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Date: 30/10/2025

Dear Member

COUNTY COUNCIL - THURSDAY, 6 NOVEMBER 2025

Please now find enclosed the reports for the 2024/25 External Audit Annual Report item which was not viable for inclusion in the main agenda pack when it was first published.

Agenda Item No

10 **External Audit Annual Report (Pages 1 - 52)**

Yours sincerely

Benjamin Watts
Deputy Chief Executive (Monitoring Officer)

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By: Michael Brown – Chair of Governance and Audit Committee
Ben Watts - General Counsel

To: County Council

Date: 6 November 2025

Subject: External Auditor's Annual Report and Value for Money Conclusions 2024/25

Summary: The appended report provides the External Auditor's opinion on the Council's annual financial statements and provides a value for money conclusion. Review for assurance of this is the responsibility of the Governance & Audit Committee, however in line with relevant CIPFA recommendations, the Audit Opinion is now presented to Council for consideration and noting.

1) Introduction

- a) In October 2025, the Council's External Auditor (Grant Thornton UK LLP) issued their Annual Report. The report enables Grant Thornton to discharge their responsibilities as External Auditor in accordance with the Local Audit and Accountability Act 2014 (the Act) and the National Audit Office Code of Practice, this includes reporting on:
 - Financial sustainability
 - Governance; and
 - Improving economy, efficiency, and effectiveness.
- b) The Act also requires the External Auditor to issue an opinion each year as to whether the Council's Financial Statements give a fair view of the financial position of the Council and have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code.

2) Governance and Audit Committee's Responsibility

- a) In accordance with CIPFA's Position Statement 2022, the Committee is responsible for considering the opinion and recommendations of External Audit and their implications for governance, risk management or control, and for monitoring management action in response to the issues raised by external audit.
- b) The Governance and Audit (G&A) Committee received the report at their meeting on Thursday, 30 October 2025 and noted the report for assurance. Details of their consideration will be available in the relevant meeting minutes. For reference and the reassurance of the Council, the G&A Committee monitors and considers the relevant activity arising from the opinion as part of its work programme and thus considers how the organisation responds to any audit opinion.

- c) As with previous years, the County Council will have the opportunity at the meeting on 6 November 2025 to hear from Mr Paul Dossett who is the lead auditor for Grant Thornton.

3) RECOMMENDATION

County Council is asked to note External Audit Annual Report 2024-25 (appended).

4) Appendices

Appendix: 2024/2025 External Auditor's Annual Report

5) Background Documents

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 – <https://www.cipfa.org/services/support-for-audit-committees>

Agenda Item, 2024/2025 External Auditor's Annual Report – <https://democracy.kent.gov.uk/ieListDocuments.aspx?CId=144&MId=9726>

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Kent County Council

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Auditor's Annual Report
Year ending 31 March 2025

October 2025



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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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01 Introduction and context

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Introduction

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

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Opinion on the financial statements

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

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

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

Auditor's powers

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

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

Value for money

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

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

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

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

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



Workforce and Governance Challenges

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

Local

Present



Financial Sustainability

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



External Audit Backlog

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

Future



Funding Reform

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



Reorganisation and Devolution

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

Kent County Council has a population of approximately 1.61m residents. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by two overview committees and two scrutiny committees. The Council has 81 councillors, and the Council is elected every four years. The most recent elections were in May 2025 when Reform UK secured a majority with 57 elected councillors.

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

02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	<div>R</div> <div>Significant weaknesses in arrangements to manage overspends in Adult Social Care and DSG. Two Key Recommendations raised.</div>	<div>Significant weaknesses identified in 2023/24 present risk of significant weaknesses in 2024/25.</div>	<div>R</div> <div>Significant weakness in arrangements for control of Adult Social Care spend and Dedicated School Grant (relating to the High Needs Block element of SEND). Two revised key recommendations continue in place as the Council continues to address these challenges. We raise one new improvement recommendation.</div>
Governance	<div>R</div> <div>Significant weaknesses identified in relation to Internal Audit recommendations. One Key Recommendation raised.</div>	<div>Significant weakness identified in 2023/24 presents risk of a significant weakness in 2024/25.</div>	<div>A</div> <div>No significant weaknesses in arrangements identified for 2024/25, as the Council has now improved its performance in regard to the implementation of Internal Audit Recommendations. We have raised four new improvement recommendations.</div>
Improving economy, efficiency and effectiveness	<div>G</div> <div>No significant weaknesses identified; no improvement recommendations made.</div>	<div>No risks of significant weakness identified</div>	<div>G</div> <div>No significant weaknesses in arrangements identified and no improvement recommendations made.</div>

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendation(s) made.
- R

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

Executive Summary

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



Financial sustainability

The Council continues to face significant financial pressures. The Council overspent its 2024/25 revenue budget by a net £20.2m, primarily driven by pressures in Adult's services. Early indications in 2025/26 show overspending continues, despite significant work to transform services. In Children's services, special educational needs provision overspent by £30.3m in 2024/25, moving further away from the deficit 'safety valve' plan (2023). The Council is reliant on a temporary statutory exemption to avoid depleting general reserves. These remain critical issues and continue to reflect significant weaknesses in arrangements (recognising that some aspects of these challenges are beyond the Council's control). It remains vital that transformation continues to progress. While reserves are currently at reasonable levels, these will quickly erode unless the Council can improve its ability to develop and deliver sufficient savings, particularly in social care.



