

Auditor's Annual Report on City of Doncaster Council

2022-23 VFM arrangements

10 January 2024



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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.



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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 recommendations

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 2022-23 is the third 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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements.

Our conclusions are summarised in the table below. We have raised one key recommendation which relates to managing the increasing Dedicated Schools Grant (DSG) deficit. This key recommendation follows on from the improvement recommendation we raised last year relating to this issue. It is a recommendation we have raised at many local authorities reflecting the number of authorities now experiencing material DSG deficit position. Further details are set out on pages 7 and 16-17 of this Report. The range of recommendations is explained further at Appendix B.

Criteria	2022-23 Auditor judgement on arrangements	2021-22 Auditor judgement on arrangements
Financial sustainability	One key recommendation raised in relation to the Council's Dedicated Schools Grant (DSG) deficit. We have also raised two further improvement recommendations.	No key recommendations made but two improvement recommendations raised.
Governance	Our work did not identify any areas where we considered that key or improvement recommendations were required	Our work did not identify any areas where we considered that key or improvement recommendations were required.
Improving economy, efficiency and effectiveness	Our work did not identify any areas where we considered that key or improvement recommendations were required	Our work did not identify any areas where we considered that key or improvement recommendations were required.

Executive summary (continued)



Financial sustainability

Over the last year, local government funding has continued to be stretched with increasing cost pressures, including from higher energy, pay and increased supplies and services costs. Whilst cost pressures have increased, councils have also faced increased demand for their services including within children's and adult social care.

City of Doncaster Council approved its 2022-23 budget in February 2022, since this time, the financial outlook has worsened. The impact of rising energy, fuel, pay costs and other prices continued to directly affect the Council's financial position. The Council delivered an outturn overspend of £3.0m for 2022-23 compared to the Quarter 3 projected outturn overspend of £7.8m. The improved outturn position was due mainly to the action taken by management to delay and reduce non-essential spending. Key factors within the overspend have remained consistent throughout the year being higher pay, energy and children's social care costs significantly exceeding budgets. Earmarked reserves were used by the Council to fund the overspend.

The Dedicated Schools Grant is the ring-fenced grant from Central Government that provides each local authority with an allocation of funding for schools and services for pupils. The Council's DSG account remains overspent mainly due to pressures within the High Needs Block which includes expenditure on Out of Authority placements. The overspend in 2022-23 amounted to £6.2m increasing the cumulative DSG deficit to £19.9m at 31 March 2023. Whilst the cumulative overspend position is significant, it is not uncommon to other local authorities. City of Doncaster Council is among 55 local authorities participating in the Department for Education's (DfE) Delivering Better Value in Special Educational Needs and Disability (SEND) programme which is looking at ways to manage and reduce the high needs block overspend position. The actions resulting from participating in DfE's Delivering Better Value in SEND programme have not identified any significant new actions for the Council to manage demand and costs.

We raised an improvement recommendation last year in respect of managing the DSG deficit position. Given the DSG deficit has increased to £19.9m at 31 March 2023, and is expected to increase in 2023-24 to £25.8m, £29.2m by the end of 2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27, the Council's actions and plans are not addressing the increasing deficits being created. Whilst the Council has implemented a range of actions to manage the DSG overspend position during the year and continue to do so, the increased demand for services coupled with increasing costs has meant that these actions have been insufficient. Participating in DfE's Delivering Better Value in SEND programme has also not identified any new actions for the Council which would have a significant impact. Whilst other councils, including some neighbouring councils, have benefitted from additional DSG related funding via the DfE's 'Safety Valve' funding programme, this has not been available to Doncaster, resulting in the Council's projected increases expected in the DSG deficit position.

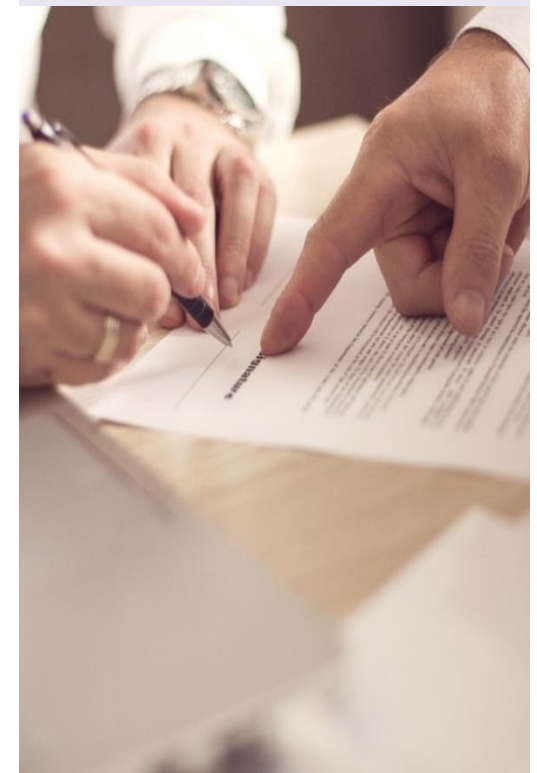
Central Government guidance currently allows the DSG deficit to be excluded from the Council's general reserves as a statutory override, however, this treatment will end from April 2026. The Council needs to take action to manage and bring down the projected DSG deficit through other means or set aside additional resources to fund expenditure. The Council's general fund reserves (excluding general fund earmarked reserves) at 31 March 2023 total £14.3m and are not expected to significantly increase by April 2026, as such, the Council's reserves will not be sufficient and will be eliminated by the DSG deficit in 2026-27 unless action is taken. Due to the significance of this matter, we have raised a key recommendation. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the DSG deficit ends.

We have also raised two improvement recommendations to further enhance the Council's financial planning and reporting arrangements. Further details can be seen on pages 18 and 19 of this report.



Financial Statements opinion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 8 December 2023, following the Audit Committee meeting on 23 November 2023. Our findings are set out in further detail on pages 32 to 34.



Executive summary (continued)

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.

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite efforts by the Council to secure its future. The Council has remained in on-going discussions with the Airport owners to secure, if possible, a lease of the airport and allow it to be brought back into full operational use. The work on securing Doncaster Sheffield Airport is being undertaken by a dedicated team within the Council supported by specialist external consultants. Progress and developments are regularly reported to Cabinet and published on a dedicated area of the Council's website which is accessible to the public. To date, discussions remain on-going, and the Council has not entered into any formal agreement which brings Doncaster Sheffield Airport back into use.

Our work has not identified any evidence which leads us to conclude that there are weaknesses present which require recommendations to be raised at the Council.

Further details can be seen on pages 20-23 of this report.

Improving economy, efficiency and effectiveness

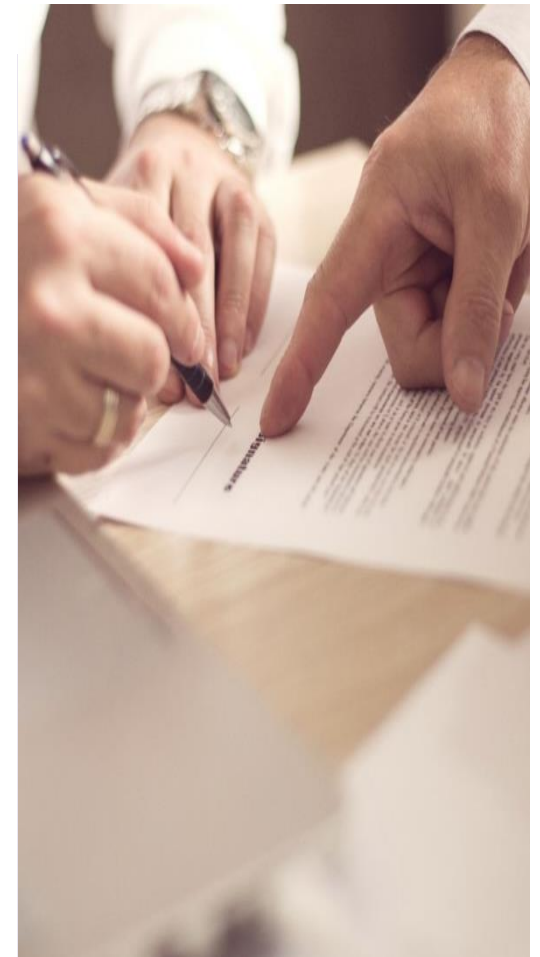


The Council has an established Performance Management Framework in place with reporting to Cabinet through the quarterly Finance and Performance Improvement Reports which clearly set out performance issues and the actions being taken to address these. The Council's performance indicators are shown by service area, RAG rated and compared with the Council's targets.

