



Oversight and Governance

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AUDIT AND GOVERNANCE COMMITTEE – SUPPLEMENT PACK

Tuesday 18 November 2025
2.00 pm
Warspite Room, Council House

Please see additional information included regarding item 5.

Tracey Lee
Chief Executive

Audit and Governance Committee – Supplement Pack

- 5. Interim External Auditor's Annual Report: (Pages 1 - 64)**

Plymouth City Council

Interim Auditor's Annual Report
Year ending 31 March 2025

12 November 2025



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

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Plymouth City 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		Present		Future	
	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.		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.		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.
					
Local					
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.		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.		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.	

Plymouth City Council is a medium unitary authority serving a population of nearly 268,000. Following the election in May 2024, the Council is controlled by the Labour Party. The Cabinet is the main decision-making body of the Council and is responsible for policies, plans and strategies, which must be implemented within the budgetary and policy framework adopted by Full Council. Following the government’s English Devolution White Paper in December 2024, the Council has agreed to advocate for the establishment of a South-West Peninsula Mayoral Strategic Authority, with future devolution providing the opportunity to secure substantial additional investment for local communities. The Council is also working on proposals for local government reorganisation and increasing their boundary line to ensure there is sufficient scale to deliver services more efficiently, and plan to make their submission in November 2025.

The Council, along with many local authorities across the country, continues to face significant challenges providing essential services to meet the needs of residents within the level of resources at its disposal. This includes demand and cost pressures within social care and the Dedicated Schools Grant.

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	R Significant weakness in arrangements identified in relation to implementing the Council-wide transformation programme and developing a detailed Medium Term Financial Strategy. Two two key recommendations and four improvement recommendations raised.	Risks of significant weakness identified in relation to transformation, savings delivery, social care, financial planning and the Dedicated Schools Grant deficit.	R Significant weakness in arrangements identified relating to the use of reserves to balance the budget, the need to align the transformation programme to financial planning, the growing DSG deficit and mitigating financial pressures in social care. We have raised three key recommendations. We have also raised two improvement recommendations.
Governance	A No significant weaknesses identified. Two improvement recommendations raised.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified but three improvement recommendations made to further strengthen arrangements.
Improving economy, efficiency and effectiveness	R Significant weakness in arrangements identified in relation to addressing the actions in the Joint Local Area SEND Inspection and funding the Achieving Excellence Strategy. One key recommendation and one improvement recommendation raised.	Risks of significant weakness identified in relation to addressing the actions raised in the Joint Local Area SEND Inspection and Achieving Excellence Strategy.	R One significant weakness in arrangements identified relating to the ongoing Improvement Notice issued from the Joint Local Area SEND Inspection and one key recommendation raised. The Council is however making significant progress in delivering the Improvement Plan as noted on page 36. We have also raised two improvement recommendations.

G No significant weaknesses or improvement recommendations.

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

A No significant weaknesses, improvement recommendation(s) made.

Executive Summary

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



Financial sustainability

The Council is facing significant and ongoing financial challenges, similar to many local authorities in England. Financial pressures within social care and the Dedicated Schools Grant (DSG) represent significant risks to financial sustainability.

The Council required the drawdown of reserves to set the 2024/25 and 2025/26 budgets, and required further unplanned drawdown of reserves to balance the adverse outturn position in 2024/25. The use of one-off resources to fund recurring expenditure is not sustainable.

The Council has a developing transformation programme, and the Council should focus on identifying a pipeline of savings that will address the significant budget gaps forecast over the medium term.

We have identified significant weaknesses in arrangements and have raised three key recommendations relating to reserves and transformation, the DSG deficit, and social care financial pressures.



Governance

We have not identified any significant weaknesses with regards to governance arrangements. The Council has an effective internal audit function and Audit Committee. Senior Members and officers provide an appropriate tone from the top.

Risk management arrangements are adequate, but the Council could consider strengthening arrangements by establishing an officer risk group and mapping risk reporting to corporate priorities.

The Council has considered the Armada Way Independent Learning Review which identified recommendations to improve governance and decision making and the Council is making progress delivering the associated action plan.

We have raised three improvement recommendations to strengthen arrangements with regards to fraud reporting, implementing the Armada Way action plan, and reporting procurement waivers.