Governance

The Council has worked hard to establish improved governance, including arrangements to support effective decision making and internal assurance. Significant progress has been made in addressing internal audit findings and is no longer a significant weakness in the Council's arrangements. Further work is needed to complete this improvement journey. The Council has a prominent role in Local Government Re-organisation (LGR) in Kent and it is important that this is sustained as the Council enters the critical phase of working with partners to develop proposals. It is vital that the Council makes financial and other decisions that are compatible with creating sustainable successor authorities. Following the May 2025 election, a large number of new members have been inducted. The Council is now focusing on developing training plans. The new administration's 'DOLGE' initiative continues, but at this stage the Council has been able to integrate this with the ongoing transformation effort.



Improving economy, efficiency and effectiveness

The Council has well-developed performance management arrangements, with key performance indicators reported quarterly, along with extensive narrative. It is involved in a number of partnerships with the health and police service, along with other local authorities that improve the quality of services to its residents. It is also working effectively in partnership with local district Councils in relation to the proposed Local Government Reorganisation. Procurement arrangements appear to be operating as expected. The Council implemented its upgraded Oracle Cloud System in August 2025. Arrangements were in place to monitor and report on the Programme and Internal audits and business readiness reviews have been performed ahead of 'Go live'. We note that services have delivered significant savings and transformation over the period. Overall, the Council has demonstrated appropriate arrangements in this area.

Executive Summary –Significant Weakness Carried Forward

Significant weakness identified in relation to Adult Social Care and Health cost pressures

Key Finding: The Council continues to experience significant cost pressures with regard to Adult Social Care and Health (ASCH), a situation that has deteriorated in the last year.

Evidence: The budget for ASCH was overspent by £46.4m in 2024/25, an increase from the overspend in 2023/24 (£32m). Part of the overspend related to undelivered savings of £32.8m in the year. Moreover, at the time of setting the budget for 2025/26 the forecast 2024/25 overspend for ASCH was £10m lower than the actual outturn, imposing an immediate strain on the budget. Pressures on the service arise from a variety of factors, including demand and unit cost of older people residential care services (demand being driven by demographics and hospital discharge arrangements), the requirements of the criminal justice system and mental health services.

The Council has a number of initiatives in place to mitigate the overspend, including the development of social care hubs, intended to identify problems and solutions more quickly, and promotion of enablement. Moreover, there is an opportunity for a "reset" in the near future, with the renewal of significant contracts for elderly accommodation, assisted living and domiciliary care, but these will not produce savings in 2025/26.

Initial information for the first quarter of 2025/26 shows that the cost pressures are continuing and savings are still taking longer than hoped to achieve.

Impact: If the Council cannot effectively manage demand to reduce costs, and deliver all planned savings, reserve levels will reduce, potentially putting the medium-term financial sustainability of the Council at risk. We will be monitoring this issue closely and will consider exercising statutory powers if the situation deteriorates further.

Key recommendation 1 (Revised)

KR1: The Council should explore further options for increased efficiency in the Adult Social Care and Health service. Reducing current overspends will be essential if reserves are to remain robust in the future.

Executive Summary –Significant Weakness Carried Forward

Significant weakness identified in relation to the Dedicated Schools Grant deficit

Key Finding: With regard to the Dedicated Schools Grant (DSG) the Council is party to a ‘Safety Valve’ agreement with the Department for Education (DFE). Under this agreement, the Council is expected to contribute £80m and keep to an agreed profile of deficit reduction, and DfE will provide additional funding until March 2027/28. At March 2025 the Council had fallen behind its forecast DSG deficit profile, having been slightly ahead of it in March 2024. A temporary ‘statutory override’ on accounting treatment has been implemented nationally, which means that that local authorities do not need to offset the DSG deficit against general fund reserve. This is due to expire in March 2028 and the Council is forecasting a residual DSG deficit at that point of over £30m.

Evidence: High Needs Block deficits are recognised as a critical issue for councils nationally and the government are expected to make further announcements on how this will be tackled. We note that DfE has continued to provide the agreed levels of additional funding, despite the Council being behind plan. While Kent’s deficit position may not yet be as acute as that faced by some other councils, it remains a significant financial challenge. In March 2024, the Council’s DSG reserve was showing a deficit of £67.2m. In 2024-25 the DSG budget had an in year overspend of £54.5m (compared to £53.5m forecast at Q2). This variance comprised £57.6m overspend on the High Needs Block and a £3.1m underspend on the Early Years Block. The cumulative deficit at 31 March 2025 is £97.5m. Initial information for the first quarter of 2025/26 indicates that a further overspend of £28.6m is expected. Of the projected £30m residual deficit at the expiry of the Safety Valve Agreement, £23m is attributed to the delay in the building of two special schools by the DfE. Further cost pressures arise from the fact that many children in the care system are from out of the County and while their care costs are covered by the placing council, education costs are not, and these children are more likely to be high needs. There is limited capacity in mainstream schools to take pupils with an Education, Health and Care Plan (EHCP), which is the lowest cost solution. We note that Kent operates a selective secondary school system which contributes to a distinct set of challenges in the County in this service area. The Council has a number of initiatives (Early Years Revised Models, Synergy Review, Communities of Schools, Promoting the Inclusion of Neurodiversity in Schools) to mitigate the overspends and these have been taken into account in the £30m forecast residual deficit.

Impact: Without further intervention from government the Council will have to cover the DSG deficit from general reserves when the current statutory exemption expires in 2028. This would significantly reduce the options available to the Council, or any successor bodies under LGR, to mitigate financial risks in future.

Key recommendation 2 (Revised)

KR2: The Council should ensure that its DSG management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.

