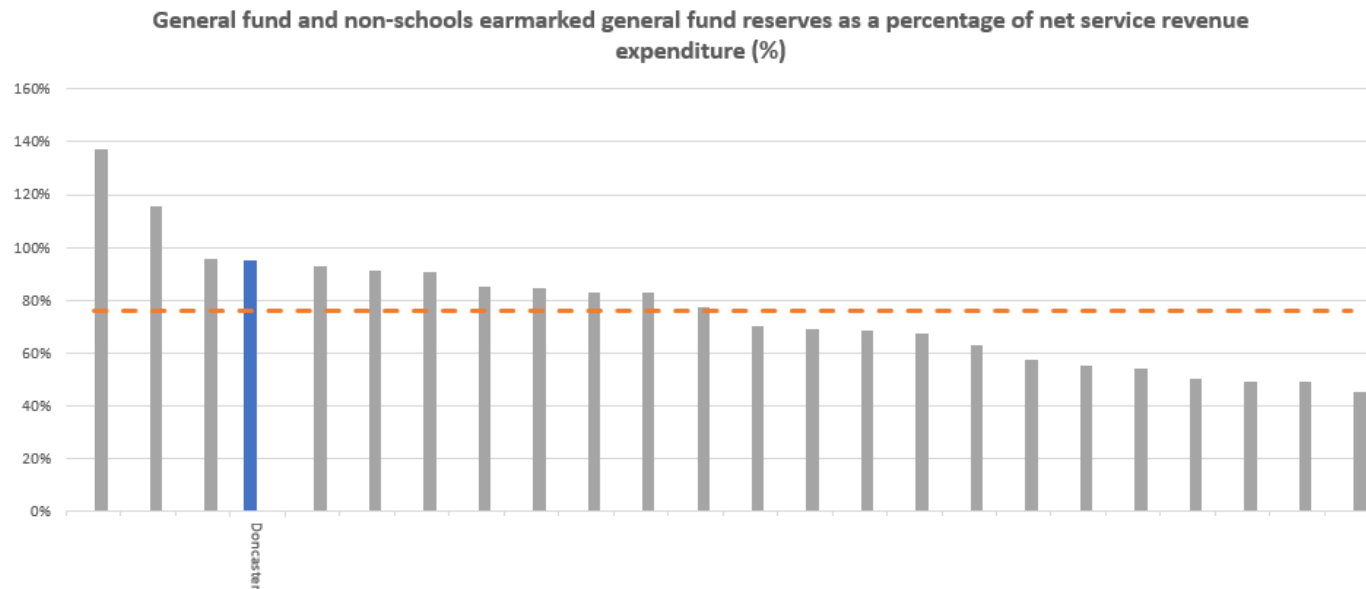
The Council has a strong reserves position with general fund revenue reserves of £131.7m and a further £76.0m of earmarked reserves at 31 March 2022 (excluding schools). This position is illustrated in the chart below and compares Doncaster to other metropolitan authorities. In addition to a strong reserves position, the Council also has lower levels of borrowings as a proportion of its long term assets when compared to other metropolitan authorities at 26% compared to a metropolitan average of 30% (see chart overleaf).

## 2021-22 revenue outturn

The Authority set a balanced budget for 2021-22 on 1 March 2022. The overall budget gap for the period of the MTFS, 2021-22 to 2023-24, was £18.9m, however, a breakeven position was expected in 2021-22 and each of the following two years after delivering savings of £9.7m over the three years of which £5.3m related to 2021-22, and the use of the Covid-19 reserves of £5.2m in 2021-22 with £3.8m being used in the following two years to allow services to return back to normal pre Covid-19 arrangements.

The Authority actually delivered an outturn underspend of £8.9m for 2021-22. The improved outturn position was due mainly to reduced expenditure in a number of areas which could not be easily projected, including adults' social care as the impact of Covid-19 didn't create as much demand as initially expected, reduced homecare expenditure due to greater reductions in client numbers than anticipated, higher level of Housing Benefit Subsidy income being received than anticipated and increased planning fees. Together, these resulted in an underspend outturn position of £8.9m.

## General fund and non-schools earmarked reserves as a % of net service revenue expenditure



# Financial sustainability

For 2022-23, the Council has set a balanced budget with gross expenditure of £526.1m. Council Tax has increased by 4.49% (1.99% for Council Tax and a further 2.5% for Adult Social Care). To deliver this balanced budget, the Council needs to deliver savings of £12.1m during 2022-23.

The Authority has a clear understanding of its financial position and the financial gap it needs to address in the medium term.

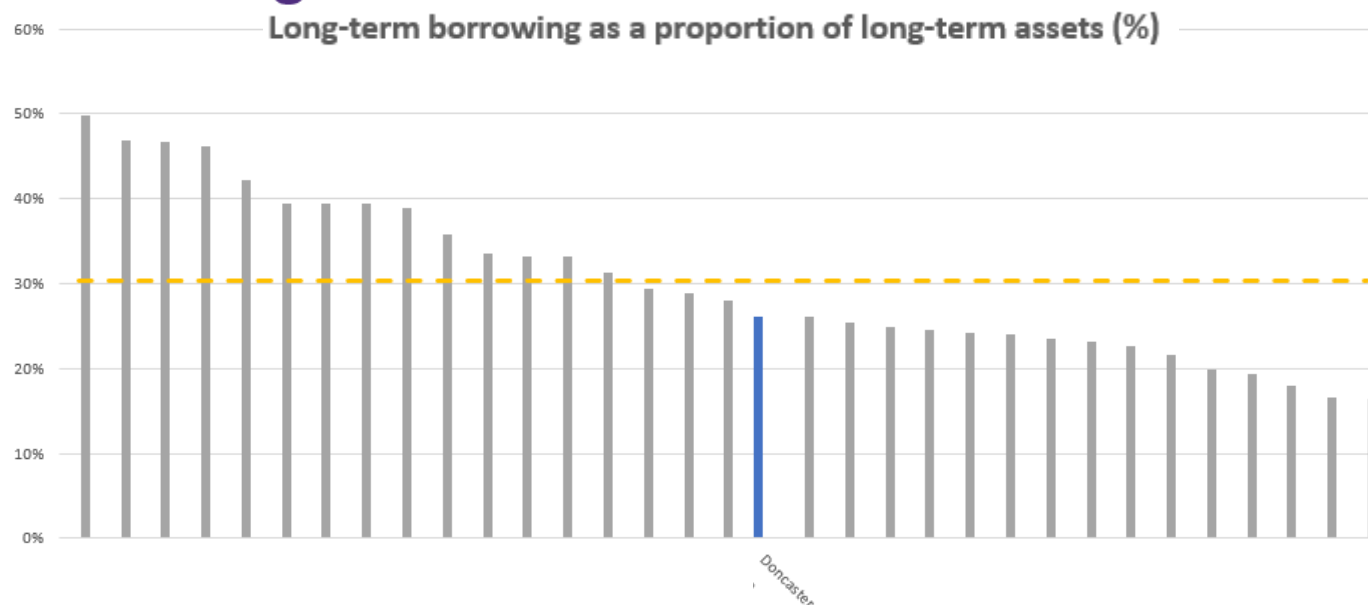
Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The impact of rising energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. The increase in the cost of living could also impact on collection rates for council tax and business rates. The Quarter 2 Finance and Performance Improvement Report for 2022-23 presented to cabinet on 30 November 2022 noted a forecast outturn overspend of £8.5m, mainly due to additional pay and energy costs as well as pressures within children's social care. The updated MTFs for 2023-24 to 2025-26 presented to Cabinet on 5 October identified a likely budget gap of £18.4m, of which £12.2m relates to 2023-24. The Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. Whilst the Council has a good history of delivering a balanced outturn position, we will continue to monitor the Council's financial position.

