



Knowsley Metropolitan Borough Council

Auditor's Annual Report
Year ending 31 March 2025

27 November 2025



Contents

01	Introduction and context	03
02	Executive summary	06
03	Value for Money commentary on arrangements	10
	Financial sustainability	12
	Governance	19
	Improving economy, efficiency and effectiveness	24
04	Summary of Value for Money Recommendations raised in 2024/25	32
05	Follow up of previous Key recommendations	41
06	Appendices	43
A	Responsibilities of the Council	44
B	Value for Money Auditor responsibilities	45
C	Follow-up of previous improvement recommendations	46

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

Introduction

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

Opinion on the financial statements

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

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

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

Auditor's powers

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

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

Value for money

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

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

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

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

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



Workforce and Governance Challenges

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

Present



Financial Sustainability

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



External Audit Backlog

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

Future



Funding Reform

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



Reorganisation and Devolution

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

Local

Knowsley Metropolitan Borough Council serves a population of approximately 162,000. The Council faces significant challenges that impact on the demand and cost of services, including the impact of health inequalities in more deprived areas of the Borough, the cost-of-living crisis, and increases in the number of vulnerable people with complex needs. The Council is also focusing on delivering a significant improvement programme within Children’s Services following Ofsted’s judgement that services were “Inadequate” in January 2025. The Knowsley Council Plan 2022-25 set out the Council’s key strategic priorities of supporting those most in need, inclusive skills and growth, and achieving net zero. In March 2025 the Council approved a new Council Plan 2025-2030.

The Council operates under executive arrangements, with a Leader and Cabinet model. The Full Council elects the Leader, and the Leader appoints their Cabinet from amongst the members of the Council. The political make-up of the elected Councillors is as follows: Labour 29; Green 7; Independent 4; Liberal Democrats 3; Labour and Co-Operative Party 2.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified. Three improvement recommendations raised relating to the Dedicated Schools Grant deficit, savings plans and reserve projections.	No risks of significant weakness identified.	R We have identified a significant weakness with regard to the growing deficit on the Dedicated Schools Grant and raised a key recommendation. We have raised a further improvement recommendation relating to mitigating the forecast overspend for 2025/26 in order to protect reserves. We have not identified significant weaknesses with regards to wider financial planning and how the Council plans to bridge funding gaps in the future.
Governance	A No significant weaknesses identified. Four improvement recommendations raised relating to risk reporting, internal audit progress reports, financial reporting and the new HR and payroll system.	No risks of significant weakness identified.	A No significant weakness identified. We have raised three improvement recommendations to strengthen arrangements in relation to risk management, internal audit and counter-fraud, and procurement exemptions. The improvement recommendation relating to procurement exemptions is combined with the improvement recommendation to strengthen contract management as referred to below.
Improving economy, efficiency and effectiveness	R Significant weakness identified and one key recommendation raised relating to the “Inadequate” Ofsted assessment. Two improvement recommendations also raised relating to performance reporting and procurement arrangements.	A risk of significant weakness identified with regard to the effectiveness of Children’s Services following the Ofsted judgement that services were “Inadequate”.	R We have identified a significant weakness due to the “Inadequate” Ofsted judgement for Children’s Services. The Council is making positive progress addressing identified weaknesses and we have updated the key recommendation raised last year. We have raised three improvement recommendations relating to performance and contract management and oversight of the Merseyside Recycling and Waste Authority.

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

We have identified a significant weakness in arrangements due to the increasing annual deficit on the Dedicated Schools Grant and significant cumulative deficit forecast at March 2026 of £43.6m. This is a national issue, and Knowsley has particularly high levels of children with special educational needs and disabilities. While the Council is taking action to try to address demand and sufficiency of spaces, the scale of the deficit represents a significant risk to financial sustainability. We have raised a key recommendation to continue to focus on early intervention, prevention and sufficiency of placements.

We have not identified any significant weaknesses in arrangements relating to other aspects of financial planning. The Council has not required the use of reserves to balance the budget in 2024/25 or 2025/26 and has relatively modest budget gaps identified over the medium term. The Council is however facing budget pressures in 2025/26, largely within Children's Services. We have raised an improvement recommendation to mitigate the forecast overspend in 2025/26 to protect reserves.



Governance

We have not identified any significant weaknesses with regard to governance arrangements. The Council has adequate arrangements in place to make properly informed decisions, set and monitor the annual budget, and ensure appropriate standards of behaviour. The Council has effective Scrutiny and Governance & Audit Committees in place.

We have identified where arrangements can be further strengthened and have raised improvement recommendations relating to:

- Increasing the frequency of risk reporting to the Governance & Audit Committee, reviewing the number of risks reported, and including additional information in the Strategic Risk Register.
- Providing the Governance & Audit Committee with regular internal audit and counter-fraud progress reports and ensuring these functions are sufficiently resourced.
- Reporting procurement exemptions to the Governance & Audit Committee.



Improving economy, efficiency and effectiveness

We have identified a significant weakness in arrangements due to the "Inadequate" Ofsted judgement for Children's Services in January 2025. The Council has implemented solid foundations to support improvement and progress is positive. Delivering the scale of required improvement will require a multi-year programme and therefore we have updated the key recommendation raised last year to reflect the need to continue to deliver and embed improvement.

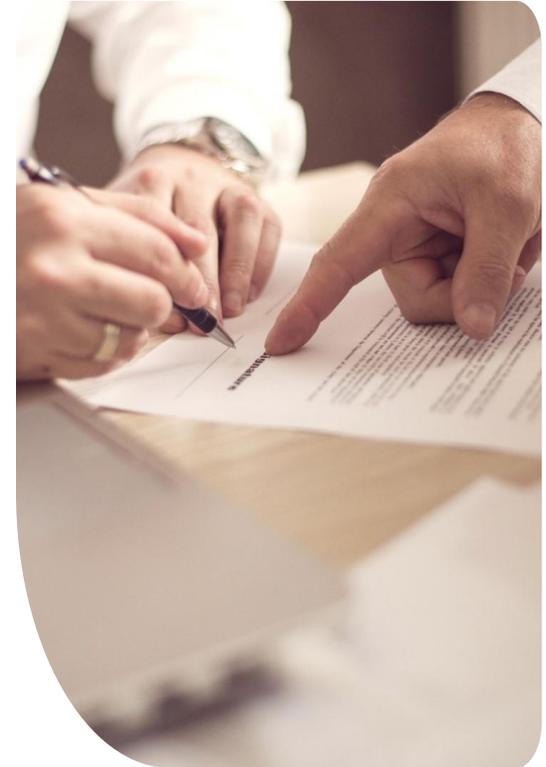
We have raised three improvement recommendations to further strengthen arrangements in relation to the following:

- Providing service performance indicators to Cabinet within performance reports.
- Reviewing Member oversight arrangements for the Merseyside Recycling and Waste Authority.
- Strengthening central oversight of contract management undertaken by service areas.

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
<p>Opinion on the Financial Statements</p>	<p>Our audit work relating to the Council’s draft 2024/25 financial statements is complete and our findings and conclusions were reported in our 2024/25 Audit Findings Report at the Governance & Audit Committee’s on the 26 January 2026.</p>
<p>Use of auditor’s powers</p>	<p>We have not:</p> <ul style="list-style-type: none"> • issued any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. • made an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. • made any applications for judicial review under Section 31 of the Local Audit and Accountability Act 2014. • identified any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014. <p>We received an objection to the Council’s 2024/25 accounts, relating to traffic restrictions in the Prescot town centre area, on 7 August 2025. Following our consideration of the grounds of the objection, we wrote to the objector on 6 October 2025 advising them that we had determined not to take any formal audit action.</p>



03 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

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

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. 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 (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has a significant cumulative Dedicated Schools Grant deficit, forecast at £43.6m by March 2026. The Council is taking action to mitigate the annual deficit, focusing on early help and prevention to manage demand, while also increasing the sufficiency of places. Despite these actions the annual deficit is continuing to grow and represents a significant risk to financial sustainability should the statutory override end in 2028. We have therefore escalated the improvement recommendation we raised in 2023/24 to a key recommendation to mitigate the deficit.