Executive summary – auditor’s other responsibilities

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

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	We have completed our audit of your financial statements and will issue an unqualified audit opinion, following the Governance and Audit Committee on 30 October 2025.
Use of auditor’s powers	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



Grant Thornton Insights – Local Government Reorganisation (LGR)

National perspectives - devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new unitaries from April 2028.

Local perspectives - LGR in the Kent region

In February 2025 the 14 councils in the Kent region (including Medway) were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape and the political discussion is expected to become more challenging as the proposals crystallise, particularly in regard to the specific configuration of the new unitaries.



Grant Thornton insight

What the Council is already doing

- Active participation of officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- Consideration of our detailed Technical Briefing.
- Modelling potential outcomes to discuss with members and establish political priorities.

The Council should consider

- Considering the potential cost of transition for the council and how this will be funded.
- Making advance preparations for member and public engagement within a tight timeframe.
- Safeguarding responsible financial decisions in the medium-term including use of reserves.
- Ensuring that all key decisions are made based on future sustainability and not the short term interests of the County Council.

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

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Opinion on the financial statements

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

Audit opinion on the financial statements

Our work on the financial statements audit is complete. We will issue an unqualified opinion on the Council's financial statements shortly after the Governance and Audit Committee on 30 October 2025. The full opinion will then be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

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

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

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

Findings from the audit of the financial statements

The Council provided draft accounts for Kent County Council and its group in line with the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers.

We have no significant findings from our audit work. We have identified no material adjustments to the draft financial statements from our audit work.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report, which was presented to the Governance and Audit Committee on 30 October 2025. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

These pages set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

The Pension Fund is required to publish its Annual Report by 1 December 2025. We issue an auditor's consistency report which includes our opinion that the 2024/25 Kent Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We intend to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report.

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

This opinion on the Pension Fund will be issued at the same time as the audit opinion of the administering authority (Kent County Council).

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

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline of 30 June 2025. As in previous years, the draft financial statements were of a good standard and supported by a full suite of working papers. Your pension fund team have engaged well with the audit process and provided complete and timely responses to our queries throughout.

No significant findings were identified during our audit of the Kent Pension Fund.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Governance and Audit Committee on 24 September 2025.

Other reporting requirements

Annual Governance Statement

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

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

We do not anticipate having anything to report in this regard.



04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

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

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

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

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Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

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

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council’s three-year medium term financial strategy includes assumptions regarding future demand and cost pressures, and scenarios relating to funding levels. It projects an increase in reserves over the course of the three years, but this is dependent on over £120m of savings over that period and does not include the risk that the deficit on the Dedicated Schools Grant (DSG) might have to be offset by the Council’s general fund reserves if the government statutory override on DSG accounting is not extended past 2025/26. Risks to the plan are highlighted in the Section 25 Assurance Statement and include non-delivery of savings plans, cost pressures, the DSG deficit and the national funding position and Local Government Funding Reform.</p> <p>The outturn for 2024/25 showed a revenue overspend of £20.2m (excluding the DSG) compared to the budget. The Council continues to experience significant cost pressures in Adult Social Care and Health (ASCH), which was overspent by £46.4m, offset by underspends in other areas. Of the spending increases of £151.2m included in the 2025/26 budget, £88.3m relates to ASCH. Preliminary information for the first quarter of 2025/26 indicates that the cost pressures in ASCH are continuing, with a forecast overspend in that Directorate of £31m, partially offset by small underspends in other Directorates resulting in a net overspend for the Council of £27.9m. The Council has a programme of savings in ASCH, however, in-year savings are proving difficult to achieve, as short term demands and unit costs increase. We have therefore reiterated our key recommendation from last year and more detail is on page 9.</p> <p>In addition, the DSG was overspent by £30.3m in 2024/25 after net of contributions of £15.1m from the Council and £9.0m from the Department For Education (DFE). This overspend is forecast to continue with an initial forecast of a further £28.6m overspend in 2027/28. We note that the DFE are continuing to make payments under the Safety Valve Agreement, but in light of the significance of the DSG deficit we repeat our key recommendation from last year. Further details are set out on page 10.</p>	R
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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>plans to bridge its funding gaps and identify achievable savings</p> <p>Page 22</p>	<p>In 2024/25 the Council achieved £73.3m of savings out of a target of £111.2m (66%). The majority of the £37.9m unachieved savings was in Adult Social Care and Health (£32.8m). Of the total savings not achieved in 2024/25, £22.4m is expected to be achieved in future years (£18.7m for ASCH). This demonstrates the longer-term nature of savings in ASCH. Including the carried forward savings, the ASCH savings target for 2025/26 is £63.2m and preliminary information indicates that some £24.3m of these are assessed as dark amber or red, with delays to commissioning savings being a common theme. This will have an impact on the level of reserves available to the Council to deal with unplanned pressures. It is important that the Council is realistic with regard to the timing of savings that can be achieved, and we have therefore raised an improvement recommendation (IR1).</p>	A
<p>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</p>	<p>The Council's overarching plan is Framing Kent's Future which was adopted in 2022. This was supplemented in October 2023 by Securing Kent's Future (SKF), which concentrated more on responding to financial constraints. The budget is closely aligned to SKF. Progress against savings to achieve the objectives of SKF is monitored by the Strategic Reset Board. As part of the budget setting process members were given information on the Council's budget, with amounts spent on policy choices identified. In the context of LGR it is crucial that financial planning supports the financial sustainability of the successor unitary councils in Kent following reorganisation in 2028. The disaggregation of social care services will be a major factor in this. We note that the Council has continued to support the LGR process and had done preliminary modelling to better understand the impact of the main options.</p>	G