The on-going impact of Covid-19 into 2021-22 has meant that savings schemes planned have not all been fully delivered and with Council Officers concentrating efforts on continuing the Covid-19 recovery to try and return to business as usual arrangements pre Covid-19. As a result, the 2021-22 Quarter 4 Finance and Performance Improvement report noted that £7.2m (£3.7m 2020-21) of savings had been delivered but there was a shortfall of £3.0m (£5m 2020-21) in delivery. Given the Council delivered an underspend of £8.9m in 2021-22, the budget for Children's Services has been rebased for the savings not delivered in year with the remainder of savings not delivered being moved into 2022-23.

Whilst the on-gong impact of Covid-19 has impacted on the Council's ability to generate planned savings as schemes have not all been able to be progressed, this has been mitigated to some extent by additional un-ringfenced funding provided by Government as well a reduction in the demand for council services including for example reduced homecare expenditure.

The Council has established financial management arrangements in place and is aware of the services it provides, both statutory and discretionary. The Council recognises that statutory services have to be delivered and so discussions around savings on these services only relate to how efficiently they can be delivered whilst still meeting required standards.

## Borrowing over Assets



# Financial sustainability

Overall, the Council has a history of good financial management and there is no evidence of the unsustainable use of reserves to bridge the Council's funding gap. The Authority's response to the financial challenges posed by the on-going Covid-19 Pandemic demonstrates good financial planning arrangements are in place to ensure the continuation of services.

Whilst the financial outlook has worsened since the 2022-23 budget was agreed in March 2022, the Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. There is a need for the Council to continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required. We have raised an improvement recommendation in this regard.

The Council has a good history of delivering a balanced outturn position and we will continue to meet regularly with the Chief Financial Officer and monitor the Council's financial position.

## 2021-22 capital outturn

The Authority spent £72.9m on capital projects during 2021-22, this compares with £68.3m in 2020-21. The slight increase is indicative of the Council trying to recover from the impact of Covid-19 during 2020-21 which limited capital spending. The key capital schemes in 2021-22 include the new Danum Gallery, Library and Museum (DGLAM) which opened in year, adaptations for the disabled, creation of school places and the school condition programme as well as improvements and maintenance of roads and vehicle fleet replacement.

The Council's capital budget report explains how the Council's budget support the transition to the well-being goals contained within the new Borough Strategy. The capital report also details the other strategies and plans influencing the budget including, for example, the Housing Strategy and the Environment and Sustainability Strategy.

The Authority has appropriate arrangements in place to monitor capital projects.

## Medium term financial strategy

The Council's Medium Term Financial Strategy aligns expenditure to the Corporate Plan. The Council's Corporate Plan includes six wellbeing goals:

- Greener & Cleaner – A borough that takes every opportunity to protect and improve the local and global environment to improve wellbeing
- Prosperous & Connected – A stronger, greener and fairer economy that provides good, well paid jobs and is supported by improved transport, active travel and digital infrastructure

- Safe & Resilient - Residents feel safe and communities are more resilient to challenges and emergencies
- Healthy & Compassionate - A Compassionate Doncaster that improves the conditions and opportunities for better health and how we care for our most vulnerable residents
- Skilled & Creative - Residents have improved skills and a creative culture supports wellbeing, business success and solutions to the borough's challenges
- Fair & Inclusive - A borough with reduced inequalities and improved access for all to social and economic opportunities.

For each goal, key objectives and priorities are set out that the Council aims to deliver.

The Authority applies several key assumptions in developing its Medium Term Financial Strategy and plans. These assumptions are subject to question and challenge by Cabinet and include:

- Fees and charges to increase by 3%
- Collection rates for Council tax and business rates increasing following Covid-19 to 98.6% (from 97.5%)
- Inflation - 2% used for 2022-23 pay inflation with a further 2% for subsequent years
- Employers National Insurance increase of 1.25%
- Increase to Adult Social Care baseline funding in 2022-23 of £0.8m
- Government funding - the final local government finance settlement figures have been used for 2022-23 received on 17 December 2021.

The Authority updates its MTFS as part of the annual budget setting process during March each year, additionally, it is updated again during October to ensure all available information has been incorporated, and also extending the MTFS to the following year.

In preparing the MTFS, the Authority incorporates sensitivity analysis using best case, worst case and most likely case. This approach allows appropriate scenario modelling to take place with the Authority using the most likely projections in developing its budget. This approach also allows easy comparison of the possible range of likely outcomes which the Authority could face.