The Council has not required the use of reserves to balance recurring expenditure when setting the 2024/25 or 2025/26 budgets and has balanced residual budget gaps through the identification of low impact service savings. The Council has utilised one-off resources to fund one-off investments in services to address corporate priorities. The Council benefited from a favourable local government finance settlement in 2025/26, resulting in an increase to core spending power of 9.9% compared to an average of 4.2% as resources were directed by the government to areas of most need. The Council delivered a balanced budget outturn position overall for 2024/25.

Within this balanced position, Children’s Services overspent by £0.6m after significant growth was built into the 2024/25 budget. The General Fund Balance is under pressure in 2025/26 due to a mid-year forecast overspend of £5.4m, largely driven by a forecast Children’s Services overspend of £7.2m. After the application of one-off resources identified as part of the financial strategy, there could be a required £1.9m drawdown from the General Fund Balance to fund the deficit. The Council should manage the in-year financial position for 2025/26 to mitigate the forecast overspend and protect the General Fund balance. We have raised an improvement recommendation in this respect.

Going forwards the Council has relatively modest cumulative budget gaps identified within the Medium-Term Financial Strategy approved in March 2025 of £1.7m in 2026/27 rising to £3.9m in 2027/28. The Council’s financial planning process and financial planning assumptions appear reasonable. The Council’s financial position has been strengthened due to significant increases to the tax base in previous years as housing development has been delivered, resulting in additional recurring council tax income of £16.6m per annum. Due to participation in the 100% Business Rate Retention Scheme, the Council has also been able to retain an additional £7.5m business rate growth.

R

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

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

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>plans to bridge its funding gaps and identify achievable savings</p>	<p>In recent years the Council has not had to develop a Council-wide transformational savings programme in order to balance the budget. When the 2024/25 budget was set it was balanced through the identification of £6m of low impact savings that did not impact on service delivery. The 2025/26 budget includes £1.9m of low impact savings. Balancing the budget in previous years has been facilitated by the significant increase in the Council’s taxbase, retained additional business rate and a favourable local government finance settlement in 2025/26. The Council has identified relatively modest cumulative budget gaps over the medium term.</p> <p>As part of the annual budget process, officers are asked to identify potential savings proposals that are RAG rated against impact on service delivery. These savings proposals represent a potential pipeline that can be brought forward for approval by Members should they be required to balance annual budget positions. At the time of audit, the pipeline of potential savings totals £8.4m for 2026/27.</p> <p>The Council is delivering transformation within individual service areas, including the Adult Social Care Transformation Plan, Children’s Improvement Plan and significant regeneration activity. Other Council-wide savings initiatives include the approach to vacancy management targets and the consideration of fees and charges alongside the annual budget.</p> <p>We raised an improvement recommendation in 2023/24 that the Council should develop Council-wide transformational or cross-cutting savings proposals to address the budget gaps identified in the Medium-Term Financial Strategy. In the context of being able to balance the budget in 2024/25 and 2025/26 with low impact savings, the relatively modest budget gaps identified over the medium term, and the pipeline of potential savings that has been identified, we have closed this improvement recommendation. Should the financial position of the Council change significantly, for example due to changes in government funding allocations, then the Council should revisit the requirement for a cross-Council transformation programme.</p>	<p>G</p>

G No significant weaknesses or improvement recommendations.

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

A No significant weaknesses, improvement recommendations made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:

Commentary on arrangements

Rating

<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council can demonstrate a coherent link between financial planning assumptions and corporate priorities. The Council Plan 2025-30 was approved by Full Council at the same meeting as the budget 2025/26 and sets out the key actions required to deliver Council priorities. The Medium-Term Financial Strategy is recognised as an enabler to deliver key priorities through the long-term financial stability of the Council. Council priorities drive the allocation of resources through the budget setting process. The Budget Report 2025/26 confirms the principle that one-off investments should be focused where they have a demonstrable and sustainable impact on performance and outcomes in priority areas and to ensure statutory and regulatory requirements are met. One-off investments of £2.2m and permanent investments of £2.0m were approved for inclusion in the 2025/26 budget with a focus on priorities including the Children’s Services improvement programme, community safety and community engagement. The Capital Programme supports Council priorities through the delivery of key regeneration schemes in Kirkby Town Centre and Huyton Village as well as a significant schools’ programme and transport and sustainable travel schemes.</p>	<p>G</p>
<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 assumptions within the budget and medium-term financial plan are consistent with other strategies and plans. The Treasury Management Strategy supports financial sustainability through seeking to utilise internal borrowing to minimise interest costs and prioritising security and liquidity over yield for investment activity. The Capital Strategy forecasts a £68.1m capital programme for 2025/26, of which only £4.3m (6.2%) is funded from debt. The proportion of financing costs to net revenue stream is forecast at 5.6% for 2025/26 and therefore appears to be at a prudent and affordable level. The Capital Programme includes schemes to maintain the Council’s estate and ensure assets are fit for purpose to deliver services, in addition to the asset rationalisation and staff co-location scheme.</p> <p>The budget 2025/26 is aligned to workforce planning assumptions, with new permanent posts requiring permanent investment proposals and demonstrable impact on Council priorities as part of the budget strategy. The 2025/26 budget includes £1m of permanent funding and £1m of temporary investment for Children’s Services to increase capacity for improvement which is a key Council priority.</p>	<p>G</p>

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

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

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<p>identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans</p>	<p>Arrangements are in place to manage financial risk in delivering the budget. The Council delivered a balanced outturn position for 2024/25, an improvement compared to the Quarter 3 estimate of a £0.4m deficit. This improved position demonstrates the effectiveness of the actions taken by managers to mitigate the overspend and reduce non-essential spend. The approach to financial uncertainty and risk is set out alongside the annual budget report through the S151 Officer’s Statement on the Robustness of Estimates and Adequacy of Reserves. The budget 2025/26 includes £12.8m of contingency budgets to mitigate potential inflation, demand and cost pressures. The Council increased the level of the General Fund Balance to £10.0m in 2024/25, an increase of £1.0m, in recognition of the continuing financial risk faced by the Council.</p>	<p>G</p>

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

Financial sustainability (continued)

Significant weakness identified in relation to the Dedicated Schools Grant (DSG) deficit

Key Finding: Despite the actions that the Council is taking to mitigate the DSG deficit, the annual deficit continues to grow. A cumulative DSG deficit of £43.6m is forecast by March 2026 and this represents a significant risk to financial sustainability. We raised an improvement recommendation in 2023/24 that the Council should reduce the forecast increases in the DSG deficit by focussing on the drivers of the deficit and ensuring the sufficiency of places. Due to the scale of the growing DSG deficit we have escalated this to a key recommendation for 2024/25.

Evidence: The Council has a significant and growing DSG deficit, driven by cost pressures within the High Needs Block due to increases in Education Health and Care Plans (EHCPs). The annual deficit for 2023/24 was £8.1m and has risen to a £13.2m in-year deficit for 2024/25, leading to a cumulative deficit of £26.1m as at 31 March 2025. This is in excess of the Council's General Fund Balance which currently stands at £10.0m. Expenditure on non-maintained and independent special school placements is the single largest driver of cost within the High Needs Block. The Quarter 1 2025/26 forecast is for an in-year DSG deficit of £17.5m leading to a cumulative deficit of £43.6m by March 2026, demonstrating a worsening annual trajectory. The cost of the deficit to the General Fund is estimated at £2m for 2025/26, as cash is eroded and the Council forgoes potential investment income.

The DSG Management Plan 2024/25, submitted to the Education and Skills Funding Agency in May 2024, forecasts the cumulative mitigated DSG deficit increasing to £53.2m by 31 March 2026 but does not provide any further projections over the medium term. We note that while the Schools Forum receive detailed updates on the annual DSG deficit position, the Medium-Term Financial Strategy and annual budget setting reports do not provide future projections of the DSG deficit, although an update on the in-year position is provided in the 2025/26 mid-year monitoring report. The Council should undertake further modelling of the likely trajectory of the DSG deficit over the medium term and ensure that forecasts are reported to Members as part of key financial planning reports.

We acknowledge the Council is taking action to try to mitigate the annual DSG deficit. There is a focus on improving capacity to meet demand by improving inclusion in mainstream schools through education improvement and support services, and also the expansion of the number of local places available to children with special educational needs and disabilities (SEND) in both mainstream and specialist settings. The Council is also focussing on early intervention to mitigate demand and the complexity of support that children require. Actions taken include a revised EHCP placement process, increased commissioning support for the SEND team, strengthened legal support, expansion of the SEND Team and Educational Psychology Service and establishment of the Autism Advisory Team. The Knowsley SEND Sufficiency plan 2023-2028 identifies Council priorities with a number of measures put in place to meet the growing demand. In November 2024 Cabinet approved the expansion of a local maintained special school to deliver 120 additional places. We understand that the Education and Skills Funding Agency has identified the Council's proactive approach as good practice.