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<div>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</div> <div>Page 23</div>	<p>The Council's budget planning aligns with other areas of activity such as capital expenditure and treasury management. We note that the Council has published an updated Asset Management Strategy in accordance with a recommendation we made in our report for last year.</p> <p>The capital programme continues to be significantly underspent, albeit in 2024/25 at a slightly lower rate (43%) to that in 2023/24 (47%). In our report for 2023/24 we commented that some of the slippage to expenditure related to repairs and maintenance works and recommended that the Council analyse reasons for slippage. We note that slippage on the Urgent Safety Critical Works programme has reduced and the reasons for slippage remain the same as in previous years, being contractor delays, and delays obtaining third party consents, such as English Heritage, Environment Agency or Network Rail approval which are not directly under the control of the Council's arrangements. We have raised an insight related to that (see page 24).</p>	<div>G</div>
<div>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</div>	<p>The Council has reserves to protect against future cost fluctuations. In 2024/25 it transferred £39m from earmarked reserves to the General Reserve, with the result that the latter now stands at 5.3% of net expenditure, slightly higher than the amount required in the Council's Reserves Strategy. There is no formal documentation of the review of reserves that led to the transfer from earmarked reserves to the General Reserve and we have raised an insight related to that (see page 23). In our report for 2023/24 we raised an improvement recommendation that spending cuts in areas such as staff training and revenue account repairs should not be applied indiscriminately, with distinction being made as to what costs can be cut in the short term and which need to be continued to protect future services. We note that spending on these areas continues albeit with careful monitoring.</p>	<div>G</div>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

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

Financial sustainability (continued)

Area for Improvement identified: realism of savings plans


Key Finding: Due to financial pressures, predominantly in Adult Social Care and Health, the Council has set challenging targets for savings in order to balance its budget. However, in 2024/25 the Council fell well short of its target. Future savings targets will continue to be challenging.

Evidence: In 2024/25, the Council achieved £73.3m of savings compared to a target of £111.2m. Around half of the shortfall was deemed to be undeliverable with the remainder deferred to the future. The Medium Term Financial Strategy includes the requirement for over £120m of new savings in the three years to March 2028. Given the need for the Council to make savings in order to balance its budget and to maintain its reserves at an acceptable level it is critical that savings plans are realistic both in terms of achievability and timing.

Impact: Failure to achieve savings plans targets will jeopardise the financial stability of the Council in the medium term.

Improvement Recommendation 1

IR1: The Council should: ensure that savings plans are realistic, and when a plan is deemed no longer deliverable or is deferred, carry out a review in order to learn from the situation and prevent repetition.


Grant Thornton insight

Strengthening narrative on the use of reserves

At 31 March 2025 the General Reserve was £78.5m, which is 5.3% of the net revenue budget. However, this was achieved by the transfer of £39.3m from earmarked reserves. While there is no evidence that the transfer from earmarked reserves was inappropriate, given that such a transfer might limit the Council's ability to allocate reserves to specific projects in the future, we would expect there to be a written justification for the reduction or deletion of specific earmarked reserves:

- Consider making sure that transfers of earmarked reserves are fully documented and reported to Cabinet.

Grant Thornton insights – learning from others

The Council has included in its Medium Term Financial Strategy scenarios regarding funding levels, but we believe there is value in including other scenarios related to spending levels



What the Council is already doing

- In the Medium Term Financial Strategy there are scenarios, on a most likely / best case / worst case basis, for funding levels (council tax base and rate of increase, retained business rates, government Settlement Funding Allocation and social care grants).
- The impact of each of these is shown as a narrative, along with a single value, where appropriate, of the value to the Council over the term of the MTFS.



What others do well

- Other organisations that we have seen include sensitivity analysis that extends to spending levels. This would include inflationary pressures and demand levels. This enables members to better understand the financial impact of changes to assumptions and the margin for error that is included in the MTFS, in other words, how wrong the assumptions can be before a serious financial situation arises.



The Council could consider

- Including sensitivity analysis related to demand levels and inflation, as well as for example the percentage achievement of savings. It can then report for each sensitivity the impact year on year on the general reserve.
- The Council should also consider how to improve its forecasting when setting the Capital budget. The value of the information presented to members and the utility of using the budget as a means of challenging slippage is significantly undermined if budgets are habitually underspent by a large margin.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>Kent County Council manages strategic risks via its Corporate Risk Register, which is regularly reviewed, updated, and reported quarterly to Cabinet. The Risk and Delivery Assurance Team advises on strategic risk and supports directorates with training and best practice.</p> <p>The Governance and Audit Committee (GAC) met eight times in 2024/25, receiving updates on audits and approving the creation of an Organisational Learning Panel to address recurring themes from audits and feedback. The Council’s Counter Fraud Function takes a proactive stance, delivering awareness campaigns, targeted training, and using the Kent Intelligence Network to help identify £1.8 million in fraudulent activity. The 2024/25 Internal Audit Plan was approved and reviewed quarterly to ensure relevance.</p> <p>The 2023/24 Annual Audit Report made a key recommendation highlighting the need for better implementation of high-priority recommendations. We note that this has improved as at July 2025 demonstrating the impact of stronger oversight but there is further work to be done. Our Key Recommendation has been closed and a revised Improvement Recommendation made to reflect this improvement (see page 28). Following the departure of the Head of Internal Audit, it is vital the Council recruits a suitably experienced successor to help maintain the standard of assurance provided by the service.</p>	A
approaches and carries out its annual budget setting process	<p>The 2025/26 Budget and MTFS detail financial plans by directorate, updated after national announcements and consultation. The process included Cabinet and Committee scrutiny, with amendments before approval in February 2025. The Council considered various funding scenarios. Public and internal input shaped the budget, with responsibilities and priorities clearly documented. Quarterly reports showed consistent overspending, suggesting budget assumptions may need review. No significant weaknesses were found.</p>	G