# Financial sustainability

As noted earlier, since the budget was approved for 2022-23, the financial outlook has worsened with inflation posing a real risk. The impact of rising energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. The Quarter 2 Finance and Performance Improvement Report for 2022-23 presented to cabinet on 30 November 2022 noted a forecast outturn overspend of £8.5m, mainly due to additional pay and energy costs as well as pressures within children's social care. The updated MTFs for 2023-24 to 2025-26 presented to Cabinet on 5 October identified a likely budget gap of £18.4m, of which £12.2m relates to 2023-24. The Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond.

## Managing risks to financial resilience

The Authority's budget reports outline the key financial risks faced by the Council when setting the budget. All reports to Cabinet also include a risks section, which is used to highlight any specific risks for inclusion in the Council's financial plans. The Council routinely reviews its strategic risks on a quarterly basis which are reported to Cabinet in the Finance and Performance Improvement report.

We consider the Authority to be financially well managed and there is a high level of understanding of its budgetary position, budgetary pressures and the savings required to be delivered each year. There is an established process by which the budget is reviewed regularly, and issues are reported in a timely manner to members.

Clearly, given the worsening financial outlook as detailed earlier resulting from inflation, rising energy, fuel, pay and other costs there is a need for the Council to continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond.

## Dedicated Schools Grant

In our 2020-21 Auditor's Annual Report, we noted that the Dedicated Schools Grant (DSG) deficit had increased by £3.8m to £9.1m at the year end, 31 March 2021. The increase was in common with a number of other local authorities and Government regulations introduced from 2020-21 for a three year period prevented the deficit being charged to the Council's revenue account.

For 2021-22, the DSG deficit was budgeted at £5.1m. The actual 2021-22 DSG deficit was £13.6m at 31 March 2022, an adverse variance of £8.5m. There has been a deterioration in the position during the year and this projected to continue into 2022-23 and beyond.

Discussions with management indicate the Authority recognises the importance of managing the deficit and there is a significant amount of work being completed at both operational and strategic levels, including for example, operational funding requests are considered by the multi-agency Joint Resource Panel, which has a mandate to ensure all local options have been explored prior to any out of authority placements being agreed. Strategically, senior education leads in the Council also liaise with schools around the devolution of elements of the DSG to ensure that locally there are the right services in place to support children, improving outcomes and reducing costs.

The Council is also now part of the first cohort of local authorities working with external consultants and CIPFA as part of the Delivering Better Value programme with the Department for Education (DfE). The Council has almost completed Module 1, analysing the data and identifying the initial findings/priority areas for specific deep dives, including documenting the profiled spend without any direct actions. Module 2 is expected to commence in December 2022 and involve carrying out deep dives and identifying appropriate actions to generate savings and reduce future expenditure.

This work is key as the 2022-23 Quarter 2 Finance and Performance Improvement Report presented to Cabinet on 30 November 2022 indicates a worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits in each year to 2025-26. Whilst some additional funding is expected from DfE, the Council needs to take appropriate action to eliminate the deficit and deliver a balanced position over the medium term. Officers are currently developing both a detailed short and longer term Plan working with the external consultants to address the expected DSG deficits and the actions to be taken. We understand these detailed plans will be agreed by March 2023.

To ensure the DSG deficit does not continue to increase year on year, there is a need for the Council to develop and finalise both the short and long term action plans to allow appropriate actions to be implemented promptly to address the expected DSG deficits. Once the plans are agreed, they should be routinely monitored and progress reported to members. We have raised an improvement recommendation in this regard.

## Conclusion

Overall, we are satisfied the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses, however, we have made two improvement recommendations.

# Improvement recommendations



## Financial sustainability – Actions to deal with the budget gap

**Recommendation 1** The Council should continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required.

**Why/impact** Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The impact of rising energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. The increase in the cost of living could also impact on collection rates for council tax and business rates. As a result, there is a risk that without appropriate actions, the Council may not be able to deliver a balanced outturn position for 2022-23.

**Auditor judgement** Whilst the Council has a good track record of delivering a balanced budget and has a clear understanding of its costs and underlying drivers, there is a need for clear actions to manage the Council's cost base given the challenging financial pressures resulting from high levels of inflation, rising energy, fuel and other costs. As part of its savings proposals, the Council should consider a range of potential savings schemes in advance of need that can be implemented at short notice if required.

**Summary findings** The financial outlook has worsened since the 2022-23 budget was agreed in March 2022, the Council is continuing to look at ways to manage the additional costs in both 2022-23 and beyond. There is a need for the Council to continue to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, consideration should be given to identifying a range of potential savings schemes in advance of need that can be implemented at short notice if required.

**Management Comments** The Council will continue to closely monitor its financial position as set out in this report and is taking urgent management action to address the 2022-23 forecast overspend position. Essential spend controls have now been implemented and other mitigations continue to be explored. As part of the budget setting process for 2023-24 onwards, savings options are being developed to meet the budget gap, in preparation for Council approval. The aim is to identify and approve greater savings options, in excess of the budget gap, so there is contingency built in the budget.



The range of recommendations that external auditors can make is explained at Appendix C

# Improvement recommendations



## Financial sustainability – Actions to deal with the DSG deficit

**Recommendation 2** The Council should develop and finalise both the short and long term DSG action plans to allow appropriate actions to be implemented to address the expected DSG deficits in 2022-23 to 2025-26. Regular engagement should continue with DfE and other relevant stakeholders to work towards a sustainable financial position on DSG before the current Government regulations end in 2024 and the DSG deficit at that point could become a draw on the Council's useable reserves. Once the plans are agreed, they should be routinely monitored and progress reported to Members on a regular basis.

### Why/impact

For 2021-22, the DSG deficit was budgeted at £5.1m. The actual 2021-22 DSG deficit was £13.6m at 31 March 2022. There has been a further worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits continuing in each year to 2025-26. Whilst some additional funding is expected from DfE, the Council needs to take appropriate actions to eliminate the deficit and deliver a balanced position over the medium term. Officers are currently developing both a detailed short and longer term Plan working with external consultants to address the expected DSG deficits and the actions to be taken. Without clear action plans in place, the Council is unlikely to be able to manage the DSG deficit position and take appropriate steps to eliminate the deficit over the medium term.