Financial sustainability (continued)

Significant weakness identified in relation to the Dedicated Schools Grant deficit (continued)

Evidence (continued): While the benefits from the Council's actions will take time to fully embed, there is evidence of positive impacts since autumn 2024 that include the halving of the number of non-maintained and independent special school placements in 2025 and forecast deficits in 2025/26 that are lower than assumed when the budget was set. Progress against actions to reduce the DSG deficit is reported through a variety of governance arrangements including the Children's Portfolio Holder, Executive Management Team, Schools Forum, SEND Partnership Board and High Needs Working Group.

Impact: The scale of the Council's DSG deficit represents a significant risk to financial sustainability should the statutory override end in March 2028 and should the Council be required to address the cumulative deficit with its own resources. While the statutory override is in place the Council can hold the cumulative DSG deficit on the balance sheet without funding it from useable reserves. Increasing DSG deficits are a national issue driven by growing numbers of children with EHCPs, and many upper tier Councils now carry significant cumulative deficits on their balance sheets. Benchmarking identifies that Knowsley has one of the highest rates of SEND in the country, with 24.5% of pupils with SEND compared to the 19.6% national average. The government is currently working with councils to identify ways to address this national issue going forwards and announced in the November 2025 budget statement that they will set out substantial plans for reform of special educational needs provision early in the new year to deliver a sustainable system. As part of the budget announcement the government stated they would not expect councils to need to fund future special educational needs costs from general funds once the statutory override ends. The detail of the government's plans to support councils with historic and accruing deficits are to be set out in the upcoming Local Government Finance Settlement.

Key recommendation 1 (escalated from 2023/24)

KR1: The Council should continue to develop and deliver the actions within its power to mitigate the annual DSG deficit. This includes:

- Continuing to focus on early intervention and prevention to reduce the demand for EHCPs and complexity of need and increase inclusion in mainstream schools.
- Increasing sufficiency of placements using available funding to reduce reliance on non-maintained and independent special schools.
- Undertaking further modelling of the likely trajectory of the DSG deficit over the medium term and ensuring that forecasts are reported to Members as part of key financial planning reports.

Financial sustainability (continued)

Area for Improvement: mitigating the forecast overspend for 2025/26

Key Finding: The Council is facing budget pressures in 2025/26 with a forecast net overspend of £5.4m largely driven by overspends within Children’s Services. While the Council has identified one-off resources that can be applied to help mitigate this overspend, the mid-year budget monitoring report forecasts that £1.9m of General Fund Balances will be required to balance the position. We have raised an improvement recommendation to mitigate the forecast overspend in 2025/26 to protect levels of reserves.

Evidence: The Council delivered a balanced budget outturn position overall for 2024/25. Within this balanced budget position, Children’s Services overspent by £0.6m, with this pressure offset by underspends delivered by other service areas. This overspend is significantly less than the £4.7m overspend within Children’s Services in 2023/24, aided by £11m growth built into the 2024/25 budget for Children’s Services social care to address pressures relating to the increasing cost, demand and complexity of placements and home to school transport. The growth included in the 2024/25 budget helped to deliver a balanced outturn position for children’s placement costs, with financial pressures driven largely by increased cost of home to school transport due to the significant increase in the number of children with EHCPs, with Knowsley experiencing a 78% increase since 2019.

The Council increased the level of General Fund balance by £1m to £10.0m during 2024/25, representing 3.8% of the net budget. However, the General Fund Balance is under pressure during 2025/26 due to a mid-year forecast overspend of £5.4m, largely driven by a £7.2m overspend in Children’s Services due to increased placement costs and home to school transport. As part of the financial strategy the Council has identified £3.6m of one-off resources to help mitigate financial pressures in 2025/26, requiring a potential draw down of £1.9m from the General Reserve Balance to fund the deficit. Any drawdown of the General Fund Balance will need to be topped up as part of the 2026/27 budget process, increasing financial pressure and required savings targets. It is important that the Council manages its in-year financial position and mitigates the forecast overspend for 2025/26 as far as possible to protect the level of reserves and ensure they remain at sustainable levels without adversely impacting future year budgets.

Impact: The 2025/26 forecast overspend should be mitigated as far as possible to minimise any required draw down from the General Fund Balance that would require topping up in 2026/27 and so increase the savings targets required to balance the budget to maintain reserves at sustainable levels.

Improvement Recommendation 1

IR1: The Council should continue to mitigate the forecast overspend in 2025/26, which is largely driven by financial pressures within Children’s Services, to protect the level of reserves. In addition to mitigating the financial pressures within Children’s Services, the Council should seek compensating savings or cost mitigations in other service areas to deliver a balanced overall outturn position.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<p>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>	<p>We have not identified any significant weakness with regard to arrangements to manage risk. A Risk Management Policy is in place and risk registers are considered by the Governance & Audit Committee, Portfolio Holders and Departmental Management Teams. We identified opportunities to further strengthen risk management in our Auditor’s Annual Report 2023/24 relating to the frequency of reporting and the number of risks included in the Strategic Risk Register. From our assessment of arrangements in place in 2024/25 this recommendation has been updated and remains open. The Council has recently reviewed its approach to risk management, and we will review how the Council has embedded its revised approach across the organisation as part of our 2025/26 work.</p> <p>We have not identified any significant weakness with regard to internal audit arrangements or internal control. However, capacity issues within internal audit impacted on the delivery of the approved Internal Audit Plan in 2024/25 and resulted in only a Moderate Assurance opinion being provided. While the Governance & Audit Committee received updates on the implementation of internal audit recommendations during 2024/25, they were not provided with any progress reports on the delivery of the Plan. The approach to counter-fraud activity is being reviewed to ensure that appropriate arrangements and capacity are in place. We note that there were no update reports to the Governance & Audit Committee for counter fraud work during 2024/25. We have updated the improvement recommendation raised in 2023/24 relating to internal audit progress reporting to include ensuring there is sufficient capacity within internal audit and counter-fraud teams.</p>	<p>A</p>
<p>approaches and carries out its annual budget setting process</p>	<p>The Council has an adequate budget setting process. In-year financial monitoring and reporting identifies financial pressures, areas of risk and potential underspends that are used to inform the budget assumptions when developing the following year’s budget. The Council’s budget is built up from detailed service budgets which adjust the current year’s budgets for known changes to costs and income, including pay awards and increments and savings proposals. The budget process considers the impact of budget proposals on service performance and sustainability. When the annual budget is approved by Full Council it is accompanied by other key financial strategies, including the Medium-Term Financial Strategy, Capital Investment Strategy and Fees & Charges to provide a holistic view of the Council’s financial plans.</p>	<p>G</p>

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
<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 receive regular budget monitoring reports. We raised an improvement recommendation in 2023/24 that the Council should consider where financial reporting can be strengthened to provide better oversight and challenge by Members. Our review of the 2025/26 budget setting report confirms that it does include an appendix of budget savings options and an appendix showing the General Fund budget with detail at Department and service level, which addresses two areas we identified in 2023/24 where the information provided to Members could be enhanced.</p> <p>We note that neither the budget setting report nor the Medium-Term Financial Strategy provide a summary of earmarked reserves with projections over the medium term or information relating to the Dedicated Schools Grant deficit. However, the Quarter 3 2024/25 revenue monitoring report was considered at the same meeting as budget setting 2025/26 and this report includes detail of opening and closing reserve balances by category as well as narrative relating to the DSG deficit. This information is also included in the revenue outturn report 2024/25. Therefore, we consider that taken as a whole, Members receive adequate financial information to provide a clear understanding of the Council’s financial position, and we close our prior year improvement recommendation.</p> <p>We raised an improvement recommendation in 2023/24 that the Council should conduct a lessons learned exercise from the implementation of the HR and payroll system to inform the planning and implementation of future IT systems. We understand from the Council’s Annual Governance Statement and from discussions with officers that the Oracle HCM HR and payroll system is now embedded and is deemed to have reached business as usual capability. Most processes are now automated, and reporting continues to be developed linked to the Line Manager Dashboard as well as bespoke reports. A lessons learned workshop has been facilitated by internal audit, focusing on how project planning arrangements could be further strengthened for future system implementations, although the final report is still being agreed with management. We therefore consider that this improvement recommendation can be closed.</p>	<p>G</p>