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships</p>	<p>Cabinet and the full Council received financial and non-financial information throughout the year. Quarterly Revenue and Capital Budget Monitoring Reports were presented to Cabinet providing detailed analysis of financial revenue performance, variances, savings delivery, and capital forecasts across directorates. These reports also include updates on treasury management, reserves, and financial indicators.</p> <p>The Treasury Management Outturn Report, Mid-Year Update, and Quarterly Treasury Group updates offer further assurance. These summarise borrowing and investment activity, compliance with the CIPFA Code, and benchmarking against other authorities. The GAC is responsible for scrutinising these reports and ensuring oversight of financial management arrangements, including value for money and compliance with statutory codes. No significant weaknesses were found.</p>	G
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The GAC and Scrutiny Committee monitor performance and key decisions, with Cabinet members updating on their areas. Notable steps include a new Decision-Making App, a Governance Working Group, structured training and constitutional changes (e.g. the Scrutiny Chair from the opposition and a second independent GAC member). In 2023/24 we recommended full implementation of actions by January 2025. We recognise the progress and have revised the recommendation to ensure that the improvement journey is completed and embedded (see page 28).</p> <p>A December 2024 review found that only 4 of 13 members attended all GAC meetings in the year. The updated Terms of Reference set clearer expectations and we have raised an Improvement Recommendation to encourage better attendance (see page 30). Following the May 2025 elections, 30 training sessions and an induction program were launched for members. While no major weaknesses were found, limited experience and inconsistent training attendance could hinder effective challenge. Ongoing member training and engagement must remain a high priority.</p>	A
G	No significant weaknesses or improvement recommendations.	
A	No significant weaknesses, improvement recommendations made.	
R	Significant weaknesses in arrangements identified and key recommendation(s) made.	

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council has defined roles for key officers, the Executive and committees, with Codes of Conduct for members and officers. The Monitoring Officer ensures legal and regulatory compliance as part of the Corporate Management Team. The Commercial and Procurement Division oversees procurement and provides commercial support, with rules in place to ensure compliance.</p> <p>Contract management sits within directorates to reflect local needs. The Council is currently identifying relevant staff to perform this role. Oversight is provided by the Commercial and Procurement Oversight Board (pre-tender) and the Contract Management Review Group (during the contract lifecycle). In 2024/25, internal audit raised two high priority contract management actions, with one from 2023/24 still outstanding regarding the management and maintenance of the Councils contracts register. We have made an Improvement Recommendation (see page 30) that contract management responsibilities should be clearly defined and supported by training and guidance.</p>	A

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

Governance (continued)

Area for Improvement identified: Internal Audit Recommendations

Key Finding:
During 2023/24 only 38% internal audit recommendations were implemented, up until January 2025 implementation rates remained low, with implementation rates less than 35%.

Evidence:
Implementation of high priority audit recommendations has been ongoing and regularly reported to the Governance and Audit Committee throughout the year :

Page 29 July 2024 – 34%


- January 2025– 31%
- July 2025 – 62%.

At the July 2025 meeting, it was noted that the implementation rate for management actions had improved significantly from 31% in January 2025 to 62% by July 2025.

Impact:
Although there have been improvements, 38% of high-priority actions remain outstanding, which continues to present a risk to the Council. While the Council has made demonstrable progress, it is essential that momentum is maintained.

Improvement Recommendation 2

IR2: The Council should maintain progress in the implementation of high priority recommendations from Internal Audit.

 **Grant Thornton insight**

Strengthening the tracking of audit recommendations

The Council introduced a new Power BI tracker for monitoring progress with all external and internal audit recommendations as well as recommendations from the CIPFA governance review and its own Annual Governance Statement. Regular updates have been provided throughout the year in October 2024, November 2024, January 2025 and March 2025. It is clear the Council are monitoring the implementation of recommendations. The Power BI tracker is a key tool and should be regularly updated to reflect recent developments and recommendations.

- The Council should continue to report on and maintain momentum in addressing both key and improvement recommendations.

Governance (continued)

Area for Improvement identified: Implementation and roll out of decision making app

Key Finding: In previous years, significant weaknesses were identified in governance and compliance regarding key decision-making processes. To address this, the Council developed a decision-making app to strengthen its arrangements.

Evidence: The Council has made progress in strengthening its arrangements and is rolling out a bespoke decision management system. The app has completed testing and is being implemented on a phased basis, with a paper presented to CMT in August 2025. Although the initial rollout was planned for May 2025, it was delayed due to post-election support needs. Full implementation is expected by March 2026. Dashboards showing planned and completed decisions will be available to the Chief Executive, Leader, Monitoring Officer, and Section 151 Officer to support oversight and challenge.

Impact: If the rollout is not fully completed and embedded, it could lead to the relapse of significant weaknesses in governance and decision-making. A lack of training may also affect the app's effectiveness, it is therefore important that training needs are supported.

Improvement Recommendation 3

IR3: Implementation of the new decision-making app should be rolled out and embedded across directorates. The Council should ensure compliance and training support.

Governance (continued)

Area for Improvement identified: Governance and Audit Committee

Key Finding: Member attendance at Audit Committee has been inconsistent in 2024/25.