### Auditor judgement

The DSG deficit is continuing to increase year on year. There is a need for the Council to formulate appropriate plans to manage and eliminate the DSG deficit over the medium term. Without this there remains a risk that the deficit could continue to increase and adversely effect the Council's financial position once Government regulations allowing the deficit to be excluded from the Council's balances expires on 1 April 2023.

### Summary findings

There has been a further worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits in each year to 2025-26. The Council needs to take appropriate actions to eliminate the deficit and deliver a balanced position over the medium term. Officers are currently developing both a detailed short and longer term Plan. The Council should develop and finalise both plans as soon as possible, implement the plans and ensure routine monitoring with progress reported to members.

### Management Comments

In partnership with Newtons/CIPFA as part of the Delivering Better Value SEND Programme, the Council is developing short and longer-term action plans, detailing mitigations to address both the in-year DSG deficit and cumulative balance. This will also include submitting a grant bid for approval by the DfE to progress the short-term action plan developed. The agreed action plans will be closely monitored and routinely reported to senior management and members. The local government finance policy statement has confirmed that the statutory override for the DSG will continue for the next 3 years from 2023-24 to 2025-26. The autumn statement detailed an additional £400m for the high needs block, of which Doncaster is expecting to receive an additional £2,160,153 high needs grant in 2023-24 (indicative figures). In response to the SEND and Alternative Provision Green Paper consultation, the government has also committed to publishing its SEND and AP Improvement Plan early next year, which will set the direction needed to create a financially sustainable high needs system.



The range of recommendations that external auditors can make is explained at Appendix C

# 6. Governance



## We considered how the Council:

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

## Policies, procedures and controls

As a public organisation, the Council aims to maintain the highest standards of conduct and integrity. The Council expects the highest standards of corporate behaviour and responsibility from all Council members and all staff. The Council has in place a wide range of policies and procedures designed to ensure compliance with legislative and regulatory standards, including for example codes of conduct for members and staff and HR policies and procedures.

The Council has an established anti-fraud culture through its anti-fraud bribery and corruption framework, the counter fraud strategy and its whistleblowing policy. The Council also has in place clear codes of conduct for both members and officers along with registers for gifts and hospitality and a register of interests.

## Leadership and committee effectiveness

The Council has in place an elected Mayor and Cabinet form of executive. The Mayor leads and oversees the Council's priorities, working with colleagues from across Team Doncaster (the Local Strategic Partnership) and councillors from across the borough. In addition, overview and scrutiny committee arrangements are in place which hold the Cabinet to account.

The work of the Council's committees is governed by the constitution. The constitution is regularly reviewed and updated and is available to all staff and members in addition to the public on the Council's website. The Audit Committee is the Committee which undertakes the role of Those Charged with Governance (TCWG) and demonstrates appropriate challenge of financial and non-financial information. The Committee contains an appropriate mix of elected members with financial and non-financial experience in addition to an independent member. We have observed and experienced the appropriate debate and challenge they provide at each Audit Committee meeting

Cabinet meetings are normally held fortnightly and the Council meets every two months with agendas and minutes published on the Council's website. Papers are provided in advance of meetings to allow decision makers the opportunity to read and reflect in advance. Every month, the Council publishes the Forward Plan which sets out details of all key decisions expected to be taken during the next four months. This ensures members are aware in advance of the key decisions to be taken on a rolling basis and enables the Council's Overview and Scrutiny Committee to formulate their work plan.

## Monitoring and assessing risk

The Council has in place a risk management framework which includes a Risk Management Policy which sets out the Council's approach to embedding risk management arrangements within the Council. The Policy is supported by a Risk Management Process Guide and Tool Kit which provides a step by step guide to supporting effective risk management. The Council uses a 5x5 matrix (likelihood x impact) to identify and RAG rate its strategic risks.

All risks identified are recorded in risk registers which are contained within the Council's performance management system, 'Pentana'. All Strategic risks are reported to Cabinet on a quarterly basis as part of the Finance and Performance Improvement Report, this includes an update on each risk, how they have been profiled for the quarter, with any changes to the risk assessment being shown.

# Governance

The Authority consider risks as part of their routine decision making role and the impact on corporate policies, including the annual budget setting process. The risk management approach is well understood across all levels of management at the Authority.

There is an appropriate internal audit function operating at the Authority and we have noted no issues with the standard of work being carried out by Internal Audit. Each year, Internal Audit agree an internal audit plan, the audit plan is agreed by the Chief Financial Officer and then presented to the Audit Committee for approval. Changes are made to the plan throughout the year to recognise any new risks that arise. Progress is reported on the internal audit plan on a regular basis to the Audit Committee. The Committee use the work and findings of internal audit to consider the operation of key controls during the year which is used to draft the annual governance statement.

The Internal Audit function operates to the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and is subject to external quality assessment every five years. Internal audit was assessed last year as meeting the necessary standards. Internal Audit also issue each year, an Annual Report of the Head of Internal Audit, which sets out the sufficiency of work done to be able to provide an annual opinion of the risk, governance and control arrangements in place at the Council. This report gave a positive opinion over these arrangements for 2021-22.

## Budgetary Setting Process

The Authority has an established budget-setting process in place for agreeing its budget each year. The budget-setting process is thorough, with several stages. The budget is considered and approved by full Council in March. Routine monitoring of the budget takes place through the Finance and Performance Improvement Reports which are presented to Cabinet on a quarterly basis.

The budget and Medium Term Financial Strategy (MTFS) are considered and approved at the same time during March. The Council's MTFS is incorporated into the budget report and considers a three year time horizon. To ensure the MTFS remains up to date and includes all available information, it is updated during October each year and a further year added which forms the basis of budget setting and the MTFS for the following year.

Routine reporting including of longer-term projections and any risks to the medium term are incorporated into the quarterly Finance and Performance Improvement Reports considered by Cabinet.

The level of routine review by Cabinet together with the Council's track record of delivering a balanced (or underspend) outturn position confirm that budget setting and monitoring processes are in place.

Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The impact of rising pay, energy, fuel and other prices is impacting on both the Council's revenue and capital budgets for 2022-23. As a result, it remains important more than ever that the Council's established procedures continue to operate to allow appropriate action and review of the proposals to address the in-year financial pressures with regular reporting to members to deliver a balanced outturn position for 2022-23 (see the Financial Sustainability Section for further detail).