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
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>Arrangements are in place to support appropriate and informed decision making and Members are provided with sufficiently detailed reports. We have not identified any evidence of inappropriate decision making by the Cabinet or Council and minutes provide evidence of appropriate levels of challenge and debate. An appropriate tone from the top is set by senior officers and Members. There are effective Scrutiny arrangements in place through the five dedicated Scrutiny Committees each aligned to priorities within the Council Plan. There is also an effective Governance & Audit Committee in place with an independent Chair. Scrutiny Committees and the Governance & Audit Committee produce annual reports that are presented to Full Council to outline work undertaken during the year, and we consider this good practice to ensure these Committees have a sufficient profile within the organisation.</p>	<p>G</p>
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>We have found no evidence of significant breaches or non-compliance with legislative or regulatory requirements and standards. The Council has processes in place to ensure appropriate standards of behaviour are maintained, including Members and Officers Codes of Conduct, the Member-Officer Relations Protocol and the Code of Corporate Governance which all form part of the Constitution. Codes of Conduct include the requirement to register interests and declare gifts and hospitality.</p> <p>Contract Procedure Rules set out the approval process for contracts, procurement routes to market, and the process for exemptions from approved procurement processes. We are satisfied that there are appropriate arrangements in place to authorise procurement exemptions and that all procurement decisions are published on the Council’s website, including where procurement exemptions have been approved. However, the Council does not provide the Governance & Audit Committee with formal oversight of the procurement exemptions granted to provide effective oversight. The improvement recommendation we raised in 2023/24 relating to strengthening arrangements for reporting procurement exemptions and also contract management arrangements has been updated and is reported in detail within the Economy, Efficiency and Effectiveness section of this report.</p>	<p>A</p>

G No significant weaknesses or improvement recommendations.

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

A No significant weaknesses, improvement recommendations made.

Governance (continued)

Area for Improvement: risk management arrangements

Key Finding: The Council has arrangements in place to manage and report on risk. We identified opportunities to further strengthen risk management in our Auditor's Annual Report 2023/24 relating to the frequency of reporting and the number of risks included in the Strategic Risk Register. From our assessment of arrangements in place in 2024/25 this recommendation has been updated and remains open. However, we recognise that the Council has recently reviewed its approach to risk management and the proposed arrangements would appear to address the recommendation going forwards. We will review how the Council has embedded its revised approach to risk management as part of our 2025/26 value for money work.

Evidence: The Strategic Risk Register was presented to Cabinet in December 2024 and to the Governance & Audit Committee in March 2025. Risk is also monitored by Departmental Management teams and quarterly risk updates are provided to Portfolio Holders. Risk management reporting could be strengthened through more frequent reporting of the risk register to the Governance & Audit Committee to ensure regular and timely oversight by those charged with governance.

The Strategic Risk Register reported to the Governance & Audit Committee includes the risk title, summary, RAG rating and progress for each strategic risk. While the information provides an overview of risk and how this is managed, there are other elements of best practice reporting that the Council could consider including such as the responsible officer, mitigating actions and risk scores. The number of risks reported on the Strategic Risk Register is high, with 39 risks reported to the Governance & Audit Committee in March 2025. The Council should review the number of risks reported to ensure that they cover only key strategic risks and allow for a proper consideration of strategic risk at the Governance & Audit Committee.

The Governance & Audit Committee received a revised Risk Management Handbook in October 2025, following a full review of the Council's approach to risk management, partly in response to the recommendations raised in the 2023/24 Auditor's Annual Report and also due to the approval of the new Council Plan 2025-2030. The Handbook sets out the revised approach to managing risk, roles and responsibilities, and confirms oversight arrangements by Cabinet, Portfolio Holders, Governance & Audit Committee and Executive Management Team.

Impact: There are opportunities to further strengthen risk management, and the Council should ensure that the revised approach set out in the recently approved Risk Management Handbook is embedded across the organisation.

Improvement Recommendation 2 (updated from 2023/24)

IR2: The Council should further strengthen risk management reporting arrangements by increasing the frequency that the Strategic Risk Register is reported to the Governance & Audit Committee, reviewing the number of risks reported, and including the responsible officer, mitigating actions and risk scores when reporting strategic risks.

Governance (continued)

Area for Improvement: internal audit and counter-fraud arrangements

Key Finding: Capacity issues within internal audit impacted on the delivery of the Internal Audit Plan in 2024/25 and resulted in a Moderate Assurance opinion being provided for the system of internal control. The Governance & Audit Committee were not provided with any internal audit progress reports during 2024/25. The approach to counter-fraud activity is being reviewed to ensure appropriate arrangements are in place. We have updated the improvement recommendation raised in 2023/24 relating to internal audit progress reporting to include ensuring there is sufficient capacity within internal audit and counter-fraud teams.

Evidence: The Governance & Audit Committee approve the Internal Audit plan which is developed through consultation with senior officers and relevant Members and includes both operational reviews of core processes as well as strategic reviews informed by risk. The Governance & Audit Committee receive updates on the implementation of internal audit recommendations, with the June 2025 update confirming that of 43 recommendations due for implementation by May 2025, 93% were fully implemented with no significant concerns with the remaining recommendations.

Internal audit experienced resourcing challenges during 2024/25. The Annual Report on Internal Audit Activity 2024/25 confirmed that less work was completed than originally planned due to vacant posts. The volume of work undertaken resulted in a Moderate Assurance opinion for the system of internal control, although it is noted that no individual audits completed during the year were rated Limited Assurance and no critical priority recommendations were identified. Actions taken to manage capacity issues during 2024/25 included the filling of two vacancies, temporary acting up arrangements, and subscription to a specialist advisory service from January 2025 to assist with service improvement work. Resource constraints resulted in the Governance & Audit Committee receiving no progress reports on Plan delivery for 2024/25. We understand that the intention is to revert to half-yearly progress reports from December 2025.

The Internal Audit Plan 2025/26 notes that there is currently only sufficient resource to complete work categorised as critical and high priority. To address ongoing capacity issues, we understand that two graduate audit trainees were recruited in September 2025.

The approach to counter-fraud activity is being reviewed to ensure that appropriate arrangements are in place and that there is adequate capacity to undertake and report counter-fraud work. We note that there were no update reports to the Governance & Audit Committee for counter fraud work during 2024/25.

Impact: The Council should ensure that there are sufficient internal audit and counter-fraud resources in place to deliver the approved Internal Audit Plan and undertake counter-fraud activity to provide full assurance and regular update reports to the Governance & Audit Committee.

Improvement Recommendation 3 (updated from 2023/24)

IR3: The Governance and Audit Committee should receive regular progress reports on the delivery of the internal audit plan and counter-fraud activity. The Council should ensure that sufficient internal audit and counter-fraud resources are in place to deliver planned work and to provide full assurance on the system of internal control.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	<p>We have not identified any significant weakness with regards to arrangements to manage performance. Cabinet receive Council Plan Monitoring Reports and departments review their performance quarterly and provide updates to Portfolio Holders. We identified opportunities to further strengthen performance management in our Auditor’s Annual Report 2023/24 by reporting service key performance indicators to Cabinet in addition to the information they receive on delivering the Council Plan. From our assessment of arrangements in place in 2024/25 this recommendation remains open. The Council has recently reviewed its approach to performance management, and we will review how the Council has embedded its revised approach to performance management as part of our 2025/26 value for money work.</p>	A
evaluates the services it provides to assess performance and identify areas for improvement	<p>Ofsted undertook an inspection of Children’s Services in November 2024, and subsequently provided their judgement that services were “Inadequate” in January 2025. The Council can demonstrate that it has developed solid foundations to support the delivery of improvement to Children’s Services. These include the development of the Improvement Plan that is overseen by an Improvement Board, appointment of an experienced Interim Executive Director of Children’s Services, and allocation of significant resources through the 2025/26 budget process to fund improvement. While it is recognised that the trajectory of improvement is positive, delivering the required scale of improvement will likely require a multi-year programme. We have updated the key recommendation we raised in 2023/24, and the Council should continue to deliver and embed improvements to Children’s Services.</p> <p>The Care Quality Commission undertook their first inspection of Adult Social Care Services in Knowsley in October 2025, rating the services provided by the Council as “Good”. This is a positive result for the Council, and there are plans to further strengthen the services provided through the Adult Social Care Transformation Plan over the next 12 months.</p>	R