The Council has effective partnership arrangements in place through Team Doncaster, the Council's Local Strategic Partnership. Team Doncaster 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. The Council has a 10 year Borough Strategy, Doncaster Delivering Together which was launched in 2021.

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 the Council's arrangements.

Further details can be seen on pages 24-28 of this report.



2. Use of auditor's powers

We bring the following matters to your attention:

2022-23 outcomes

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 did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

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 did not issue a public interest report.

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 did not make an application to the Court.

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 did not issue any advisory notices.

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 did not make an application for judicial review.

3. Key recommendation

Key Recommendation 1

The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.

Key issues identified and summary findings

The Council's DSG account is overspent mainly due to pressures within the High Needs Block with the DSG deficit expected to increase year on year, totalling £19.9m at 31 March 2023, £25.8m at 31 March 2024, £29.2m by 31 March 2025, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27. Whilst the Council has implemented a range of actions to manage the DSG overspend position during the year and continue to do so, the increased demand for services coupled with increasing costs has meant these actions have been insufficient.

Central Government guidance currently allows the DSG deficit to be excluded from the Council's general reserves as a statutory override, however, this treatment ends from April 2026. The Council needs to take action to manage and bring down the projected deficit through other means or set aside additional resources to fund this expenditure. The Council's current general fund reserves (excluding general fund earmarked reserves) are insufficient at 31 March 2023 at £14.3m and are not expected to significantly increase over the coming few years to meet the projected DSG deficit on 1 April 2026.

Criteria impacted by the key recommendation

Financial sustainability

Auditor judgement

Based on the work undertaken, we have raised a key recommendation (as defined at Appendix B) relating to the Council's financial sustainability. This is because we consider the issue summarised above constitutes a significant challenge to its arrangements relating to current and ongoing financial sustainability.

Management comments

See overleaf.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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

3. Key recommendation (continued)

Whilst the overspend position is significant it is unfortunately common to other Local Authority (LA) positions and Doncaster Council, amongst 55 other LAs, is currently participating in the DfE's Delivering Better Value in SEND programme which has looked at plans to manage and reduce the authorities' high needs block overspend position. Other Councils have received significant financial support from central government through the Safety Valve programme, with safety value agreements being made with 34 local authorities. Shortfalls in funding for children with an education, health and care plan or EHCP is a national issue, with around 2/3rds of LAs across the country, currently having a deficit. Over the last 3 years Doncaster has seen an 84% increase in statutory assessment requests and EHCPs have risen significantly. At the end of the 2018/19 financial year, Doncaster maintained a total of 1898 EHCPs, and by the beginning of February 2023 this had increased to 2489, a 31% increase. This has placed pressures on local services and has contributed to significant levels of challenge around high needs spending.

That said, we continue to work with the DBV programme and have recently had further discussions with CIPFA who, alongside Newtons, have been engaged by DfE to support LAs. We will be submitting our updated DSG deficit management plan this month and will continue to positively engage with the DBV programme and any other support mechanisms offered. In November 2023, an "Equitable and Inclusive Access to Education for All" report was taken to the Council's Cabinet outlining further measures that will reduce expenditure. The team efficacy continues to improve following the transfer of children's social care back to the Council from Doncaster Children's Services Trust; this is improving understanding of the position and a more joined up approach, which will over time mean improved outcomes and cost reductions. We recognise the DSG deficit as a significant financial challenge facing the Council and will continue to review practices, standards etc., to reduce costs further.

Though general fund reserves are insufficient to meet the deficit, we are confident that should the DSG deficit override be removed that this could be managed using a combination of general reserves and earmarked reserves. It is recognised that reducing general reserves would reduce the financial resilience of the Council and releasing earmarked reserves has an impact on discretionary activity. It is also recognised that the DSG deficit override could be extended post March 2026.

Management comments

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the weaknesses identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place.

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

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.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications.



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 12 to 28.

5. The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape (continued)

Local context

City of Doncaster Council is a large authority based in South Yorkshire in the North of England. It was awarded city status in May 2022 as part of Queen Elizabeth II's Platinum Jubilee celebrations. King Charles formally conferred city status on Doncaster as part of his visit to Yorkshire in November 2022. Doncaster became a City from 1 January 2023. The Council has a population of over 300,000 at the time of the 2021 Census. Like many other cities, it has areas of both relatively high and low deprivation but, overall, the Council is ranked the 33rd most deprived out of 155 upper tier authorities in England.

The Council is a metropolitan district council. Its main decision-making body is Cabinet which is chaired by the Mayor and in 2022-23 included nine other Cabinet Members with portfolio responsibilities. Operationally, the Council is divided into five directorates, covering particular areas of service provision, for 2022-23 these were Corporate Resources; Adults, Wellbeing and Culture; Children, Young People and Families; Place and Public Health and Prevention.

In 2022-23 the Council's senior management team, known as the Executive Leadership Team (ELT), was made up of the Chief Executive and the five departmental directors, the Assistant Director Policy, Insight & Change and the Assistant Director for HR & Communications. The statutory Section 151 officer has an open invite for ELT and can choose to attend as they determine. A functional realignment review was undertaken during 2022-23 with the final position agreed in April 2023, for implementation in 2023-24.

The Council is divided into 21 wards for electoral purposes. The current make-up of the City of Doncaster Council is a Labour majority with 40 seats, the Conservatives with 11 seats, the Labour and Co-operative Party 2 seats, Mexborough First 2 seats and Edlington and Warmsworth First 1 seat.

The Council has a 10 year Borough Strategy, Doncaster Delivering Together which was launched in 2021. Doncaster Delivering Together has six Wellbeing Goals which are routinely reported and monitored:

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

Like many other councils, the Council faces a challenging combination of high inflation and rising demand for key services, such as for children's care services. The result of these pressures was an outturn overspend of £3m for the 2022-23 financial year, the Council used earmarked reserves to fund this overspend. For 2023-24, the Council has set a balanced budget with gross expenditure of £575.7m (net budget £255.8m). To deliver this balanced budget, the Council needs to deliver savings of £10.9m during 2023-24. The savings target for 2023-24 exceeds savings required to deliver a balanced budget and will allow £0.7m to be held as a contingency fund.