## Budgetary control

All cost centres within the Council are linked to a budget holder and a finance officer to support each budget holder. Each cost centre has a risk assessment in place (low/medium/high) which determines the extent to which the finance officer is involved in reviewing projections and the support provided. High risk cost centres are reviewed monthly with greater interaction with budget holders than medium and low risk cost centres.

Budget holders access financial information using the Collaborative Planning (CP) module of the Council's resource planning system. The CP module is updated each month with actuals and revisions to budgets and is used to capture projections from budget holders. The focus of monitoring is always the projected outturn position, which is informed by the actual spend to date. Monthly reports are routinely considered by budget holders and taken to directors meetings. Quarterly reports are considered by directors and also reported to the Cabinet in the Finance and Performance Improvement Reports.

Processes are in place for in-year budget virement if required in accordance with the Council's Financial Procedure Rules.

## Monitoring and ensuring appropriate standards

The annual governance statement is compliant with the CIPFA code. The Authority has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government. An appropriate level of care is taken to ensure the Authority's policies and procedures comply with all relevant codes and legislative frameworks.

## Ofsted Inspection

Last year, we delayed issuing this Auditor's Annual Report until the publication of the Ofsted inspection Report into Doncaster Council's Children's Services which was formally published on 8 April 2022. The Ofsted inspection reviewed three areas:

- The impact of leaders on social work practice with children and families
- The experiences and progress of children who need help and protection
- The experiences and progress of children in care and care leavers.



# Governance

Apart from the first area reviewed (the impact of leaders on social work practice with children and families) which was rated 'Inadequate', Ofsted rated the other two areas as 'Requires improvement to be good'. Ofsted's overall judgement on the overall effectiveness of Doncaster Council's children's services was 'Requires improvement to be good'.

Since the report was issued in April 2022, the Council has been developing a post Ofsted Improvement Plan to address the issues raised which is currently being finalised. The Council considers the improvement journey to be gradual over a 3 year period with the first year's activity to improve to a level of 'Good'. The Authority is keen to improve its children's services with improvement after the first year continuing over the next two years to further develop children's services beyond 'Good'.

Discussions with the Chief Financial Officer indicate improvement activity continues to be delivered at pace with some 80 per cent of the Quality Improvement Plan (QIP) completed by 30 November 2022. The Practice Improvement Board have commissioned the QIP to be refreshed and a Phase 2 plan to be developed by the end of February 2023. The focus of Phase 2 will be the improvement in the quality of practice to outstanding.

We will continue to monitor the Council's progress as part of our 2022-23 value for money programme of work.

## Conclusion

Overall, the Council has effective governance arrangements in place and we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks.



# 7. Improving economy, efficiency and effectiveness



## We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- 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
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Performance Management

The Council has an established Performance Management Framework in place. Performance is reported through the quarterly Finance and Performance Improvement Reports and are structured around the Council's Corporate Plan priorities and presented to Cabinet.

The quarterly Finance and Performance Improvement Report content includes a range of key performance indicators which are included in the narrative showing both improvement in performance but also where improvement is needed and the actions being taken.

Following on from our recommendation last year, the Council has now further developed performance reporting by including performance indicators in tabular form for all the Council's key performance indicators, highlighting current period performance, comparison with the prior period, providing a RAG rating as well as comparison with the Council's targets.

Members play a regular role in performance management by reviewing the quarterly reports and providing challenge to officers. Cabinet portfolio holders also have regular meetings with Directors to review and consider performance.

The review and follow up of both internal and external audit recommendations is appropriate, with the Audit Committee reviewing progress and providing regular updates to the Cabinet on progress in implementing recommendations.

The on-going impact of Covid-19 has impacted on the Council's ability to undertake routine benchmarking to the same extent as in previous years pre-pandemic as a result of staff being diverted to focus on work to recover from the impact of Covid-19. However, the Council still routinely undertakes a range of benchmarking exercises each year. For example, benchmarking of Children's Social Care expenditure is regularly produced to identify areas for improvement. The latest benchmarking information was considered at the Finance and Care Ladder (FCL) meeting and included national and regional information.

Benchmarking information is also produced for Trading Services, in particular, the cleaning service to review costs and service levels. Benchmarking has also been used for Adults Social Care fees and the Council uses the CIPFA financial resilience index too to support comparison of performance and costs.

## Benchmarking the Council's Unit Costs

As part of our audit work, we have benchmarked the Council's total net expenditure by service on a unit basis with all other metropolitan district councils. This analysis is provided overleaf and shows that the Council has a very low total overall unit cost when compared to other metropolitan borough councils. However, there are three areas where unit costs are higher than other metropolitan authorities, housing services, central services and other services.

# Improving economy, efficiency and effectiveness

Doncaster		2022/2023 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
	TOTAL EDUCATION SERVICES (RA) £/aged 0-18	117,445.00	70,600.00	1,663.53	Very Low
	TOTAL HIGHWAYS ROADS AND TRANSPORT SERVICES (RA) £/head	9,111.00	312,785.00	29.13	Average
	TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17	77,514.00	67,362.00	1,150.71	Average
	TOTAL ADULT SOCIAL CARE (RA) £/aged 18+	99,235.00	245,423.00	404.34	Very Low
	TOTAL CULTURAL AND RELATED SERVICES (RA) £/head	14,127.00	312,785.00	45.17	Average
	TOTAL PLANNING AND DEVELOPMENT SERVICES (RA) £/head	5,187.00	312,785.00	16.58	Average
	TOTAL HOUSING SERVICES (GFRA only) (RA) £/head	7,334.00	312,785.00	23.45	High
	TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RA) £/head	23,767.00	312,785.00	75.99	Low
	TOTAL CENTRAL SERVICES (RA) £/head	15,331.00	312,785.00	49.01	High
	TOTAL PUBLIC HEALTH (RA) £/head	26,514.00	312,785.00	84.77	Average
	TOTAL OTHER SERVICES (RA) £/head	9,176.00	312,785.00	29.34	High
	<b>TOTAL SERVICE EXPENDITURE (RA) £/head</b>	<b>404,741.00</b>	<b>312,785.00</b>	<b>1,293.99</b>	<b>Very Low</b>

We understand the higher costs in relation to housing services relate to the large increase in homelessness spending and the significant investment the Council is making in additional staffing for prevention activities in 2022-23. Central services are higher because of the budget growth in apprentices and locally funded council tax discounts as well as care leavers and the Local Assistance Scheme. The other service areas have expected higher costs principally due to budget contingencies for the 2022-23 pay award, service improvements and additional budget for people at the heart of care.