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

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

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, to assess whether it is meeting its objectives</p>	<p>The Council can demonstrate that it engages with partners and stakeholders to develop and deliver strategic priorities. The new Knowsley Council Plan 2025-2030 was approved in March 2025 and was developed in consultation with local residents, businesses and other stakeholders, setting out the Council’s and partners shared strategic goals. Council Plan priorities relate to delivering high quality services, encouraging growth, and delivering targeted support to encourage fairness and opportunity. A guiding principle to deliver the Council Plan is “Knowsley Better Together”, that more can be achieved by people, organisations and communities working together. Other examples of strategic partnership working include the Knowsley Community Safety Partnership with the Council’s role with partners to prevent crime, and the Knowsley Better Together Board that is led by the Leader of the Council and oversees delivery of the Knowsley 2030 Strategy themes of strong communities, healthy people and a thriving economy. The Knowsley Engagement Forum provides assurance that the appropriate groups and individuals are engaged in the development of services.</p> <p>The Merseyside Recycling and Waste Authority works in partnership with the Council and other councils in the Liverpool City Region to deliver recycling and waste services. It is a key strategic partnership and plays a significant role in delivering the Liverpool City Region Zero Waste 2040 Strategy and the Council’s own Net Zero ambitions. Arrangements for oversight of this partnership have been strengthened in recent years, but there is an opportunity to further strengthen arrangements by providing all Members with update reports on the work of the Merseyside Recycling and Waste Authority to ensure appropriate oversight of this important partnership. We have therefore raised an improvement recommendation.</p>	<p>A</p>

- 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>commissions or procures services, assessing whether it is realising the expected benefits</p>	<p>The Council is a partner with other local authorities within the STAR Procurement shared service, who provide the procurement function in line with the Council’s own Procurement Strategy and policies. The Council’s Contract Procedure Rules set out the approval process for contracts and roles and responsibilities for contract management. STAR Procurement are not responsible for contract management, which is devolved to service areas across the Council. We identified in 2023/24 that there was a lack of central oversight for contract management to provide assurance that contracts are being managed consistently and effectively to ensure they deliver expected cost and quality standards. Arrangements remain the same for 2024/25 and so the improvement recommendation we raised in 2023/24 has been updated.</p> <p>The Council is leading several significant regeneration projects. These include the Huyton Village Centre regeneration project that will deliver office and commercial space, a new Council headquarters and safeguard jobs. The funding strategy for this project is currently being developed, and the Council’s capital programme includes a £3.6m allocation to bring the scheme to technical design and planning stage. The Council is also leading the Kirkby Town Centre Retail Development Phase 2 scheme and have sought a partner to construct and occupy the new retail development, with legal terms currently being drafted. The Council is also the accountable body for the Kirkby Towns Fund Programme, where the Town Board is currently working up proposals for utilising £19.5m of grant funding over 10 years for approval by the government.</p> <p>It will be important that as these schemes progress to the delivery phase that appropriate and robust governance arrangements are put in place by the Council to manage risk and ensure schemes deliver their anticipated benefits. We will review the progress made with significant regeneration schemes and the governance arrangements in place as part of our 2025/26 value for money work.</p>	<p>A</p>

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 (continued)

Significant weakness identified in relation to the Ofsted inspection of Children's Services

Key finding: Children's Services were judged "Inadequate" by Ofsted in January 2025. The Council can demonstrate that it has put in place solid foundations to deliver the required improvements and that there has been a positive direction of travel to date. The improvement journey is likely to take several years to deliver. We have updated the key recommendation we raised in 2023/24, and the Council should continue to deliver and embed improvements to Children's Services.

Evidence: Ofsted undertook an inspection of Children's Services in November 2024, and subsequently provided their judgement that services were "Inadequate" in January 2025. Ofsted stated that the impact of substantial churn in leadership, senior and middle management levels was a significant deterioration in the quality of services and practice. Areas identified by Ofsted for improvement included leadership capacity, identification and response to risk, quality of social work practice and management oversight. As a result of the serious and widespread weaknesses identified, the Department for Education (DfE) issued an Improvement Notice, and the Council was required to submit an Improvement Plan to the Department.

We raised a key recommendation in 2023/24 that the Council should develop and deliver their Children's Services Improvement Plan to address the significant weaknesses identified by the November 2024 Ofsted inspection and ensure that delivery of the plan is closely monitored.

The Council can demonstrate that it has developed solid foundations to support the delivery of improvement to Children's Services, and that improvement is to be embedded as a priority within the Council Plan 2025-2030. These foundations include the development of the Improvement Plan and increasing leadership capacity and capability including the appointment of an experienced Interim Executive Director of Children's Services. An Improvement Board has been established to oversee the pace and sustainability of improvement, and this is chaired by an independent advisor appointed by the DfE and includes senior elected Members to provide political oversight. A Practice Improvement Team has been established to drive improvements and increase standards of practice. The Council has earmarked significant financial resources to fund improvement as part of the 2025/26 budget process, including £1m in permanent investment into the base budget and an additional £1m one-off investment. Training has been rolled out to social workers and team managers and new practice standards launched.

Cabinet were informed of the Council's response to the Ofsted inspection in February 2025 with further updates to Children's Scrutiny Committee in March 2025 and Full Council in July 2025. Going forward it is planned to provide Full Council with progress reports twice a year. This level of oversight by Members is considered appropriate in addition to the oversight provided by the Improvement Board.

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to the Ofsted inspection of Children's Services (continued)

Evidence (continued): Discussion with senior officers and the DfE Improvement Advisor confirms a positive direction of travel to date and a whole-Council response to improving Children's Services. Ofsted noted in their first monitoring visit in September 2025 the significant changes to leadership and renewed focus on improvement planning.

While the Council is making good progress to date in delivering improvements to Children's Services, it is recognised that improvement journeys of this scale can take several years to fully deliver, and during this time Ofsted will undertake further monitoring visits of Children's Services before full reinspection anticipated in 2027. Now that the building blocks for improvement are in place, improvement must be delivered at pace, but also sustainably. We have therefore updated the key recommendation we raised in 2023/24.

Impact: The Council must now deliver the Children's Improvement Plan to address the significant weaknesses identified by Ofsted and ensure that an improved judgement is provided by Ofsted at their next inspection.

Key recommendation 2 (updated from 2023/24)

KR2: The Council should continue to deliver and embed improvements to Children's Services, building on the solid foundations put in place and positive improvement trajectory to date. Improvement should be delivered at pace but should be sustainable and underpinned by sufficient financial resources. Members should continue to receive regular and detailed progress reports on the delivery of the Improvement Plan.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: performance management arrangements

Key Finding: The Council has arrangements in place to manage and report on performance. We identified opportunities to further strengthen performance management in our Auditor's Annual Report 2023/24 by reporting service key performance indicators to Cabinet in addition to the information they receive on delivering the Council Plan. From our assessment of arrangements in place in 2024/25 this recommendation remains open. However, we recognise that the Council has recently reviewed its approach to performance management and the proposed arrangements would appear to address the recommendation going forwards. We will review how the Council has embedded its revised approach to performance management as part of our 2025/26 value for money work.

Evidence: Cabinet receive bi-annual Council Plan Monitoring Reports that provide detailed narrative on the progress made delivering the priorities within the Council Plan and the actions within the Annual Delivery Plan. Each department also reviews performance reports on a quarterly basis which are also presented to Portfolio Holders, and these include key performance indicators against priority areas and key service measures. The formal performance reports presented to Cabinet do not however include key performance indicators relating to service delivery.

In September 2025 Cabinet approved the Performance Management Handbook which sets out the Council's revised Performance Framework and how performance management is aligned to corporate and departmental planning processes to ensure the priorities in the Council Plan are delivered. Delivery of the Plan will be supported by defined performance measures with effective targets for services. The Performance Framework comprises of strategic, operational and front-line measures, focusing on delivery of key priorities in the Council Plan and Departmental Plans, key projects and programmes, and operational service delivery. Monitoring arrangements are set out that include the bi-annual Council Plan Monitoring report to Cabinet, quarterly Departmental and Portfolio Holder performance reports for Department Plans and monthly local performance reports for service plans. Executive Management Team will also receive quarterly performance reports. The Council's revised approach seeks to integrate the management and reporting of risk and performance to provide a holistic overview of the factors impacting the delivery of Council priorities.