6. 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 Doncaster's arrangements

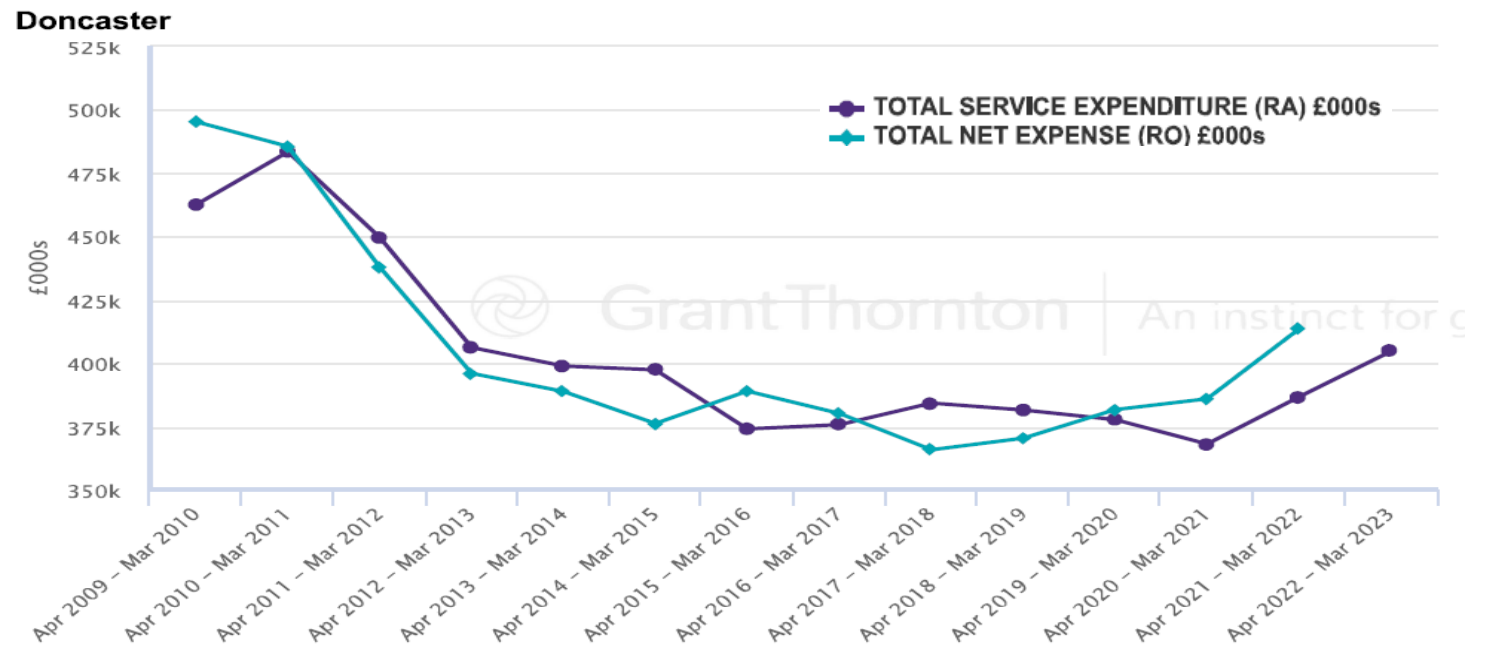
City of Doncaster Council has established processes in place which detail the responsibilities of Authority members and senior management for planning and managing the Authority's finances. These are set out in the Authority's Constitution (Part 4 - Procedure Rules). We have not identified any evidence 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 and illustrates the accuracy of budget setting. It also shows the reduction in overall Council spending, although budgeted spending increased slightly in 2021-22 and 2022-23.

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



Financial sustainability (continued)

Medium Term Financial Strategy

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 February, 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 February 2022 covering the period 2022-23 to 2024-25 put forward a series of proposals which forecast a balanced budget for the three years.

For 2022-23, the MTFS was updated in October 2022 covering the period 2023-24 to 2025-26 to reflect the most up to date information available at that time allowing the Authority to plan effectively as well as informing the annual budget setting cycle for the following year. The MTFS identified on-going financial pressures in a range of areas and whilst a balanced budget was planned, it projected a financial gap of £18.4m for the three years to 2025-26 (2023-24 £12.2m, 2024-25 £2.2m and 2025-26 £4.0m). Particular financial pressures relate to children's social care £6m, travel assistance as a result of special educational needs £1.7m and overspending on the dedicated schools grant £1.5m. These areas of pressure are typical of what we see at other single tier local authorities. The Council has continued to explore ways of managing these costs pressures including savings schemes to deliver a balanced budget.

Whilst the Council has over the last few years produced an updated MTFS during October, no updated MTFS was produced and presented to Cabinet in October 2023, which would have covered the period 2024-25 to 2026-27. Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate that the reason the MTFS was not updated as in previous years was because of the significant pressure on finance staff working with Council Departments to identify and deliver the savings required given the financial pressures faced by the Authority, additionally, little further central information was available to update the MTFS during September and October 2023.

Instead, the Chief Financial Officer and Assistant Director of Finance and Technology took a paper to the Council's Executive Board on 1 November 2023 and to Cabinet on 6 December 2023 (within the Quarter 2 Finance and Performance Improvement Report) which summarised the Council's position as an overall small budget deficit of £0.3m at the end of 2026-27 (including a one-off surplus in 2024-25).

Effective governance requires routine and transparent reporting, the Council has routinely reported its updated MTFS each October, but no such reporting took place in October 2023 or an explanation in a public forum such as Cabinet at that time for the reason for the change.

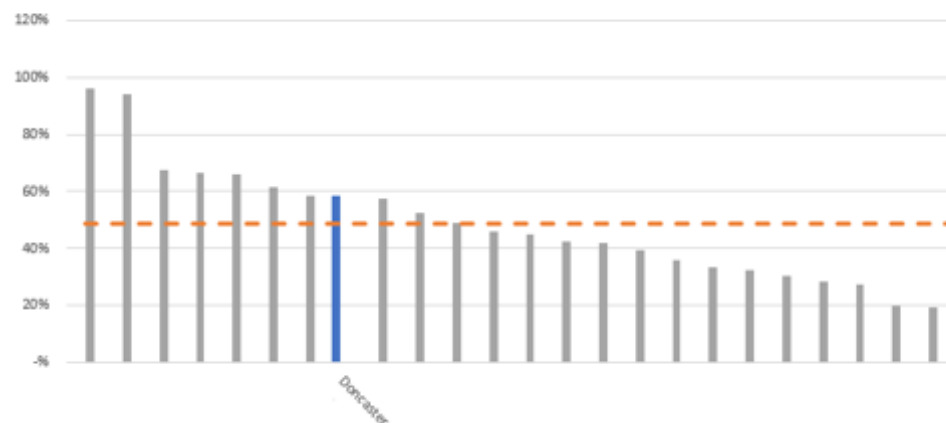
Given the current on-going financial pressures across local government, and the specific financial pressures faced by the Council, management should not only continue to routinely update Cabinet in public on its financial position through the quarterly Finance and Performance Improvement Reports, but it should also update Cabinet in public on its MTFS. Where there is likely to be a delay in producing routine reports such as the MTFS this should be explained through a formal report to Cabinet at its public meeting at that time. We have raised an **Improvement Recommendation** in this regard.

Management should routinely update Cabinet where there is likely to be a delay in producing routine financial reports at that time such as the MTFS. The delay and the reasons for it should be explained through a formal report to Cabinet at its public meeting, the likely impact on the Council's finances and how the delay will be addressed.

The Council's Reserves

The Council continues to have a strong reserves position with general fund revenue reserves of £105.1m and a further £88.1m of earmarked reserves at 31 March 2023 (excluding schools). This position is illustrated in the chart below and compares Doncaster's general fund and non-schools earmarked general fund reserves which total some 59% of net service revenue expenditure compared to the average for metropolitan authorities of 49%.