Improving economy, efficiency and effectiveness

The Council can demonstrate significant progress in delivering the Achieving Excellence Strategy and driving improvement in Children's Services.

Whilst significant progress is also being made delivering the required improvements as a result of the Joint Local Area SEND Inspection, we have retained the key recommendation we raised in 2023/24 to ensure actions are addressed, until the associated Improvement Notice is lifted.

The Council has arrangements in place to manage performance, but we have raised an improvement recommendation to further strengthen arrangements as part of the development of the Performance Framework.

Contract management procedures are in place and contract management is devolved to services. We have raised an improvement recommendation to introduce central oversight and to manage contracts in proportion to financial and service risk.

Executive summary – auditor’s other responsibilities

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

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	Our audit commenced in September 2025 and as at the date of the interim AAR has progressed well. We will look to complete our work and issue the opinion following the Audit & Governance Committee on 20 January 2026	
Use of auditor’s powers	We have not identified any requirement for the Use of auditor’s powers in the work completed to date. We will report any findings to management and to members of the Audit & Governance Committee.	

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

Opinion on the financial statements

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

Audit opinion on the financial statements

Our work is still in progress. We plan to issue the audit opinion following the Audit & Governance Committee on 20 January 2026.

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

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

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

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

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

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

Our work is ongoing and we have nothing significant to report as at the date of this report. We will report any findings to management and members of the Audit & Governance Committee ahead of the Committee meeting on 20 January 2026.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. We plan to issue final version of our report to the Council's Audit & Governance Committee on 20 January 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

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

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

This work has yet to be completed and we will report any findings to Management and members of the Audit & Governance Committee in January 2026.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council reported a balanced outturn position for 2024/25, however achieving this required the unplanned drawdown of £3.9m revenue reserves in addition to the £5m planned drawdown of reserves. In total the 2024/25 budget was supported by £9.1m of revenue reserves. The continued use of one-off resources to balance the 2024/25 outturn position reflects ongoing Directorate financial pressures, particularly within social care, with total net Directorate pressures of £15.6m. These pressures continue into 2025/26. The 2025/26 budget includes £51.7m of growth reflecting continuing cost and demand pressures in social care, homelessness and home to school transport. The budget also includes the planned drawdown of reserves of £4.3m to balance the position. Budget monitoring at end of Quarter 1 of 2025/26 (June 2025) forecasts an adverse variance of £2.6m, with ongoing pressures noted in Adults and Children’s Directorates. It is essential that the Council mitigates the forecast overspend in 2025/26 to prevent further unsustainable and unplanned drawdown of reserves. The Council’s revenue reserves are under pressure, and while the Council was able to increase the General Fund Balance to close to 5% of the net budget in 2024/25, the Council has relied on the drawdown of earmarked reserves over several years to balance the revenue budget. We have escalated the improvement recommendation raised in 2023/24 relating to maintaining a prudent level of reserves to a key recommendation (Pages 19-21). Members have received regular updates to the Medium-Term Financial Strategy (MTFS) during 2024/25, but while financial planning assumptions appear reasonable, the explicit link between budget gaps identified in the MTFS and how they will be mitigated by detailed savings plans is still developing. We raised a key recommendation in 2023/24 relating to a robust response to financial matters and more detailed revision of the MTFS. We have raised an updated key recommendation elsewhere in this report relating to further developing and embedding Council-wide savings and transformation plans and ensuring they are reflected in the Council’s MTFS (Pages 19-21). The Council has a rapidly growing Dedicated Schools Grant deficit which represents a significant risk to financial sustainability should the statutory override end in March 2028. The cumulative deficit at March 2025 was £18.5m, with the Quarter 1 2025/26 (June 2025) forecast of an additional in-year overspend of £27.0m. We have made a key recommendation that the Council should focus on urgently reducing the annual DSG deficit (Pages 22-23).	R