Impact: There are opportunities to further strengthen performance management, and the Council should ensure that the revised approach set out in the recently approved Performance Management Handbook is embedded across the organisation.

Improvement Recommendation 4 (remains open from 2023/24)

IR4: The Cabinet should receive formal performance management reports that provide key performance indicators for service performance in addition to the information they receive on the delivery of the Council Plan.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: arrangements for oversight of the Merseyside Recycling and Waste Authority

Key Finding: The Merseyside Recycling and Waste Authority (MRWA) is a significant partner with the Council and is instrumental to helping deliver the Liverpool City Region Zero Waste 2040 Strategy and the Council's own Net Zero ambitions. We recognise that arrangements for oversight of this partnership have been strengthened in recent years, but there is an opportunity to further strengthen arrangements by providing all Members with update reports on the work of MRWA to ensure appropriate oversight of this strategic partnership. We have therefore raised an improvement recommendation.

Evidence: The Council collects a significant levy each year from residents to passport to MRWA in order to fund recycling and waste disposal costs, with £9.3m collectable for 2025/26. MRWA works in partnership with local councils from within the Liverpool City Region (LCR) to deliver waste services. The Cabinet endorsed the Liverpool City Region Zero Waste 2040 Strategy in March 2025 which seeks to minimise waste and increase recycling, therefore reducing costs and supporting achieving Net Zero, working in partnership with the MRWA and other local councils. Oversight of the work of MRWA is achieved through the Knowsley elected Member who sits on the MRWA Board, partnership meetings between the MRWA Board and appropriate LCR Directors, briefings for all relevant LCR Portfolio Holders, and briefings between the Knowsley Portfolio Holder and Assistant Director (Neighbourhoods and Commercial Services). Specific issues relating to waste and recycling are considered by the Council's Climate Emergency Scrutiny Committee. However, updates on the work on MRWA are not provided to the wider Member group.

Impact: There are opportunities to further strengthen oversight arrangements of this strategic partnership.

Improvement Recommendation 5

IR5: The Council should review its governance and oversight arrangements in respect of its participation within the Merseyside Recycling and Waste Authority to ensure they are sufficient.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: contract management and procurement arrangements

Key Finding: We identified in 2023/24 that there were opportunities to strengthen arrangements through central oversight of contract management and by reporting procurement exemptions to the Governance & Audit Committee. The improvement recommendation we raised in 2023/24 has been updated.

Evidence: The Council's procurement function has been provided by STAR Procurement under a collaborative shared services agreement since October 2023. The Council is a partner alongside other local authority partners within STAR Procurement, but retains sovereignty for its procurement decisions, strategic approach to procurement and procurement policies which are delivered through the shared service.

Contract Procedure Rules set out the approval process for contracts, procurement routes to market, and the process for exemptions from approved procurement processes. We reported in 2023/24 that services are responsible for managing their contracts and that there was no central oversight of compliance with Contract Standing Orders or to ensure that contracts are being managed effectively and are delivering expected cost and quality standards. This is not a function provided under the service level agreement with STAR Procurement. From discussions with officers, we understand that the risk of not having a central assurance process that contracts are managed consistently and effectively is recognised and a provisional budget for staff resource has been identified.

We are satisfied that there are appropriate arrangements in place to authorise procurement exemptions. All procurement decisions are published on the Council's website, including where procurement exemptions have been approved. This is a transparent way to publicly acknowledge where competitive procurement processes have not been followed. However, the Council does not provide the Governance & Audit Committee with formal oversight of the procurement exemptions granted. We consider it best practice for those charged with governance to be provided with regular oversight of the numbers, value and reasons why procurement exemptions have been approved to provide for effective oversight and challenge where processes designed to achieve value for money have not been followed.

Impact: Strengthening arrangements for oversight of contract management and reporting waivers to the Governance & Audit Committee would provide those charged with governance additional assurance that value for money is being driven from procurement and contract management activity.

Improvement Recommendation 6 (updated from 2023/24)

IR6: The Council should strengthen contract management and procurement arrangements through implementing processes to provide central oversight and assurance that contracts are being monitored and managed effectively. Procurement exemptions should be reported to the Governance & Audit Committee to provide oversight and allow challenge.

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

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p data-bbox="188 534 843 639">The Council should continue to develop and deliver the actions within its power to mitigate the annual DSG deficit. This includes:</p> <ul data-bbox="188 665 843 1186" style="list-style-type: none"> <li data-bbox="188 665 843 808">• Continuing to focus on early intervention and prevention to reduce the demand for EHCPs and complexity of need and increase inclusion in mainstream schools. <li data-bbox="188 833 843 976">• Increasing sufficiency of placements using available funding to reduce reliance on non-maintained and independent special schools. <li data-bbox="188 1002 843 1186">• Undertaking further modelling of the likely trajectory of the DSG deficit over the medium term and ensuring that forecasts are reported to Members as part of key financial planning reports. 	<p data-bbox="856 805 1072 911">Financial sustainability (pages 16 – 17)</p>	<p data-bbox="1090 425 1212 454">Actions:</p> <p data-bbox="1090 479 2440 622">1) The rising levels of Dedicated Schools Grant deficits is a national issue affecting a large number of local authorities and is not specific only to Knowsley. The Council will continue to investigate all possible actions to strengthen the local SEND system, ensuring that children’s needs are met earlier and within their own communities, wherever possible. This work includes:</p> <ul data-bbox="1090 648 2104 839" style="list-style-type: none"> <li data-bbox="1090 648 1982 676">• initiatives to strengthen early identification and intervention; <li data-bbox="1090 702 2104 731">• initiatives to strengthen inclusion in mainstream settings and schools; <li data-bbox="1090 756 1895 785">• initiatives to create new local specialist provision; and, <li data-bbox="1090 811 1880 839">• initiatives to improve efficient and effective casework. <p data-bbox="1090 865 2440 965">The Council has implemented wide ranging actions to “break the cycle” and rebalance the High Needs system, ensuring resources are deployed in a more targeted and sustainable way. These include:</p> <ul data-bbox="1090 991 2140 1293" style="list-style-type: none"> <li data-bbox="1090 991 1737 1019">• establishment of an Autism Advisory Team; <li data-bbox="1090 1045 1712 1073">• commissioning of an additional SEN Unit; <li data-bbox="1090 1099 1635 1128">• revised EHCP placement processes; <li data-bbox="1090 1153 2119 1182">• a major capital expansion of a local maintained special school places; <li data-bbox="1090 1208 2140 1236">• expansion of the SEND Team and Educational Psychology Service; and, <li data-bbox="1090 1262 1880 1290">• increased commissioning support for the SEND Team.

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>(Continued)</p> <p>The Council should continue to develop and deliver the actions within its power to mitigate the annual DSG deficit. This includes:</p> <ul style="list-style-type: none"> Continuing to focus on early intervention and prevention to reduce the demand for EHCPs and complexity of need and increase inclusion in mainstream schools. Increasing sufficiency of placements using available funding to reduce reliance on non-maintained and independent special schools. Undertaking further modelling of the likely trajectory of the DSG deficit over the medium term and ensuring that forecasts are reported to Members as part of key financial planning reports. 	<p>Financial sustainability (pages 16 – 17)</p>	<p>Actions: (Continued)</p> <p>While the Council will work to address the deficit, only the national Government is able to resolve this issue fully. The Council awaits the Government’s plans for reform of special educational needs provision and also welcomes the recent confirmation that the Government does not expect local authorities to fund future special educational needs costs from general funds once the Statutory Override ends In March 2028. The Council also awaits further details on Government plans to support local authorities with historic and accruing deficits which are due to be included in the upcoming Local Government Finance Settlement.</p> <p>Responsible Officer: Head of Inclusion</p> <p>Due Date: Ongoing from December 2025</p> <p>Actions:</p> <p>2) The Council will undertake further modelling of the likely trajectory of the DSG deficit over the medium term and will report forecasts as part of future financial planning and monitoring reports to elected Members – the nature of these reports and regularity will be determined by the government announcement in the upcoming local government finance settlement.</p> <p>Responsible Officer: Head of Inclusion / Head of Finance</p> <p>Due Date: Ongoing from December 2025</p>