Evidence: There were nine Governance and Audit meetings held during 2024/25 however one was postponed which means eight meetings were held. The Committees page on Kent County Council's website records and publishes attendance of members. Four out of thirteen members attended all meetings, while only 46% attended more than half.

Impact: The lack of attendance limits the Committees ability to scrutinise and make effective decisions.

Page 31

Area for Improvement identified: Contract management

Key Finding: Internal audit have identified high priority actions in relation to contract variations and the contract register. We are also aware the CPO is in the process of identifying individuals responsible for contract management within the directorates.

Evidence: Internal audit work in 2024/25 identified 2 high priority actions, including the need for specific training and better monitoring of contract variations and novations. One high priority action from 23/24 remains outstanding relating to incomplete contract register. The Council should aim to resolve the actions within the agreed timeframe.

Impact: An incomplete contract register could add complexity to managing contracts effectively. If the Council is not fully aware of all contract managers, it could lead to inconsistent approaches and processes. As training may not be targeted towards the appropriate individuals.

Improvement Recommendation 4

IR4: To ensure the Governance and Audit Committee is effective in its role member attendance should be improved by setting clearer expectations and introducing accountability measures, as only 4 out of 13 members attended all meetings and less than half attended more than half.

Improvement Recommendation 5

IR5: The Council should ensure that individuals responsible for contract management are clearly identified and provided with appropriate training. Strengthening awareness and capability in this area will support more effective oversight and will also help address current gaps, such as those reflected in the incomplete contract register.

Grant Thornton insights – learning from others

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

What the Council is already doing

- The Council's Organisational Learning Panel aims to bring together representatives from Internal Audit, Analytics, Risk Management, and Complaints teams to address themes arising from audits, complaints, and performance feedback. Working collaboratively with service directorates, the panel identifies key issues and develops targeted action plans. This is a good demonstration of cross departmental collaboration as it promotes open communication and enables shared learning and insights across the Council.

What others do well

- The most effective financial planning arrangements we see include development of best case, worst case and likely case scenarios, alongside effective sensitivity analysis on key cost, demand and income assumptions.

The Council could consider

- While the Council has produced comprehensive and detailed treasury management reports, the mid-year update was presented to the Council in March 2025, six months after the mid-year point. To support more effective oversight and timely decision-making, the Council should aim to bring forward the timing of mid-year reporting in future years.
- Implementing arrangements to improve new members attendance of training and engagement at meetings. For example, incorporating feedback into future training sessions, monitoring and reporting attendance, input from members when scheduling meetings.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<div> <div>uses financial and performance information to assess performance to identify areas for improvement</div> <div>Page 33</div> </div>	<p>The Council produces a Performance report which is presented quarterly to Cabinet. It includes 38 Key Performance Indicators with progress assessed against targets set at the start of the financial year. Assessment is on a Red / Amber / Green (RAG) basis. We note that in the performance report for the fourth quarter of 2024/25 although ten measures remain rated as red (the same number, and the same measures as for 2023/24), two measures that were rated as amber in 2023/24 are now rated as green. The most recent internal audit report (in July 2024) was positive about the robustness and relevance of the data provided in Performance Reports.</p> <p>The Council carries out benchmarking regularly, for example on Adult Social Care, Children's Services, Waste Disposal and recycling, and Highways and Transport.</p>	<div>G</div>
<div> <div>evaluates the services it provides to assess performance and identify areas for improvement</div> </div>	<p>The Adult Social Care and Health Service was the subject of a Care Quality Commission (CQC) inspection in 2024/25. All areas scored 2 (some shortfalls) except two (Equity in Experience and Outcomes, and Learning, Improvement and Innovation) which both scored 3 (good).</p> <p>The most recent feedback form Ofsted, arising from a focused visit in January 2024 was generally positive but identified two areas for improvement around the quality and impact of management oversight and the need to work better with health partners regarding safeguarding.</p> <p>The Council is a party to a Safety Valve Agreement with the Department for Education, relating to the costs of the High Needs Block (pupils with Special Educational Needs). Please refer to the financial sustainability section for more details.</p>	<div>G</div>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

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

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

We considered how the Council:	Commentary on arrangements	Rating
<p>ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives</p>	<p>The Council has various strategic partnerships, most notably with the Kent and Medway Integrated Care System ("ICS"). Following publication of the ICS delivery plan on June 2024, the Council has developed its own delivery plan that includes specific actions for each Directorate the contribute to the achievement of the ICS's six shared goals. Cabinet members for the various services receive regular updates on the performance of key partnerships.</p> <p>As a result of the proposed Local Government Reorganisation the Council is working with Districts to develop options for a business case to be submitted in November. The Council has played a leading role in helping to co-ordinate the new region, including liaison with a single advisor on LGR (KPMG). It is important that the Council continues to engage constructively with the LGR process as the more difficult discussions occur in Autumn 2025 as the regions discusses the options for reform and the chosen business case to present to government in November 2025.</p> <p>No significant weaknesses identified and no improvement recommendations made.</p>	G
<p>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council has updated its policy on procurement to reflect the requirements of the Procurement Act 2023. This includes setting out as part of any procurement process KPIs which are reported on by the contract manager. It has a number of PFI projects, in particular for schools. The manager dedicated to managing these contracts has a good understanding of them and the contracts operate in the way they were intended for the Council. It is involved in collaborative partnerships with other public sector bodies which produce procurement efficiencies. We note the Internal Audit report on contract management and have discussed this under the Governance theme (see page 27).</p> <p>The Council implemented a new Oracle Cloud system in August 20205, with the budget revised from £15m to £24m. Governance and reporting structures are in place, including the Oracle Cloud Programme Board, which reports to the Governance and Audit Committee and Cabinet Members. Internal audits and business readiness reviews were completed ahead of 'Go live'. Three high-risk areas were identified and will be followed up on in the 2025/26 audit plan. The original go-live date was postponed to allow the Council to resolve issues identified during testing.</p> <p>We have not identified any weaknesses in arrangements and have made no improvement recommendations.</p>	G