The Council has in place a number of regional networks which help it learn from other local government organisations in a number of areas to improve its performance including:

- Local Resilience Forum (LRF) Network which has been especially helpful during the on-going Covid-19 pandemic and the actions taken by other organisations
- Regional Policy forums to discuss topical issues for example managing flood risks and actions to be taken
- Yorkshire and Humber Leaders network on developments and good practice
- South Yorkshire Mayoral Combined Authority forum on development issues for all South Yorkshire authorities
- LGA Peer review. The review took place earlier in the year and covered a range of areas including local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management, and capacity for improvement. The report following the Corporate Peer Challenge was published in June 2022 and was very positive on the Council's arrangements. The summary overall messages included that 'Doncaster is on a journey of continuous improvement with many good features, and if continued will be an exemplar council'.

# Improving economy, efficiency and effectiveness

## Partnership working

The Council has strong partnership working arrangements in place. Team Doncaster is the name behind Doncaster's Local Strategic Partnership. It brings together organisations and individuals from the public, private, voluntary and community sectors to take shared ownership and responsibility for Doncaster's vision, leadership and direction.

After extensive consultation, the Council's new 10 year Borough Strategy, Doncaster Delivering Together was launched in September 2021 and took over from the previous Doncaster Growing Together Plan (2017-2021). Doncaster Delivering Together retains the ambitions of Doncaster Growing Together, but adds to them in response to major new challenges and opportunities. Team Doncaster worked with the local community, local businesses and schools to develop the priorities that provided key actions to help drive the borough strategy. Doncaster Delivering Together has six Wellbeing Goals:

- Greener and cleaner
- Fair and inclusive
- Prosperous and connected
- Safe and resilient
- Healthy and compassionate
- Skilled and creative.

Following the launch of the new borough strategy (Doncaster Delivering Together) and as part of the post pandemic recovery the Team Doncaster Partnership underwent a operating model review. The new Team Doncaster operating model consist of:

- Team Doncaster Executive (Chaired by the Mayor of Doncaster) – Providing strategic overview of resilience and emergency planning
- Team Doncaster Co-ordinating Group (Chaired by the Chief Executive of Doncaster Council) – managing threats and risks to delivery, taking escalations from delivery groups. This group also oversees progress for the partnership in Economy, Housing Delivery, Environment and Poverty
- Horizon, Policy & Design Group (Jointly chaired by Chief Executive of AGE UK Doncaster and Assistant Director of Policy Insight and Change Team) – to generate early policy development and provide a broader engagement forum for all partners
- Delivery Groups – Driving and supporting the partnership delivery of the new Borough Strategy.

As part of the operating model, all delivery groups are responsible for providing a 'Summary Agreement' which sets out the focus of each delivery group, including key activities, performance indicators, outcomes and any risks to delivery. All delivery groups will also provide an assurance statement at the end of 2022-23 for the first time setting out progress made during the year.



# Improving economy, efficiency and effectiveness

## Procurement

The Council has in place a dedicated procurement team to ensure all procurements are in accordance with the Council's contract procedure rules. As part of the procurement process, the Council aims to ensure all providers are treated fairly and equally and all procurement takes place in an open and transparent manner. The Council has in place clear methodologies for procurement with larger individual procurement exercises being overseen by the Strategic Procurement Team.

The Council's procurement is, in the main, undertaken on the YOR tender portal (for values over £25,000). YOR tender is the tender management system used by 28 councils across the Yorkshire and Humber region.

The Council has in place a Social Value Procurement Policy which sets out the Council's vision and approach to the delivery of social value through its commissioning and procurement activities under the Public Services (Social Value) Act 2012.

We noted in our Auditor's Annual Report last year that the Council did not have in place a formally approved procurement strategy which sets out the Council's objectives and approach to procurement. At that time, a procurement strategy had been drafted but was being further developed. We understand the procurement strategy has now been updated and is to be issued as a finalised strategy shortly.

We consider such a strategy is important in consolidating the Council's existing approach to procurement and providing clarity in the procurement process and should be issued as soon as possible.

## Climate Change

In our Audit Plan for 2021-22, we noted the Council had declared a climate and biodiversity emergency in 2019 and we would consider the action being taken by the Council as part of our 2021-22 VFM work programme. The Council with Team Doncaster, the Local Strategic Partnership developed an Environment and Sustainability Strategy 2020-2030 in response to the climate change and biodiversity emergency declaration made by the Council in 2019.

The Strategy was developed after considering the latest research, data, opinion and insight gathered from residents, elected representatives, and a range of partner organisations, including the findings of the Doncaster Climate and Biodiversity Commission (with its final report published in December 2020).

The Council's ambition is to become carbon neutral by 2040, this equates to a 13 to 14 per cent year-on-year reduction of emissions and an 85 per cent reduction by 2030 (compared to baseline levels in 2005). The Council also wants to increase the proportion of land given over to woodland, wood pasture, wildflower grassland to support greater biodiversity.

The Environment and Sustainability Strategy sets out 17 priority areas for focus with a series of key aims and actions within four key areas as follows:

- **Natural Environment** - protecting and enhancing woodland, green spaces, planting more trees, protecting biodiversity and water quality
- **Built Environment** - improve energy efficiency of homes and other buildings, generate more sustainable energy and improve air quality by reducing transport emissions
- **Economy** - exploit opportunities in green technology, encourage businesses to improve energy efficiency and encourage local farming to supply locally

- **Sustainable Consumption and Behaviour Change** - reduce food waste, encourage re-use and repair of goods, encourage behavioural change to contribute to environmental improvements.

Progress on actions and outcomes is reported to the Environment and Sustainability Group on a quarterly basis attended by members of Team Doncaster. All Council cover reports also now have a standard section on the impact of climate change to be considered by officers and members.