General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Financial sustainability (continued)

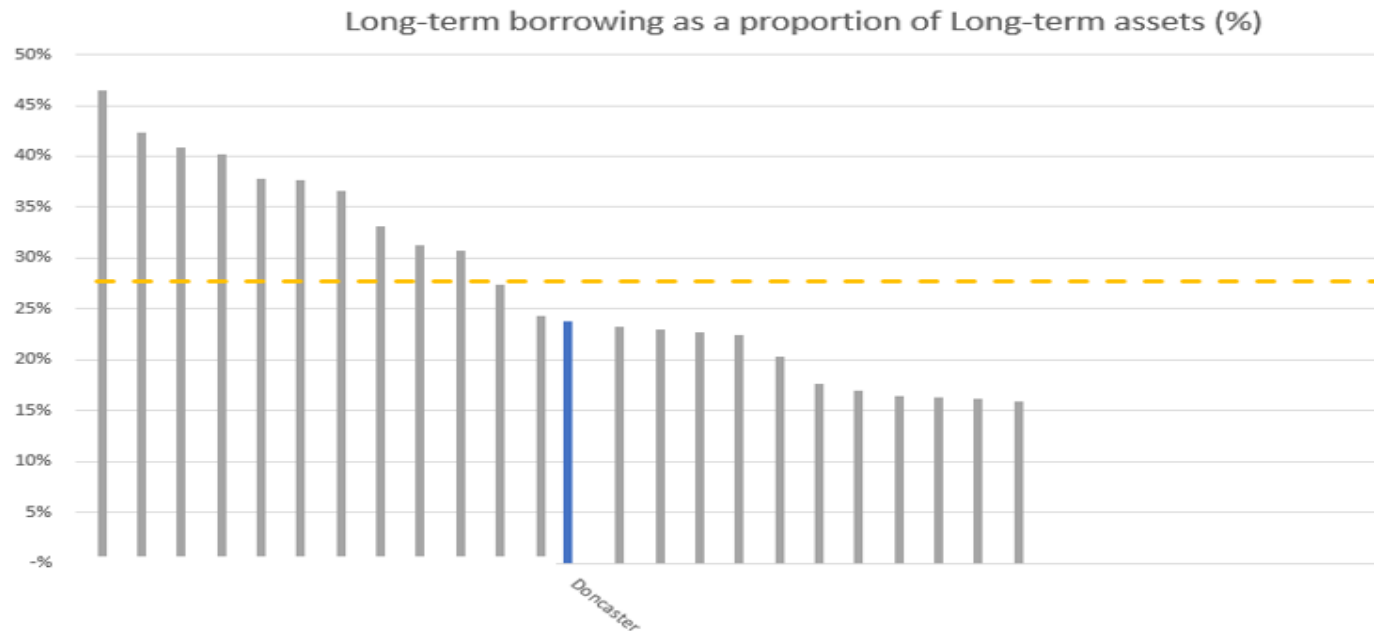
In addition to its above average reserves position, the Council also has lower levels of borrowings as a proportion of its long term assets when compared to other metropolitan authorities at 24% compared to a metropolitan average of 28% (see chart below).

2022-23 Revenue Outturn

For 2022-23, the Council set a balanced budget with gross expenditure of £526.1m. Since the approval of the budget in February 2022, the financial outlook worsened with inflation directly impacting on the Council's spending power. The impact of rising energy, fuel and other prices impacted on both the Council's revenue and capital budgets. The Quarter 1 Finance and Performance Improvement Report for 2022-23 presented to cabinet on 7 September 2022 noted a forecast outturn overspend of £5.5m, mainly due to inflation as well as pressures within children's social care.

At the year end, the Council delivered an outturn overspend of £3.0m for 2022-23 compared to the Quarter 3 projected outturn overspend of £7.8m. The improved outturn position was due mainly to the action taken by management to delay and reduce non-essential spending. Key factors, within the overspend, have remained consistent throughout the year being higher pay, energy and children's social care costs significantly exceeding budgets.

The Council used earmarked reserves to fund the £3.0m 2022-23 overspend.



Financial sustainability (continued)

2023-24 Budget

The Council set a balanced budget for 2023-24 with gross expenditure of £575.7m (net budget £255.8m). Council Tax increased by 3.99% (1.99% for Council Tax and a further 2.0% for Adult Social Care). To deliver this balanced budget, the Council needs to deliver savings of £10.9m during 2023-24. The savings target for 2023-24 exceeds savings required to deliver a balanced budget and will allow £0.7m to be held as a contingency fund.

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 2023-24, the financial outlook continues to be difficult with inflation posing a real risk to the budget. The Quarter 1 Finance and Performance Improvement Report for 2023-24 presented to Cabinet on 13 September 2023 noted a forecast outturn overspend of £4.16m, mainly due to inflation as well as pressures within adults and children's social care. The more recent Quarter 2 Finance and Performance Improvement Report presented to Cabinet on 6 December 2023 indicates a slightly improved position, with a reduced forecast outturn deficit of £1.76m. The improvement is due to actions taken by management to control costs in Council wide budgets, however, overspending continues within adults and children's social care with overspends of £3.4m and £2.8m respectively at the end of quarter 2.

The Council is continuing to look at ways to manage the additional costs in both 2023-24 and beyond. We will continue to monitor the Council's financial position.

Savings required and delivered

In February 2022, the Council approved the Revenue Budget for 2022-23 to 2024-25 setting a balanced budget for each year. The overall budget gap to deliver a balanced budget identified savings of £19.8m for the three year period 2022-23 to 2024-25. To meet this budget gap £12.1m of savings were required in 2022-23, £4.3m in 2023-24 and £3.4m in 2024-25. The approved budget did not rely on other one-off sources of funding, for example, capital receipts or uncommitted reserves.

The 2022-23 Q4 Finance & Performance Improvement report noted that £10.9m of savings had been delivered for the year but there was a shortfall of £4.2m in delivery against the revised savings target of £15.1m. Of the total savings planned to be delivered in 2022-23, 72% or £10.9m were actually delivered. The bulk of the shortfall in savings during 2022-23 related to Children's Social Care (£3.3m). In addition, some slippage also arose as Council officers continued efforts to return to business as usual arrangements in the early part of the year following the impact of Covid-19 on the Council's operations. Whilst the Council did not fully deliver its savings plan for 2022-23, the specific pressures faced are not unusual compared with other councils, particularly in children's social care.

In our 2021-22 Auditor's Annual Report last year, we raised an Improvement Recommendation that 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, we noted 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. This approach would assist in delivering planned savings if slippage arose. We consider it appropriate to raise a similar recommendation relating to savings plans given the on-going financial pressures faced by the Council and its inability to deliver budgeted savings in full. Total savings planned to be delivered in 2022-23 were £15.1m (£10.2m in 2021-22) of which 72% (71% 2021-22) were actually delivered. We have raised an **Improvement Recommendation** in this regard.

The Council should continue to closely monitor its financial position and identify a range of potential savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.

Overall, the Council has established financial management arrangements in place 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 faced from high inflation and rising demand for key services demonstrates good financial planning arrangements are in place to ensure the continuation of services.

Whilst the financial outlook continues to be challenging since the 2023-24 budget was agreed in February 2023, the Council is continuing to look at ways to manage service spend and the additional costs in both 2023-24 and beyond.

We will continue to meet regularly with the Chief Financial Officer and Assistant Director of Finance and Technology to monitor the Council's financial position.

Financial sustainability (continued)

2022-23 capital outturn

The Authority spent £89.1m on capital projects during 2022-23 and delivered some 61% of the planned capital budget approved at the start of the year. This compares with £72.9m spent in the prior year, 2021-22. The impact of Covid-19 from March 2020 resulted in capital spending reducing as capital works could not be progressed in the main. Since this time, the Council has continued to work to increase capital spending to deliver a higher proportion of the approved capital budget. We will continue to monitor the Council's capital spending as part of our planned programme of work during 2023-24.

The increase in capital spending over last year is indicative of the Council continuing to invest in the future of the Borough despite the difficult financial climate. The Authority has invested in projects to further improve core services including education, housing and infrastructure, including investment in the Council's social housing stock. In particular, the capital programme included spending on infrastructure across the city including street lighting, footpaths and signage and further investment in flood prevention measures prioritised to areas with the greatest risk.