- 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
plans to bridge its funding gaps and identify achievable savings	The Council’s MTFS identifies that significant cumulative savings of £28.4m are required to balance the budget up to 2029/30. The MTFS does not explicitly identify how the identified budget gaps will be addressed by the Council’s developing transformation programme. There are Directorate transformation programmes in place within Adults and Children’s Services, and other Council-wide programmes are gaining momentum such as enabling activity and the City Help and Support Programme. However, the Council-wide programme requires further development and embedding in order to identify and deliver the scale of savings required. There is also an opportunity for the Council to strengthen the reporting of savings delivery within budget monitoring and outturn reports. We raised two key recommendations in 2023/24 relating to implementing the Council-wide transformation programme at scale and pace and having a robust response to financial matters. The recommendations included cohesive reporting of progress to Cabinet and detailing how planned savings address the budget gaps identified in the MTFS. We have updated these recommendations into a single key recommendation for 2024/25 (Pages 19-21). Adults and Children’s Directorate budgets account for the majority of the Council’s net revenue budget and continuing cost and demand pressures on these budgets represent a significant risk to the Council’s financial sustainability. The 2024/25 budget included significant growth relating to Adult’s and Children’s social care, although the Adults and Children’s Directorates still overspent at year end by a total of £14.4m. Significant growth is built into the 2025/26 budget, with further pressures modelled over the period of the MTFS. The management of cost and demand within these services is critical to achieving financial sustainability and we have raised a key recommendation (Pages 24-25).	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
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council can demonstrate a coherent link between corporate priorities and financial planning. The Council adopted a revised Corporate Plan in June 2023, retaining the City Vision "to be one of Europe’s most vibrant waterfront cities where an outstanding quality of life is enjoyed by everyone". The MTFS is the primary strategic planning document that provides the financial framework for delivering the priorities set out in the Corporate Plan. Resource allocation within financial planning aims to ensure that corporate priority delivery plans are sustainable, alongside the range of statutory and discretionary services that the Council delivers. The budget reports clearly identify the additional financial resources allocated to key priorities such as Children’s, Adults, and Homelessness Services, Net Zero, as well as resources to ensure that the Council’s assets are fit for purpose to support service delivery. We have not found any significant weaknesses in arrangements.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	Financial planning assumptions are consistent with other strategies and plans. The Facilities Management Service overspent by £2.4m in 2024/25 due to the repairs and maintenance pressures arising from the size and complexity of the Council’s estate. Provision has been made in the 2025/26 budget to increase capacity in this key service with £0.7m growth allocated to implement a new structure and £1.5m to increase repairs and maintenance budgets. The Council is reviewing the Property Asset Management Strategy, and one-off cost pressures have occurred in 2025/26 relating to the completion of asset condition surveys to inform this work. The Council’s Net Zero Action Plan 2025-2028 identifies the actions required to become a Net Zero organisation. Taking a three-year view in the Action Plan assists with financial planning. The Council’s Capital Programme includes a total allocation of £65.9m against the Delivering Net Zero Plymouth Priority Outcome. The Council has an ambitious capital programme that utilises borrowing to fund expenditure and to deliver invest to save initiatives. The Council’s capital financing costs are high and continue to grow. We have raised an improvement recommendation that the Council should continue to review the capital programme to ensure it is affordable (Page 26).	A

- 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
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Financial risks to budget delivery and identified mitigations are clearly set out in the S151 Officers Budget Robustness Statement that accompanies the annual budget. Risks to the 2025/26 budget include increasing demand and cost for Adults and Children’s social care, the cost of financing the capital programme and the impact of the fair funding review on future government funding. The Budget Report 2025/26 includes a Financial Risk Appendix setting out each financial risk and management corrective action with associated risk scores. Quarterly Finance Monitoring Reports also include detailed Directorate analysis that sets out budget pressures and the actions taken to mitigate financial risk. We raised an improvement recommendation in 2023/24 that the MTFs should include a sensitivity analysis where levels of income and expenditure are varied to identify best, likely and worst-case scenarios. We consider that this improvement recommendation remains open (Page 27).	A

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

Financial sustainability (continued)

Significant weakness identified relating to developing the Council-wide transformation plan and savings to balance the MTFS and protect the level of reserves

Key Finding: The Council's MTFS identifies that significant cumulative savings of £28.4m are required to balance the budget up to 2029/30. The MTFS does not explicitly identify how the identified budget gaps will be addressed by the Council's developing transformation programme. While there are Directorate transformation programmes in place in Adults and Children's Services, and other Council-wide programmes are gaining momentum, such as enabling activity and the City Help and Support Programme, the Council-wide programme requires further development and embedding in order to identify and deliver the scale of savings required. The Council's revenue reserves are under pressure, and while the Council was able to increase the General Fund Balance to close to 5% of the net budget in 2024/25, the Council has relied on the drawdown of earmarked reserves over several years to balance the revenue budget as the Council's cost base has exceeded available funding.