We understand that the latest '2 yearly' CO2 data was published by the Department for Business, Energy and Industrial Strategy (BEIS) earlier this summer, providing a 2020 outturn for emissions. The savings achieved between 2005 and 2020 equate to 34 per cent.

Our review of the Council's climate change arrangements has not identified any risks of significant weakness.



# Improving economy, efficiency and effectiveness

## Other developments

Doncaster Children's Services Trust, an arm's length management organisation (ALMO) which had been operational since 2013 formally transferred back all Children's services to Doncaster MBC on 1 September 2022. This follows the lifting by Central Government of all directions in respect of the delivery of children's social care in January 2021. Discussions with management indicate bringing Children's services back into the Council will allow the integration and realignment of services and greater efficiencies allowing more spending on front line service delivery.

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite intense efforts by the Council to secure its future. The Council is continuing to work with all stakeholders to consider options to allow the Airport to continue to operate.

Doncaster Metropolitan Borough Council was granted city status as part of the Queen's Platinum Jubilee earlier this year. City status has been granted from 1 January 2023 and Doncaster will now be known as the City of Doncaster.

## Conclusion

Overall, we are satisfied the Authority has appropriate arrangements in place for ensuring economy, efficiency and effectiveness in its use of resources. We have not identified any risks of serious weaknesses.



# 8. Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The Council should clearly identify statutory and discretionary spending in budgetary information which is provided to members and the public when setting the budget each year.	Improvement	April 2022	<p>The Council did not consider this recommendation was appropriate at the time given its balanced budget and MTFS position. However, it agreed that if it was unable to balance its future budgets, an assessment of the statutory and discretionary spending would be undertaken.</p> <p>Since the approval of the budget for 2022-23, the financial outlook has worsened with inflation posing a real risk to the budget. The 2022-23 forecast outturn is now an overspend of £5.5m. In addition, an estimated budget gap has been identified for 2023-24 to 2025-26 of £18.4m, of which £12.2m relates to 2023-24. Discussions have been on-going within the Council since September with Senior Management on the budget position. These discussions include significant work on savings options, considering all services and fully highlighting any implications covering both statutory and non-statutory services. The Council has targeted some non-statutory services for savings options including for example community libraries.</p>	Partially (Amber)	Budget reports and the MTFS should clearly set out the approach taken to material savings for statutory and discretionary services.
2	The Council should routinely monitor the Dedicated Schools Grant (DSG) budget and implementation of the DSG deficit plan to ensure expected planned cost reductions and savings are delivered, and where slippage arises, remedial action is taken. Routine reporting should take place to members.	Improvement	April 2022	<p>The DSG financial position is routinely reported as part of the Quarterly Finance and Performance Improvement Reports. However, the DSG budget continues to face significant pressures. The 2021-22 DSG budget deficit was £5.1m but the outturn position was a deficit of £13.6m. There has also been a further worsening of the DSG deficit position with an expected deficit of £19.8m in 2022-23, and deficits in each year to 2025-26.</p> <p>The Council is part of the first cohort of local authorities working with external consultants / CIPFA as part of the Delivering Better Value programme. This is aiming to develop a clear short and long term action plan to address the cost drivers and the deficit position. Given the significant deterioration in the current and future projected DSG deficit position at the Council, we have raised a separate recommendation in our Auditor's Annual Report this year.</p>	Partially (Amber)	Given the deterioration in the DSG deficit position at the Council, we have raised a separate recommendation in our Auditor's Annual Report this year (see Page 14 for further detail).

**Key:**

- Actioned (Green)
- Partially Actioned (Amber)
- Not Actioned (Red)

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
3	The Council should formulate an action plan to address the issues identified in the Ofsted inspection of the Council's Children's Services. The action plan should include clear target dates and be formally reported to Ofsted and members, and monitored routinely by senior management with regular progress reports presented to the Cabinet.	Improvement	April 2022	<p>The Council has been developing a post Ofsted Improvement Plan since receiving the Ofsted report in April 2022 to address the issues raised which is currently being finalised. The Council considers the improvement journey to be gradual over a 3 year period with the first year's activity to improve to a level of 'Good'. Progress is reported and monitored by the Improvement Board which meets monthly.</p> <p>Discussions with the Chief Financial Officer indicate improvement activity continues to be delivered at pace with some 80 per cent of the Quality Improvement Plan (QIP) completed by 30 November 2022. The Practice Improvement Board have commissioned the QIP to be refreshed and a Phase 2 plan to be developed by the end of February 2023. The focus of Phase 2 will be the improvement in the quality of practice to outstanding.</p>	Partially (Amber)	We will continue to monitor the Council's progress as part of our 2022-23 value for money programme of work.
4	The Authority should further develop the Council's performance reporting by including performance indicators in tabular form showing the complete set of the Council's key performance indicators by service area and their current period performance, comparison from the prior period, RAG rating movement and comparison with the Council's stated targets.	Improvement	April 2022	This is now in place and reported within the Council's Quarterly Finance and Performance Improvement Reports.	Actioned (Green)	None.
5	The Authority should finalise the procurement strategy which is currently being developed. This should set out the Council's objectives and approach to procurement.	Improvement	April 2022	The procurement strategy has been reviewed and updated and is currently being finalised before issue. We understand from the Chief Financial Officer that the procurement strategy will be finalised and issued prior to the Audit Committee meeting on 26 January 2023.	Partially (Amber)	Finalise and issue the procurement strategy promptly.



# 8. Opinion on the financial statements



## Audit opinion on the financial statements

We have substantially completed our audit of your financial statements for 2021-22, and subject to the resolution of the national issue on infrastructure assets, expected in late December 2022, we expect to issue an unqualified audit opinion in January 2023.

## Audit Findings Report

We have reported the key findings from our 2021-22 accounts audit to the Audit Committee at its meeting on 27 October 2022 and summarised our findings in our Audit Findings (ISA260) Report dated 17 October 2022.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We note that guidance for this work has not yet been issued and therefore this work has not yet commenced. The NAO requires the work to be completed once the audit opinion is provided on the financial statements and has not yet released data collection instructions.

## Preparation of the accounts

The Authority provided the draft 2021-22 financial statements in line with the national deadline and provided a good set of working papers to support these. Officers were available throughout the audit process to answer questions and provide additional information. This allowed for a smooth and efficient audit process to take place.