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR2	<p>The Council should continue to deliver and embed improvements to Children’s Services, building on the solid foundations put in place and positive improvement trajectory to date. Improvement should be delivered at pace but should be sustainable and underpinned by sufficient financial resources. Members should continue to receive regular and detailed progress reports on the delivery of the Improvement Plan.</p>	<p>Improvement economy, efficiency and effectiveness (pages 27 – 28)</p>	<p>Actions:</p> <p>As reported in response to this recommendation in the 2023/24 Report, the Council remains committed to delivering sustainable improvements at pace. Taking Children’s Services out of inadequate will take time if improvements are to be sustained. The Ofsted monitoring visits will be over a period of approximately 3 years until a full re-inspection takes place. The report to the Committee elsewhere on this agenda provides full details of the actions that the Council is taking.</p> <p>Responsible Officer: Executive Director (Children’s Services)</p> <p>Due Date: Ongoing until next Ofsted Inspection</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR1</p> <p>The Council should continue to mitigate the forecast overspend in 2025/26, which is largely driven by financial pressures within Children’s Services, to protect the level of reserves. In addition to mitigating the financial pressures within Children’s Services, the Council should seek compensating savings or cost mitigations in other service areas to deliver a balanced overall outturn position.</p>	<p>Financial sustainability (page 18)</p>	<p>Actions:</p> <p>An update on the current year budget monitoring position was reported to the Cabinet on 5 November 2025. This set out full details of the actions being taken to mitigate the forecast overspend. Further updates will be reported to the Cabinet in the second half of the year.</p> <p>The Council considers that this Improvement Recommendation has already been addressed. This appears to be supported by the findings elsewhere in the Auditor’s Annual Report which note that there are no weaknesses or improvement recommendations in how the Council identifies and manages risk to financial resilience, and how it is supporting the sustainable delivery of services. The audit findings also note the arrangements in place to manage risk to financial resilience - including effective actions being taken by managers to mitigate overspends and reduce non-essential spend. There are also no weaknesses or improvement recommendations identified in the annual budget setting process, or in the effectiveness of processes and systems for ensuring budgetary control.</p> <p>Responsible Officer: Head of Finance</p> <p>Due Date: Ongoing from December 2025</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
<p>IR2</p> <p>The Council should further strengthen risk management reporting arrangements by increasing the frequency that the Strategic Risk Register is reported to the Governance & Audit Committee, reviewing the number of risks reported, and including the responsible officer, mitigating actions and risk scores when reporting strategic risks.</p>	<p>Governance (page 22)</p>	<p>Actions:</p> <p>The Council considers that this Improvement Recommendation has already been addressed, as the Council has already implemented a new approach which was approved by Cabinet September 2025 and is based on LGA best practice. Cabinet on 3 December received the first integrated performance and risk management report and these will be taken each quarter (with finance). The First detailed report will be presented to Governance and Audit Committee in January and this will include a presentation by risk owners on 2 of the risks in that revised strategic risk register. This will be a standing agenda item in future meetings</p> <p>Responsible Officer: Service Manager - Performance, Business Intelligence & Risk</p> <p>Due Date: Already implemented.</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	The Governance and Audit Committee should receive regular progress reports on the delivery of the internal audit plan and counter-fraud activity. The Council should ensure that sufficient internal audit and counter-fraud resources are in place to deliver planned work and to provide full assurance on the system of internal control.	Governance (page 23)	<p>Actions:</p> <p>A presentation elsewhere on this agenda sets out the Council’s review of its Counter-Fraud arrangements. The agenda also includes an update on progress against the Internal Audit Plan for 2025/26. This approach will continue for future meetings of the Committee.</p> <p>Responsible Officer: Head of Finance</p> <p>Due Date: Ongoing from December 2025</p>
IR4	The Cabinet should receive formal performance management reports that provide key performance indicators for service performance in addition to the information they receive on the delivery of the Council Plan.	Improvement economy, efficiency and effectiveness (page 29)	<p>Actions:</p> <p>The Council considers that this Improvement Recommendation has already been addressed. A new performance framework based on LGA best practice was approved by Cabinet and at the meeting of cabinet on 3 December 2025 the new style of report was presented to the Cabinet. The Council will continue to refine and embed the new approach in the coming months with formal reports being presented each quarter.</p> <p>Responsible Officer: Service Manager - Performance, Business Intelligence & Risk</p> <p>Due Date: Already implemented</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR5	The Council should review its governance and oversight arrangements in respect of its participation within the Merseyside Recycling and Waste Authority to ensure they are sufficient.	Improvement economy, efficiency and effectiveness (page 30)	<p>Actions:</p> <p>To review how governance and oversight arrangements of the Merseyside Recycling and Waste Authority are discharged locally, with a view to providing an all-Member update annually. This will be considered as part of the annual Constitution review which commences December 2025.</p> <p>Responsible Officer: Assistant Executive Director (Legal and Governance)</p> <p>Due Date: May 2026</p>

Improvement recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
IR6	<p>The Council should strengthen contract management and procurement arrangements through implementing processes to provide central oversight and assurance that contracts are being monitored and managed effectively. Procurement exemptions should be reported to the Governance & Audit Committee to provide oversight and allow challenge.</p>	<p>Governance (page 21)</p> <p>Improvement economy, efficiency and effectiveness (page 31)</p> <p>Actions:</p> <p>1) Central oversight of quality contract management practice / standards</p> <p>This requires additional resources to introduce a new a Quality Contract Management Co-ordinator post, reporting to the Head of Scrutiny, Procurement and Projects to develop corporate standards for contract management practice that are proportionate to the range of contracts into which the Council enters and to monitor compliance with such standards. Initial work has been undertaken to develop a job description and person specification for the role. The Executive Director (Resources) will seek to identify funding for the new post as part of the ongoing budget process.</p> <p>2) Reporting CPR Exemptions to Governance and Audit Committee</p> <p>The Council will facilitate reporting of “exemptions” and “direct awards” to Governance and Audit Committee on at least a twice-yearly basis. The Auditors acknowledge that Knowsley’s practice of publishing decisions where exemptions have been applied already provides transparency on such instances. The gathering of the relevant information to populate such a report will need to be done in conjunction with STAR, as they will hold the information. It should be noted that “exemptions” are permissible under the Council’s approved Contract Procedure Rules.</p> <p>Responsible Officer: <i>David Moran - Quality Contract Management Compliance</i></p> <p><i>David Moran/ Michael Crook (STAR Procurement) – Reporting of exemptions to G&A Committee</i></p> <p>Due Date: June 2026</p>

05 Follow up of previous Key recommendation

Follow up of 2023/24 Key recommendation

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	<p>The Council should develop and deliver their Children’s Services improvement plan to address the significant weaknesses identified by the November 2024 Ofsted inspection and subsequent “inadequate” assessment. Areas where significant improvements are required include leadership capacity, identification and response to risk, quality of social work practice and management oversight. The Council should ensure that the delivery of the plan is closely monitored and reported to those charged with governance and that monitoring accurately reflects progress made and challenges remaining to improve Children’s Services.</p>	2023/24	<p>The Council can demonstrate that it has developed solid foundations to support the delivery of improvement to Children’s Services. These include the development of the Improvement Plan that is overseen by an Improvement Board, appointment of an experienced Interim Executive Director of Children’s Services, and allocation of significant resources through the 2025/26 budget process to fund improvement. While it is recognised that the trajectory of improvement is positive, delivering the required scale of improvement will likely require a multi-year programme. We have updated the key recommendation we raised in 2023/24, and the Council should continue to deliver and embed improvements to Children’s Services.</p>	Partially implemented.	We have updated this key recommendation for 2024/25 (KR2).