The Capital and Major Projects Board oversee the capital programme whilst also considering and scoring bids for capital funding, maintaining a pipeline of projects not yet ready for addition to the capital programme and monitoring the approved programme.

The Council's capital budget report explains how the Council's budget supports the transition to the well-being goals contained within the 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.

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.

As noted earlier, the challenging financial outlook resulting from high inflation and rising demand for some key services means the Council needs to continue to closely monitor its financial position and identify remedial actions to address any overspends whilst delivering the savings needed in 2023-24 and beyond.

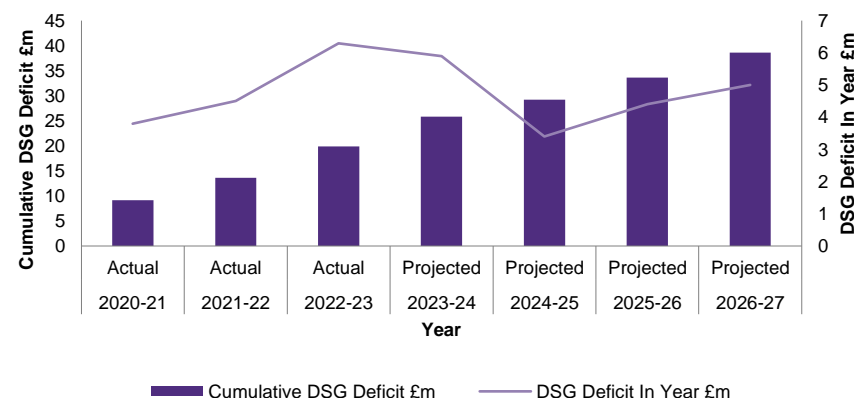
Dedicated Schools Grant

The Dedicated Schools Grant (DSG) is the ring-fenced grant from Central Government that provides each local authority with an allocation of funding for schools and services for pupils. In our prior year Auditor's Annual Report, we noted that the DSG deficit was continuing to increase mainly due to pressures within the High Needs Block which includes expenditure on Out of Authority placements. We raised an improvement recommendation for the Council to 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. We also noted 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 and the DSG deficit at that point could become a draw on the Council's useable reserves.

The Dedicated Schools Grant outturn position for 2022-23 was an overspend of £6.2m resulting in a cumulative overall overspend of £19.9m at 31 March 2023. Whilst this overspend position is significant at the year end, it is not uncommon across other local authorities. As reported last year, Doncaster is among 55 local authorities participating in the Department for Education's (DfE's) Delivering Better Value in Special Educational Needs and Disabilities (SEND) programme to help control and reduce the DSG deficit.

The Council's cumulative DSG deficit totalled £19.9m at 31 March 2023, and is expected to increase by a further £5.9m in 2023-24 to £25.8m, is projected to be £29.2m at the end of £2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27. The Chart below shows the DSG overspend by year along with the cumulative DSG deficit position from 2020-21.

DSG Deficit 2020-21 to 2026-27



Financial sustainability (continued)

The Council's DSG account is overspent mainly due to pressures within the High Needs Block which includes expenditure on Out of Authority placements. Management has undertaken significant work to review the costs relating to the High Needs Block and Out of Authority placements to try and control these costs and whether placements can be made more locally.

Since 2021-22, the Council has implemented a range of actions to manage the DSG overspend position and continue to do so, however, the increased demand for services coupled with increasing costs has meant that these actions have been insufficient. As noted earlier, the Council is also participating in the DfE's Delivering Better Value in SEND programme to look at ways to manage and reduce the high needs block overspend position. However, the actions resulting from participating in this programme have not identified any significant new actions which the Council is not already taking to manage demand and costs. As a result, the DSG deficit is continuing to increase.

Unlike some authorities who are part of the DfE's 'safety valve' programme, additional Central Government funding has not been made available to the Council to the extent which would significantly reduce the DSG deficit. Given Central Government guidance which excludes the DSG deficit from the Council's general reserves now ends from April 2026, the Council needs to take action to manage and bring down the deficit through other means or set aside additional resources to fund expenditure. As at 31 March 2023, the Council's total General Fund reserves (earmarked and unearmarked) totalled £105.1m. Of this total, the Council's General Fund (unearmarked) reserves amounted to £14.3m and are not expected to significantly increase by April 2026, as such, they will not be sufficient and will be more than eliminated by the DSG deficit in 2026-27 unless action is taken.

This issue is considered a significant matter for the Council and we have raised a **Key Recommendation**. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.

Details of this Key Recommendation are shown on page 7.

Conclusion

Overall, except for the Key Recommendation relating to managing the Dedicated Schools Grant deficit, we are satisfied the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. Our work also noted two improvement recommendations to further develop the Council's arrangements.

7. Improvement recommendations

Improvement Recommendation 1

Management should routinely update Cabinet where there is likely to be a delay in producing routine financial reports at that time such as the MTFS. The delay and the reasons for it should be explained through a formal report to Cabinet at its public meeting, the likely impact on the Council's finances and how the delay will be addressed.

Improvement opportunity identified

Providing an explanation at the public meeting where a routine financial report is not presented will further strengthen governance and transparency of reporting.

Summary findings

The Council over the last few years has produced an updated MTFS during October each year, however, no updated MTFS was produced and presented to Cabinet in October 2023, which would have covered the period 2024-25 to 2026-27. Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate that the reason the MTFS was not updated as in previous years was because of the significant pressure on finance staff working with Council Departments to identify and deliver the savings required given the financial pressures faced by the Authority, additionally, little further central information was available to update the MTFS during September and October 2023. Instead, the Chief Financial Officer and Assistant Director of Finance and Technology took a paper to the Council's Executive Board on 1 November 2023 and to Cabinet on 6 December 2023 (within the Quarter 2 Finance and Performance Improvement Report) which summarised the Council's position for the three years, 2024-25 to 2026-27.

Effective governance requires routine and transparent reporting, where there is likely to be a delay in producing routine reports such as the MTFS this should be explained through a formal report to Cabinet at its public meeting at that time.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

In recent years, since the 2020/21 budget, an assessment has been undertaken early in the financial year and confirmed the requirement to undertake a review of the MTFS, which has subsequently been reported to Cabinet in September/October. In particular, where significant ongoing pressures have emerged since the previous MTFS, which could not be resolved on an ongoing basis straight away, requiring the identification of savings targets.

Consistent with previous years, a review was undertaken early this financial year, as part of setting the budget strategy and timetable for 2024/25. The review confirmed that there was minimal update to the key MTFS assumptions at that point and further work was required to fully understand the volatile costs, including the impact of inflation, and emerging budget pressures, for future years. Therefore, it was decided that our resources would be better utilised in working on understanding these emerging budget pressures and identifying savings to mitigate them, working closely with colleagues in the relevant Directorates. By doing this work we assess our process leading to the approval of the budget has been more efficient and robust. As noted in the findings, updates have been taken to the Executive Leadership Team and Executive Board throughout November and December and to Cabinet in the Quarter 2 Finance and Performance monitoring report. The approach taken was agreed with the Mayor, Executive Board and Executive Leadership Team.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained at Appendix B.

Improvement recommendations

Improvement Recommendation 2

The Council should continue to closely monitor its financial position and identify a range of potential savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.

Improvement opportunity identified

By identifying savings schemes in advance of need which can be implemented quickly at short notice, any slippage in the budgeted savings plan for the year can be mitigated by these additional savings schemes to ensure the target savings required are delivered in full at the year end.

Summary findings

We raised an Improvement Recommendation in our prior year Auditor's Annual Report, for the Council to closely monitor its financial position and identify remedial actions to address the budget gap identified in 2022-23 and beyond. In particular, we noted 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. This approach would assist in delivering planned savings if slippage arose.