Grant Thornton insights – learning from others

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



What the Council is already doing

- The Council has a Procurement and Contracting tool (PACT) which informs staff of where each contract is within its cycle. This also has data on procurement outcomes.
- Contracts are managed within individual directorates. The Contract Management Review Group (CMRG) periodically selects contracts to review, usually at the mid-point of their term. A template is completed by contract managers and this is subject to challenge at the relevant CMRG meeting.



What others do well

- We are aware in some organisations that for significant contracts a Post-Implementation Review is carried out around the first anniversary of their signing. This compares the contract performance (financial and non-financial) against benefits that were set out in the business case.



The Council could consider

- Requiring the setting out in business cases the benefits expected from significant contracts, along with any measures and anticipated timescales.
- Implementing a system, possibly linked to PACT whereby for those contracts the contract manager prepares a report comparing the performance of the contract with the expected benefits, along with any learning points and actions arising.

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

Page 36

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
Page 37	KR1 The Council should: explore further options for increased efficiency in the Adult Social Care and Health service. Reducing current overspends will be essential if reserves are to remain robust in the future.	Financial Sustainability	Actions: Continue to build on revised governance regarding monitoring and strengthened savings plans and as part of 2026/27 budget build. Responsible Officer: Corporate Director - ASCH Due Date: Ongoing
	KR2 The Council should: ensure that its DSG management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.	Financial Sustainability	Actions: Much depends on the Government’s proposed changes to SEND (due to be announced in the Autumn) and corresponding financial changes. Will continue to review options for managing in-year pressures. Responsible Officer: Corporate Director - CYPE Due Date: Ongoing

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
Page 38	IR1 The Council should ensure that savings plans are realistic, and when a plan is deemed no longer deliverable or is deferred, carry out a review in order to learn from the situation and prevent repetition.	Financial sustainability (page 23)	Actions: Agreed. Responsible Officer: Corporate Director - Finance Due Date: December 2025 (to feed into 2026/27 savings proposals)
	IR2 The Council should maintain progress in the implementation of high priority recommendations from Internal Audit	Governance (pages 28)	Actions: Continue to monitor progress and take any remedial action necessary. Responsible Officer: Corporate Management Team Due Date: Ongoing
	IR3 Implementation of the new decision-making app should be rolled out and embedded across directorates. The Council should ensure compliance and training support.	Governance (pages 29)	Actions: Agreed Responsible Officer: General Counsel Due Date: December 2025
	IR4 To ensure the Governance and Audit Committee is effective in its role member attendance should be improved by setting clearer expectations and introducing accountability measures, as only 4 out of 13 members attended all meetings and less than half attended more than half.	Governance (pages 30)	Actions: This relates to Members largely no longer on the committee. G & A committee training for new Members has emphasised the importance of attendance. Responsible Officer: General Counsel Due Date: Ongoing
	IR5 The Council should ensure that individuals responsible for contract management are clearly identified and provided with appropriate training. Strengthening awareness and capability in this area will support more effective oversight and will also help address current gaps, such as those reflected in the incomplete contract register.	Governance (pages 30)	Actions: Agreed Responsible Officer: Chief Procurement Officer Due Date: March 2026

06 Follow up of previous Key recommendations

Page 39

Follow up of 2023/24 Key recommendations

Page 40
KR1

Prior Recommendation	Raised	Progress	Current status	Further action
<p>The Council should explore options for increased efficiency in the adult social care and health directorate in 2025/26 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Although the forecast adult social care and health overspend for 2024/25 is lower (£16.5 million) than it was for 2023/24 (£32 million), options for further cost reduction need to be identified.</p> <p>Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored.</p>	2023/24	In fact the 2024/25 outturn for ASC was an overspend of £46.4m, which was higher than for 2023/24. There were overspends in most areas, the most significant of which was in older people residential care services (£39.0m). Total gross overspends of £78.5m were offset by £32m from centrally held budgets. Common themes were increases in activity, complexity and costs and slippage in savings delivery. With the assistance of PwC the council has instigated a Rapid Savings Review. However, we understand that ASCH expenditure budgets are still proving to be inadequate, with a "considerable" overspend forecast for 2025/26.	Significant weakness remains in place	<p>Yes</p> <p>Key Recommendation KR1 revised and carried forward in 2024/25</p>

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
<div> <div>Page 41</div> <div>KR2</div> </div>	The Council should work holistically to reduce spend on the high needs block. The Council has made good progress in slowing the rate of growth in spend on high needs, but continued discipline is essential to limit the call required on reserves to the agreed total of £80 million.	2023/24	While work is ongoing to reduce costs in this area, the overspend for 2024/25 was £30.3m, net of a £9m contribution from DFE and £15.1m from the Council. As a result the Council has now fallen behind the projected cumulative deficit in the Safety Valve Agreement. The latest Safety Valve Agreement Monitoring report states that the Council is predicting a residual balance of at least £30m by March 2028, £23m of which is attributed to the delayed opening of two special schools and the rejection of a bid for a third.	Significant weakness remains in place	Yes Key Recommendation KR2 revised and carried forward in 2024/25
	<div>KR3</div> Remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.	2023/24	Implementation rate for management actions had improved significantly from 31% in January 2025 to 62% July 2025. Sufficient progress has been made to remove significant weakness	Sufficient progress made to remove significant weakness	Yes New Improvement Recommendation raised to complete the improvement journey.

Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
1	The Council should strengthen its pace and tighten its corporate grip over progress with addressing Key Recommendations. A holistic approach should be taken towards improving financial sustainability, governance and performance across the board	2022/23	Superseded by new IR and removal of sig weakness under KR3.	Closed	No
	Steps need to be taken by the Council to control expenditure. We will consider the robustness of the Council’s proposals and reserves for the 2024/25 Revenue Budget and the 2024-27 High Level Financial Plan to determine whether further statutory action is required.	2022/23	Superseded by revised KR1 as the focus on spending control is now on ASC. Other areas have been brought under control, including Children's services (other than DSG/ HNB).	Closed	No
	The Council should take a holistic approach towards managing Special Educational Needs and Disability (SEND) demand and SEND financial management, and focus on EHCP demand and approval processes if it is to have a lasting impact on returning SEND services to a sustainable footing	2022/23	Superseded by revised KR2. We established from meeting with CYP Director that EHCP arrangements have been reviewed and improved, but demand continues to outstrip funding and there are societal pressures that EHCP arrangements alone cannot counter. The solution is wider, as is covered by KR2.	Closed	No

Follow up of 2022/23 Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action
Page 43	Compliance with the Council’s decision-making arrangements needs to be strengthened. An action plan for implementing recommendations both from CIPFA and from our own 2023 review of governance should be adopted.	2022/23	Progress was considerable within year, with priority being given to reviewing the relevant governance and training, assisted by Member decisions at the end of the financial year which committed support. The app has now completed its test phase and is being rolled out with a paper going to CMT in August 2025 to ensure full implementation by March 2026 on a rolling directorate and service basis. This was slightly delayed by the support required following election but is still on track for implementation by year end with dashboards of planned and taken decisions available for Chief Executive, Leader, Monitoring Officer and s151 to provide oversight and challenge. A full refresh of Member training was conducted and the Member Development Sub Committee worked with officers to develop a new induction plan which resulted in over 30 separate training opportunities. All 81 Members were met by the Chief Exec and MO to explain importance and value of governance and appropriate decision making. Three training sessions and an information session for the Cabinet have been run alongside surgery style support.	Closed	Yes New Improvement Recommendation raised to complete the improvement journey.
	The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace				

Follow up of 2022/23 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
5	The Council should aim to maintain full implementation rates for Internal Audit findings and should complete its review of Internal Audit lessons learnt from the SEND transport re-procurement at pace.	2022/23	Superseded by new IR and removal of significant weakness under KR3.	Closed	No

07 Appendices

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Appendix A: Responsibilities of the Council

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

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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment


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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

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

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council's Asset Management Strategy should be updated.	2023/24	This was approved by the Policy and Resources Cabinet Committee in September 2024. Asset Management Strategy is now in place.	Closed	No
IR2	The Council should analyse the reasons for re-phasing of capital repairs and maintenance work. Left unchecked, there is a risk that delays to capital repairs and maintenance work could have a detrimental effect on the Council's ability to deliver from its asset base and perform on its statutory duties.	2023/24	The rephased capital budget at the end of 2024/25, at 43% of the budget for that year, was slightly lower as a percentage than for 2023/24 (47%). At the end of 2023/24 there was a rephasing of £8.5m on roads maintenance for "Urgent Safety Critical works". The equivalent figure for 2024/25 was £5.0m. Work required on assets is regularly reviewed and revised to take account of backlog maintenance and risks.	Closed	No

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action
IR3 Page 49	The Council should agree a sustainable approach towards applying revenue account spending controls. Spending controls look likely to last for some time, but the approach for some areas, such as staff training and revenue account repairs and maintenance needs to be considered carefully.	2023/24	Given ongoing financial pressures, spending controls have continued. In 2024/25 the total outturn was an overspend of £20.2m, although that for Adult Social Care and Health (ASCH) was £46.4m. Clearly savings were made elsewhere in the Council to mitigate the impact of the overspend in ASCH. Spending controls continue. Maintenance spending remains, as does mandatory training, but these are monitored carefully.	Closed	No
	IR4 There are aims to implement all recommendations on the Council's new BI tracker by early January 2025. As the pace of improvement was initially slow during 2023-24 it will be important that progress towards this target is monitored. The Council should consider whether more regular meetings of the Standards Committee is another area where the pace of addressing issues could be improved.	2023/24	This recommendation is superseded following the closure of KR3.	Closed	No

Appendix C: Follow up of 2022/23 improvement recommendations

Prior Recommendation		Raised	Progress	Current position	Further action
Page 50	Sensitivity analysis should be adopted for the budget for 2024/25, and the Council should also explore this for in-year financial monitoring	2022/23	The Authority included a sensitivity analysis in its Budget Setting Report for 2025/26, considered by County Council in February 2025 (see Section 8 of that report). At this point in time it does not see any major advantages in expanding this to include in-year financial monitoring (as the forecasts themselves reflect a degree of sensitivity analysis).	Closed	No
	Delays on capital projects should be reviewed for common factors. Project management (including through schools and contract partners) and specialist skills should be reviewed	2022/23	There are many reasons for re-phasing. The introduction of the 10 year programme and the potential projects pages aim to alleviate the optimism bias by encouraging a more realistic view on timescales. It is acknowledged that the re-phasing has not improved substantially in 2024/25.	Closed	No



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