06 Appendices

Appendix A: Responsibilities of the Council

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

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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

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

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	<p>The Council should reduce the forecast increases in the DSG deficit by focussing on the drivers of demand and ensuring sufficiency of places, through continuing to develop the DSG Deficit Management Plan. Early intervention and support mechanisms to reduce the demand for complex high-cost care plans and allow children to remain in mainstream schools are required in addition to ensuring the sufficiency of special-school places. Cabinet and Council should receive detailed updates on the annual and cumulative DSG deficit position to provide oversight and gain assurance over the impact the actions to reduce the deficit are having.</p>	2023/24	<p>The Council is taking action to try to mitigate the annual DSG deficit. There is a focus on improving capacity to meet demand by improving inclusion in mainstream schools and the expansion of the number of local places available to children with SEND in both mainstream and specialist settings. The Council is also focussing on early intervention to mitigate demand and the complexity of support that children require.</p> <p>Despite the actions that the Council is taking to mitigate the DSG deficit, the annual deficit continues to grow. The cumulative deficit as at March 2025 was £26.1m and is in excess of the Council’s General Fund Balance which currently stands at £10.0m. A cumulative DSG deficit of £43.6m is forecast by March 2026 and this represents a significant risk to financial sustainability should the statutory override end in 2028. Expenditure on non-maintained and independent special school placements is the single largest driver of cost within the High Needs Block.</p>	In progress.	<p>This improvement recommendation has been updated and escalated to a key recommendation (KR1).</p>

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
IR2	2023/24	<p>In recent years the Council has not had to develop a Council-wide transformational savings programme in order to balance the budget. The 2024/25 budget included £6m, and the 2025/26 budget £1.9m, of low impact savings to balance the position. Going forwards, the Council has relatively modest cumulative budget gaps identified within the Medium-Term Financial Strategy.</p> <p>As part of the annual budget process, officers identify potential savings proposals that are RAG rated against impact on service delivery. These savings proposals represent a potential pipeline of savings that can be brought forward for approval by Members should they be required to balance annual budget positions and total £8.4m for 2026/27 at the time of audit.</p> <p>The Council is delivering transformation within individual service areas, namely within Adult Social Care, Children’s Services and regeneration.</p> <p>In the context of balancing previous budgets with low impact savings, relatively modest budget gaps identified over the medium term, and the pipeline of potential savings, we have closed this improvement recommendation. Should the financial position of the Council change significantly, then the Council should revisit the requirement for a cross-Council transformation programme.</p>	Arrangements in place are considered adequate.	None.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council should provide an aggregated organisation-wide projection of reserve balances over the period of the Medium-Term Financial Strategy within its financial planning reports to provide increased oversight to Members and ensure that prudent levels of reserves are maintained to manage risk and fund future corporate priorities.	2023/24	We note that neither the budget setting report nor the Medium-Term Financial Strategy provide a summary of earmarked reserves. However, the Quarter 3 2024/25 revenue monitoring report was considered at the same meeting as budget setting 2025/26 and this report includes detail of opening and closing reserve balances by category. This information is also included in the revenue outturn report 2024/25. Therefore, we consider that taken as a whole, Members receive adequate information relating to available reserves, and we close our prior year improvement recommendation.	Recommendation implemented.	None.

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action
<p>IR4 The Council should further strengthen risk management reporting arrangements by increasing the frequency that the Strategic Risk Register is reported to the Governance and Audit Committee and by reviewing the number of risks reported in the Strategic Risk Register.</p>	<p>2023/24</p>	<p>From our assessment of arrangements in place in 2024/25 this recommendation has been updated and remains open. The Strategic Risk Register was presented to Cabinet in December 2024 and to the Governance & Audit Committee in March 2025.</p> <p>The Strategic Risk Register reported to the Governance & Audit Committee includes the risk title, summary, RAG rating and progress for each strategic risk. While the information provides an overview of risk and how this is managed, there are other elements of best practice reporting that the Council could consider including such as the responsible officer, mitigating actions and risk scores.</p> <p>The number of risks reported on the Strategic Risk Register is high, with 39 risks reported to the Governance & Audit Committee in March 2025.</p> <p>The Council has recently reviewed its approach to risk management, and the proposed arrangements would appear to address the recommendation going forwards. We will review how the Council has embedded its revised approach to risk management as part of our 2025/26 value for money work.</p>	<p>Not implemented.</p>	<p>This improvement recommendation has been updated and remains open (IR2).</p>

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	The Governance and Audit Committee should receive quarterly progress reports on the delivery of the internal audit plan.	2023/24	<p>Internal audit experienced resourcing challenges during 2024/25 and the extent of work completed was lower than originally planned due to unfilled vacant posts. The limited volume of work undertaken resulted in a Moderate Assurance opinion for the system of internal control, although it is noted that no individual audits completed during the year were rated Limited Assurance.</p> <p>Actions taken to manage capacity issues during 2024/25 included the filling of two vacancies, temporary acting up arrangements, internal promotions and subscription to a specialist advisory service from January 2025 to assist with service improvement work.</p> <p>As well as impacting on the delivery of the Internal Audit Plan in 2024/25, resource constraints also resulted in the Governance & Audit Committee receiving no progress reports on Plan delivery for 2024/25.</p> <p>Due to the impact of capacity issues this recommendation has been updated and remains open for 2024/25.</p>	Not implemented.	This improvement recommendation has been updated and remains open (IR3).

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation	Raised	Progress	Current position	Further action	
IR6	<p>The Council should consider where financial reporting can be strengthened by providing more detailed information to Members within the annual budget setting report to provide better oversight and allow increased challenge regarding the Council’s financial plans.</p> <p>Budget setting reports should include a service-level General Fund summary, a schedule of savings, reserve projections, the DSG forecast, and the results of budget consultation.</p>	2023/24	<p>Our review of the 2025/26 budget setting report confirms that it does include an appendix of budget savings options and an appendix showing the General Fund budget with detail at Department and service level, which addresses two areas we identified where the information provided to Members could be enhanced. We note that neither the budget setting report nor the Medium-Term Financial Strategy provide a summary of earmarked reserves with projections over the medium term or information relating to the DSG deficit.</p> <p>However, the Quarter 3 2024/25 revenue monitoring report was considered at the same meeting as budget setting 2025/26 and this report includes detail of opening and closing reserve balances by category as well as narrative relating to the DSG deficit. This information is also included in the revenue outturn report 2024/25.</p> <p>Therefore, we consider that taken as a whole, Members receive adequate financial information to provide a clear understanding of the Council’s financial position, and we close our prior year improvement recommendation.</p>	Recommendation implemented.	None.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR7	<p>The Council should conduct a lessons learned exercise from the implementation of the HR and payroll system to inform the planning and implementation of future IT systems. The Council should also undertake a benefits realisation exercise to ensure that anticipated benefits of the integrated HR and payroll system are being delivered and that the system is being used to its full functionality.</p>	2023/24	<p>We understand from the Council’s Annual Governance Statement and from discussions with officers that the Oracle HCM HR and payroll system is now embedded and is deemed to have reached business as usual capability. Most processes are now automated, and reporting continues to be developed linked to the Line Manager Dashboard as well as bespoke reports.</p> <p>A lessons learned workshop has been facilitated by internal audit, focusing on how project planning arrangements could be further strengthened for future system implementations, although the final report is still being agreed with management.</p> <p>We therefore consider that this improvement recommendation can be closed.</p>	Recommendation implemented.	None.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Cabinet should receive formal performance management reports that provide key performance indicators for service performance in addition to the information they receive on the delivery of the Council Plan.	2023/24	<p>From our assessment of arrangements in place in 2024/25 this recommendation remains open. Cabinet received bi-annual Council Plan Monitoring Reports during 2024/25 but did not receive key performance indicators for service performance.</p> <p>The Council has recently reviewed its approach to performance management, and the proposed arrangements would appear to address the recommendation going forwards. We will review how the Council has embedded its revised approach to performance management as part of our 2025/26 value for money work.</p>	Not implemented.	This improvement recommendation remains open (IR4).

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR9	<p>The Council should strengthen contract management and procurement arrangements through implementing processes to provide central oversight and assurance that contracts are being monitored and managed effectively. Procurement exemptions should be reported to the Governance & Audit Committee to provide oversight and allow challenge where procurement activity does not follow approved processes.</p>	2023/24	<p>We are satisfied that appropriate arrangements are in place to authorise procurement exemptions, and the Council publishes all procurement decisions on their website. However, there is no formal oversight of procurement exemption activity by the Governance & Audit Committee.</p> <p>Contract management arrangements are delegated to services. There is no central oversight of contract management to provide assurance that contracts are being managed consistently and effectively.</p>	Not implemented.	This improvement recommendation has been updated (IR6).



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