Total savings planned to be delivered in 2022-23 were £15.1m (£10.2m in 2021-22) of which 72% (71% 2021-22) were actually delivered. Given the on-going financial pressures faced by the Council and its inability to deliver budgeted savings in full, we have raised an Improvement Recommendation relating to identifying a range of potential savings schemes in advance of need.

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

The Council has had to find savings each year since at least 2010. Each year, this involves Directors and their teams being asked to put forward savings proposals and each year many proposals are rejected for various reasons. That means that at any point in time there are ideas for savings that can be implemented. In 2022/23 the projected overspend was managed downwards by introducing additional spending controls rather by identifying specific savings. In 2023/24 additional savings were identified in the summer in response to a budget shortfall created by the national pay award being greater than was assumed when the budget was set. For 2024/25 the draft budget proposals include circa. £6m held as contingency against delays in the delivery of savings.

Progressing the actions management has identified to address the recommendations made will support the Council in addressing the improvements identified from our work. We consider that the timescales provided by management are appropriate and encourage the Audit Committee to monitor progress of implementation to gain assurance over the arrangements in place. The range of recommendations that external auditors can make is explained at Appendix B.

8. 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
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Leadership and committee effectiveness

Appropriate leadership is in place. 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 monthly 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 by either the Cabinet, the Mayor, Deputy Mayor, Portfolio Holders or Officers and is updated and republished each month. 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.

Policies, procedures and controls

As a public organisation, the Council aims to maintain the highest standards of conduct and integrity. The Authority expects the highest standards of corporate behaviour and responsibility from all Authority members and all staff. The Authority 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 Authority 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.



Governance (continued)

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.

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.

In 2023, the Council commissioned Zurich Municipal to review the Council's risk management arrangements. Overall, the review found each risk management document to be comprehensive and sufficient in conveying risk management information. In addition, the general structure and processes outlined in all documents evidence a good understanding of risk management knowledge and conveyed information in a clear and accessible manner.

Internal Audit

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 Assistant Director of Finance and Technology 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 in 2022 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 2022-23.

Budget 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 February. 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 February. 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 normally updated during October each year and a further year added which forms the basis of budget setting and the MTFS for the following year. However, this update did not take place in October 2023, we understand from the Chief Financial Officer and Assistant Director of Finance and Technology that this was because of the significant pressure on finance staff working with Council Departments to identify and deliver the savings required given the financial pressures faced by the Authority in addition to little further central information was available to update the MTFS during September and October 2023. See further details shown on page 13 along with the Improvement Recommendation raised.

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.

Since the approval of the budget for 2023-24, the financial outlook has worsened with inflation posing a real risk to the budget. The Council faces a challenging combination of high inflation and rising demand for key services, such as for children's care services. 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 2023-24 (see also the Financial Sustainability Section for further detail).

Governance (continued)

Budgetary control

The Council has established budgetary control arrangements in place. 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

The Council's last full Ofsted inspection of City of Doncaster Council's Children's Services took place in February 2022 with the report being published in 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.

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 City of Doncaster Council's children's services was 'Requires improvement to be good'.

We delayed issuing the Auditor's Annual Report last year until the publication of the Ofsted inspection Report was formally published on 8 April 2022 and made reference of its findings in the Auditor's Annual Report at that time. Since the Ofsted report was issued in April 2022, the Council has developed and progressed a post Ofsted Improvement Plan to address the issues raised. Our review of progress by the Council during 2022-23 indicates that good progress continues to be made with all the main actions complete, and the remaining less significant actions being integrated into routine business as usual processes and procedures. Doncaster Children's Services Trust transferred back into the Council on 1 September 2022.

The Council's Transformation and Improvement (TAI) Board meets on a regular basis to monitor progress and sets out the further actions required. The TAI Board is also attended by an Improvement Advisor appointed by DfE. The TAI Board minutes from September 2023 note that the Improvement Advisor *'is satisfied that there is now a grip of the continuous improvement agenda both in children's services and in the council more broadly. She will reflect that there is more work to do but that this is acknowledged within the service and therefore she does not feel that Doncaster needs the continued involvement of an improvement advisor'*.

This is a good outcome for the Council as the Improvement Advisor feels further input is not required given the progress made by the Council. Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate improvement activity continues to be delivered with almost 90 per cent of the Improvement Plan completed by the end of October 2023.

Governance (continued)

Informed decision making

The Council has established and embedded decision making arrangements in place. These arrangements ensure appropriate legal advice is obtained where required and appropriate reporting takes place including to Cabinet and full Council as appropriate.

Doncaster Sheffield Airport

Doncaster Sheffield Airport closed to flights on 5 November 2022 despite efforts by the Council to secure its future. The Council has remained in on-going discussions with the Airport owners, Peel Group to secure, if possible, a lease of the airport and allow it to be brought back into full operational use.

The work on securing Doncaster Sheffield Airport is being undertaken by a dedicated team within the Council given its importance to the region. The Council has appointed a number of external consultants as the Council's specialist advisers in a range of areas including legal, financial and within the aviation sector to advice on specific areas for example, the runway, the control tower and liaison with the Civil Aviation Authority [CAA].

Progress and developments are regularly reported to Cabinet and published on a dedicated area of the Council's website which is accessible to the public for transparency. To date, discussions remain on-going, and the Council has not entered into any formal agreement which brings Doncaster Sheffield Airport back into use. We will continue to monitor the Council's progress as part of our 2023-24 planned 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.



9. 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 review, monitoring and assessment

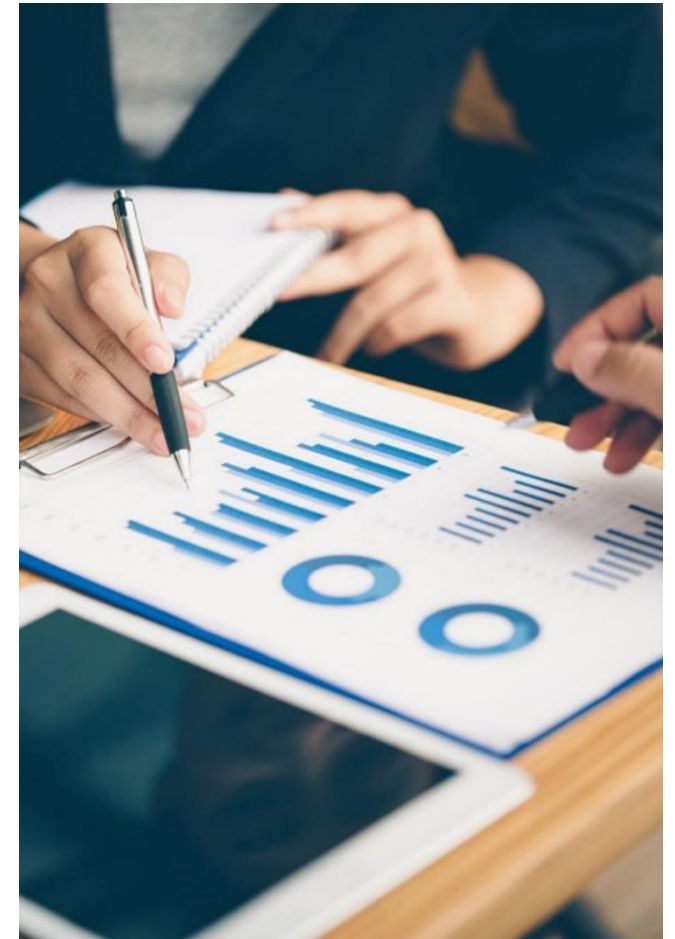
The Council has an established Performance Management Framework in place. The Finance and Performance Improvement Report is a combined report that is structured around the Council's Corporate Plan priorities and is presented quarterly to Cabinet. The report content includes a range of key performance indicators showing both improvement in performance but also where improvement is needed. The report is structured around the Council's 'Great 8 Priorities' which the Council is working towards:

1. Tackling climate change
2. Developing the skills to thrive in life and work
3. Making Doncaster the best place to do business and create good jobs
4. Building opportunities for healthier, happier and longer lives for all
5. Creating safer, stronger, greener and cleaner communities
6. Nurturing a child and family friendly borough where everyone belongs
7. Building transport and digital connections fit for the future
8. Promoting the borough and its cultural, sporting and heritage opportunities.