## Issues arising from the accounts:

Our audit work did not identify any adjustments to the Authority's Comprehensive Income and Expenditure Statement or the Authority's level of useable reserves. We raised one matter for management in relation to the Council's asset register.

In reviewing the Council's asset register for vehicles, plant and equipment, we noted a large number of assets which had been fully depreciated showing a Net Book Value (NBV) of zero, but still remaining in the asset register. Following discussions with management, we became aware that these assets were no longer held by the Council as they had been fully depreciated and disposed of, and should have been removed.

In total, there were 320 assets with a gross book value of £11.2m. Management removed these assets from the asset register and updated Note 12 to the financial statements. We recommended the Council ensures that when assets reach the end of their useful life, they are removed from the asset register, or provided with an extended useful life and updated valuation if the asset still remains in use.

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.



# 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.

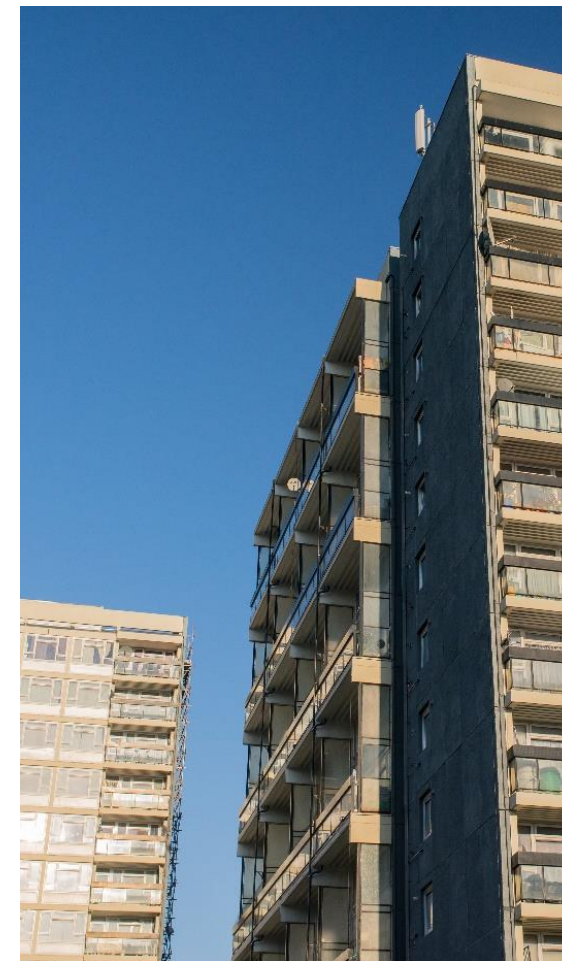
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) 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.



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# Appendix B – Risks of significant weaknesses, our procedures and findings

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As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. No such risks were identified during our planning work or in undertaking our review of the Council's arrangements.

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No Statutory recommendations have been raised in 2021-22.	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No key recommendations have been raised in 2021-22.	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Two improvement recommendations have been raised on financial sustainability.	13 and 14

# Appendix D – Key sources of evidence

In undertaking our work, we have considered a range of key sources of evidence and obtained information from or met with various Council Officers including the following.



## Staff involved

- Damian Allen, Chief Executive
- Debbie Hogg, Director of Corporate Resources
- Faye Tyas, Chief Financial Officer
- Scott Fawcus, Monitoring Officer
- Pete Jackson, Chief Internal Auditor
- Robert Isaac, Senior Finance Manager
- Robert Smith, Capital Accountant
- Matthew Smith, Deputy Chief Financial Officer
- Holly Wilson, Head of Procurement
- Hayley Lloyd, Strategy and Performance Manager
- Sennette Wroot, Senior Policy, Insight and Change Manager
- Jill Parker - Assistant Director of HR, Communications and Executive Office



## Documents Reviewed

- 2021-22 Statement of Accounts
- 2021-22 Quarter 4 Finance and Performance Improvement Report
- 2021-22 Budget - March 2021
- Medium Term Financial Strategy 2022-23 to 2024-25
- 2022-23 Budget - March 2022
- 2022-23 Quarter 1 Finance and Performance Improvement Report
- 2022-23 Quarter 2 Finance and Performance Improvement Report
- Medium Term Financial Strategy 2023-24 to 2025-26
- DSG Revenue Plan
- Cashflow Forecast - 2021-22
- Budget Savings Proposals 2021-22 to 2023-24
- Savings Tracker 2021-22
- Doncaster Delivering Together 2020-2030
- Capital Strategy and Capital Budget 2021-22 to 2024-25
- Doncaster Delivering Together (Borough Strategy)
- Doncaster Council Corporate Plan
- Doncaster MBC Workforce Strategy 2022- 2025
- Treasury Management Strategy Statement 2019-20 - 2022-23
- Peer Review Findings Report



## Documents Reviewed continued

- Ofsted Report April 2022
- Contract Procedure rules
- Social Value Procurement Policy Revised July 2021
- Draft Procurement strategy
- Waivers to contract procedure rules
- Capital and Major Project Board papers
- CAMP Master Pipeline of Projects
- Children's social care benchmarking
- Benchmarking review data - Children's services - June 2021
- Overview and Scrutiny Committee - Performance Challenge Doncaster Children's Services Trust - September 2021



## Meetings Observed

- Audit Committee – attendance at all Audit Committee meetings during 2020
- Audit Committee – attendance at all Audit Committee meetings during 2021
- Audit Committee – attendance at all Audit Committee meetings during 2022 to date

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# Appendix E – Key acronyms and abbreviations

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The following acronyms and abbreviations have been used within this report

AGS – Annual Governance Statement

MBC – Metropolitan Borough Council

MTFS – Medium Term Financial Strategy

NAO – National Audit Office

RA – Revenue Actual

RO – Revenue Outturn

DSG – Dedicated Schools Grant

TCWG - Those Charged with Governance

CP - Collaborative Planning

CIPFA – Chartered Institute of Public Finance and Accountancy

SOLACE - The Society of Local Authority Chief Executives and Senior Managers

OFSTED – Office For Standards in Education