The Council's performance indicators are shown by service area, RAG rating movement and comparison with the Council's targets. The Finance and Performance Improvement Report also provides additional narrative in the main text to highlight the main points for member attention.

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.



Improving economy, efficiency and effectiveness (continued)

The Council undertakes a range of benchmarking including for example using the benchmarking tool from the Local Government Association. This benchmarking tool provides a detailed analysis and comparison of performance for Doncaster with other authorities in a range of areas, from financial resilience to service spend by service area. The Council is also a member of the Special Interest Group of Municipal Authorities (SIGOMA) representing 47 urban authorities in the northern, midland and south-coast regions of England. Benchmarking data for these authorities includes spend by service area from 2016-17 to 2022-23 which the Council also considers.

In addition, the Council has routinely undertaken a range of benchmarking exercises each year in specific areas including Children's Social Care expenditure to identify opportunities for improvement. This analysis was most recently used in the 2023-24 budget setting process to evidence higher costs and to identify opportunities to reduce expenditure to be more in line with other local authorities. The Council also considers the CIPFA financial resilience index each year to support comparison of performance and costs.

Benchmarking the Council's Unit Costs

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

Doncaster		2022/2023 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
□	TOTAL EDUCATION SERVICES (RA) £/aged 0-18	117,445.00	67,294.00	1,663.53	Very Low
□	TOTAL HIGHWAYS ROADS AND TRANSPORT SERVICES (RA) £/head	9,111.00	308,705.00	29.13	High
□	TOTAL CHILDRENS SOCIAL CARE (RA) £/aged 0-17	77,514.00	64,101.00	1,150.71	Average
□	TOTAL ADULT SOCIAL CARE (RA) £/aged 18+	99,235.00	244,604.00	404.34	Very Low
□	TOTAL CULTURAL AND RELATED SERVICES (RA) £/head	14,127.00	308,705.00	45.17	Average
□	TOTAL PLANNING AND DEVELOPMENT SERVICES (RA) £/head	5,187.00	308,705.00	16.58	High
□	TOTAL HOUSING SERVICES (GFRA only) (RA) £/head	7,334.00	308,705.00	23.45	Average
□	TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RA) £/head	23,767.00	308,705.00	75.99	Low
□	TOTAL CENTRAL SERVICES (RA) £/head	15,331.00	308,705.00	49.01	High
□	TOTAL PUBLIC HEALTH (RA) £/head	26,514.00	308,705.00	84.77	Low
□	TOTAL OTHER SERVICES (RA) £/head	9,176.00	308,705.00	29.34	Very High
	TOTAL SERVICE EXPENDITURE (RA) £/head	404,741.00	308,705.00	1,293.99	Very Low

Improving economy, efficiency and effectiveness (continued)

We understand from discussions with officers that the higher costs relating to highways and transport services are due to Doncaster Council being geographically the largest metropolitan authority, as such its costs are likely to be higher when compared using cost per head of population. For planning services, the unit cost last year was £20.23 and was average, this year, the unit cost has fallen to £16.58 and has moved to high. This change indicates that comparator authorities have reduced costs further than Doncaster over the year and management are continuing to review these. The position with Central Services costs is similar to planning in that the unit cost has reduced over the last two years, however, costs relating to apprentices (£0.75m) and personal assistants (£0.44m) have not been apportioned out and would explain a large element of the difference. Other services have higher costs principally due to £4.7m relating to pay awards that had not been allocated to service budgets along with other budget contingencies.

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 was especially helpful during the 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 early in 2022 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 May 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'*.

Partnership working

The Council has effective and established 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.

The Council's 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 has six Wellbeing Goals:

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



Improving economy, efficiency and effectiveness (continued)

The 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 Borough Strategy.

As part of the operating model, all delivery groups provide a plan (or summary agreement) which details the focus of the delivery group over the 12 months, including key activity, performance indicators, outcomes and risk to delivery. Alongside the plan or summary agreements, all delivery groups provide an assurance statement, which explains what has been achieved to date and further action needed.

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 launched a new Procurement Strategy in 2023 following an improvement recommendation we made in the 2020-21 Auditor's Annual Report. The Strategic Procurement Team (SPT) is directly involved in procurement and lead on any significant contracts. The SPT operates a category management model and officers are assigned responsible category areas for contracting.

The Council has arrangements in place to monitor the performance of key suppliers. Key providers are closely monitored by individual departments receiving the service, for example, adult social care. On occasion and when there is a blanket risk across the Council, for example, during the Covid-19 pandemic and need to purchase protective personal equipment, the Procurement Team led and provided guidance and support to contract owners on monitoring quality and performance, mitigating risk and contract management.

The Procurement and Legal Teams also intervene in high level contractual issues as and when required. These issues are relatively rare. More recently, under the new Category Management Model, introduced after a restructure in the Strategic Procurement Team in December 2022, the procurement team are more involved in strategic contract management across the Council.



Improving economy, efficiency and effectiveness (continued)

Climate change

The Council continues to be proactive in considering all the latest guidance from Central Government on climate change. The Council's Policy, Insight and Change department provide a briefing to officers and members when new guidance or issues emerge.

The Council has been proactive in applying for climate change/net zero grants where they are available. Discussions with officers indicate grant applications have been particularly successful over the past two years, which has supported the Council on certain projects including its two main initiatives to progress carbon reduction from Council operations:

- A Transport Fleet Replacement Programme which delivers a transition from petrol and diesel vehicles to electric through to 2028
- An energy reduction programme through use of solar power on Council building assets.

To increase the scale and pace at which electricity and heating fuel is decarbonised, the Council is developing a full carbon plan, this is likely to be finalised during 2023-24.

Climate and Environment is now a key consideration for all key decisions made by the Council. This also extends to the Treasury Management Strategy which includes a section on Environmental, Social and Governance (ESG) considerations. Climate Change is one of the Council's priorities and is considered in all key decision making.

The Council's ambition is to be net zero by 2040, with an 85% reduction in CO2 by 2030. The net zero goals have been set with the aid of SCATTER Cities CO2 assessment tool. These targets are included in the Environment and Sustainability Strategy. The Council is also currently setting a target for 2023-24 to reduce Scope 1 and 2 emissions by 10 per cent, against the 2022-23 outturn (Scope 1 are those direct emissions that are owned or controlled by the Council; Scope 2 are a consequence of the activities of the Council but occur from sources not owned or controlled by it).

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 have a standard section on the impact of climate change to be considered by officers and members.

The financial pressures faced by the Council continue to impact on the Council's ambition to be net zero by 2040, however, the Council remains focussed on delivering its net zero goals and targets.

Other developments

Doncaster Children's Services Trust (DCST) formally transferred back all Children's services to City of Doncaster Council 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. Management consider the incorporation of Children's services back into the Council will allow for the further integration and realignment of services providing greater efficiencies and allowing more spending on front line service delivery.

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.

10. Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
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.	Improvement	December 2022 (2021-22)	<p>The Council continues to closely monitor its financial position. The Council delivered an outturn overspend of £3.0m for 2022-23 compared to the Quarter 3 projected outturn overspend of £7.8m. The improved outturn position was due mainly to the action taken by management to delay and reduce non-essential spending. However, total savings planned to be delivered in 2022-23 were £15.1m (£10.2m in 2021-22) of which 72% (71% 2021-22) were actually delivered.</p> <p>Since the approval of the budget for 2023-24, the financial outlook continues to be difficult with inflation posing a real risk to the budget. The Quarter 2 Finance and Performance Improvement Report for 2023-24 presented to cabinet on 6 December 2023 noted a forecast outturn overspend of £1.76m.</p> <p>We consider it appropriate to raise an improvement recommendation relating to the identification of a range of savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.</p>	Partially	<p>Yes. We have re-raised part of the recommendation to identify a range of savings schemes in advance of need that can be implemented at short notice if required to deliver total savings required in year.</p> <p>See Improvement Recommendation No. 2 on page 19.</p>
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.	Improvement	December 2022 (2021-22)	<p>The Council is participating in the DfE's Delivering Better Value in SEND programme to manage and reduce the high needs block overspend position on DSG. Despite this, the DSG cumulative deficit has increased to £19.9m at 31 March 2023, and is expected to increase by a further £5.9m in 2023-24 to £25.8m, is projected to be £29.2m at the end of £2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27.</p> <p>The Council's actions do not appear to be addressing the increasing deficit being created. As such and given Central Government guidance which excludes this deficit from the Council's general reserves ends from April 2026, the Council needs to take action to manage and bring down the deficit through other means, or set aside additional resources to fund expenditure. This issue has been raised as a Key Recommendation in 2022-23.</p>	Partially	<p>Yes. We have elevated this matter given its significance to a Key Recommendation. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.</p> <p>See Key Recommendation on page 7.</p>

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
3	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 (2020-21)	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.	No	No. The Council has agreed to adopt this approach if necessary in future years.
4	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 (2020-21)	<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 Council is participating in the DfE's Delivering Better Value in SEND programme to manage and reduce the high needs block overspend position. Despite this, the DSG cumulative deficit has increased to £19.9m at 31 March 2023, and is expected to increase by a further £5.9m in 2023-24 to £25.8m, is projected to be £29.2m at the end of 2024-25, £33.6m at the end of 2025-26 and £38.6m at the end of 2026-27.</p> <p>We have elevated this matter given its significance to a Key Recommendation. The Council should take action to control and reduce the DSG deficit during 2023-24 and beyond to eliminate the DSG deficit balance expected to be some £38.6m at 31 March 2027. Appropriate resources should also be identified to absorb any remaining balance outstanding on 1 April 2026 when the statutory override for the Dedicated Schools Grant deficit ends.</p>	Partially	<p>Yes.</p> <p>We have elevated this matter given its significance to a Key Recommendation. Progress will be monitored as part of the Key Recommendation.</p> <p>See Key Recommendation on page 7.</p>
5	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 (2020-21)	<p>Since the Ofsted report was issued in April 2022, the Council has developed and progressed a post Ofsted Improvement Plan to address the issues raised. Our review of progress by the Council during 2022-23 indicates that good progress continues to be made with all the main actions complete, and the remaining less significant actions being integrated into routine business as usual processes and procedures. Doncaster Children's Services Trust transferred back into the Council on 1 September 2022.</p> <p>Discussions with the Chief Financial Officer and Assistant Director of Finance and Technology indicate improvement activity continues to be delivered with almost 90 per cent of the Improvement Plan completed by the end of October 2023.</p>	Yes	No.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6 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 (2020-21)	The procurement strategy has been finalised and published on the Council's website.	Yes	No.

11. Opinion on the financial statements



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 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- 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 (2020) published by the National Audit Office, and
- applicable law

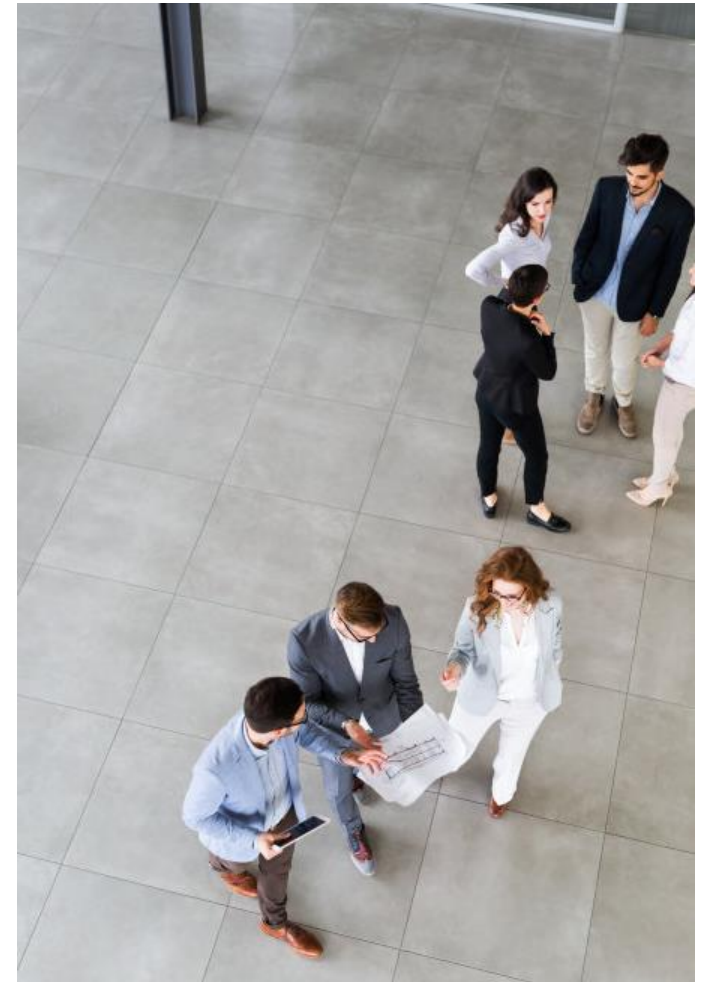
We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 8 December 2023.

The full opinion is included in the Council's financial statements for 2022-23, which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



Opinion on the financial statements



Timescale for the audit of the financial statements

- Our Audit Plan was issued on 19 April 2023 and presented to the Audit Committee meeting on 27 April 2023.
- We received the Council's draft 2022-23 accounts on 31 May 2023, in line with the statutory deadline for unaudited accounts. The Council was in a minority of c30% local authorities that managed to achieve the draft accounts deadline. This represented a good achievement by the Council, given all other competing pressures.
- Our final accounts audit work was conducted as planned from July through to November 2023. The findings from our final accounts audit were summarised in our Audit Findings Report (ISA 260).
- As in previous years, we had a good level of co-operation from Council Officers for requests for information and queries raised during our audit work.
- We concluded of audit of the Council's financial statements for 2022-23 and issued our audit opinion on 8 December 2023.

Findings from the audit of the financial statements

Our audit of the Council's 2022-23 financial statements did not identify any agreed audit adjustments impacting on the Council's useable reserves. Our audit work identified one material adjustment to the primary financial statements in relation to the valuation of the Council's share of the defined benefit pension scheme. Management updated the financial statements to correct this matter along with other less significant disclosure and presentational adjustments.

We raised one improvement recommendation for management in relation to the accounting for the gain or loss on asset disposals.

The detailed findings from our financial statements audit are included in our Audit Findings (ISA260) Report which was presented to the Council's Audit Committee on 23 November 2023. The Audit Findings Report is available on the Council's website as part of the agenda items for the Audit Committee meeting on 23 November 2023.



12. Other reporting requirements



Annual Governance Statement and Narrative Report

We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our review of the Annual Governance Statement and Narrative report identified no issues.

Audit Findings (ISA260) Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 23 November 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work noted no issues.



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) 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.



Appendix B:

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(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	-
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's 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'.	Yes	Page 7
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.	Yes	Page 18 and 19