We have raised a key recommendation that the Council should further develop and implement the organisational wide transformation programme and identify the significant savings required to help balance the MTFS and protect the level of reserves.

Evidence – Transformation and Savings: The 2024/25 budget included £3.7m of new savings proposals to balance the financial plan, reflecting work already in progress across Adults, Children's and Homelessness Services. The 2025/26 budget includes savings and additional income plans that total £15.8m that again reflect transformation work already underway in Adults and Children's Directorates and agreed savings from other services and corporate budgets. Savings proposals are supported by templates that set out risks, mitigations and service impacts, and financial modelling, and are subject to check and challenge through the Corporate Management Team, Scrutiny and Cabinet.

The scale of savings that the Council needs to deliver to balance the financial position over the medium term is likely to increase. The Council should review the clarity of reporting of savings delivery within budget outturn and monitoring reports, to ensure that there is an appropriate balance between summary and detailed information on the delivery, risk and mitigating actions against savings targets within the budget.

The MTFS presented when the 2025/26 budget was set in February 2025 identifies a budget gap of £10.0m in 2026/27, rising to a cumulative gap of £28.4m by 2029/30. The MTFS sets out the transformation work that the Council is undertaking, but there is no explicit link between budget gaps identified in the MTFS and how they will be mitigated by detailed savings plans or transformation. Transformation programmes include Directorate transformation to reduce demand and cost within Adults, Children's, SEND and Homelessness Services and prevention strategies within social care.

Financial sustainability (continued)

Significant weakness identified relating to developing the Council-wide transformation plan and savings to balance the MTFS and protect the level of reserves (continued)

Evidence – Transformation and Savings (continued): Further transformational activity is under development. This includes Council-wide enabling activity, working with an external consultant to identify opportunities to develop the use of data and Artificial Intelligence (AI), and the roll out of digital apprenticeships. The City Help and Support Programme is gaining momentum and engaging with Adults, Children’s and Public Health Services to develop medium to long term strategies to realise savings from prevention, early help and community-based support. Transformation governance and oversight is provided through the Change Board, a monthly meeting of the Corporate Management Team. There are plans to establish a Programme Management Office team to provide planning support, delivery assurance, risk management and business analysis, although this is not yet in place.

We understand that Cabinet will receive an updated MTFS and City Help and Support Strategy in November 2025 that will articulate the progress made in developing a Council-wide transformation programme and the savings required to balance the MTFS. To date, Cabinet have not received any formal reports on the development of the Council-wide transformation programme, the resources required to deliver it, or the planned benefits and how they reconcile to the requirements of the MTFS.

We raised two key recommendations in 2023/24 relating to implementing the Council-wide transformation programme at scale and pace and having a robust response to financial matters. The recommendations included cohesive reporting of progress to Cabinet and detailing how planned savings address the budget gaps identified in the MTFS. We have updated these into a single key recommendation for 2024/25.

Evidence – Reserves: The Council’s MTFS seeks to maintain the General Fund Balance at a minimum of 5% of the net budget. When the 2024/25 budget was set the General Fund Balance was £8.7m which represented only 3.6% of the £241.6m net budget. The Council was able to increase the level of the General Fund Balance closer to the internal benchmark during 2024/25 through adjustments to Minimum Revenue Provision made in relation to exceptional financial support. The General Fund Balance at March 2025 was £11.9m, representing 4.9% of the net budget. The MTFS includes further contributions to the General Fund Balance of £0.5m per annum to maintain it at 5%.

Earmarked revenue reserves are under pressure, with the Council utilising reserves to set a balanced budget in 2024/25 and 2025/26, as well as manage the 2024/25 outturn position. In total the 2024/25 budget was supported by £9.1m of revenue reserves to reach a balanced position. The 2025/26 budget includes further planned reserve drawdown of £4.3m in order to balance financial plans. The Council’s revenue reserves are largely earmarked for specific purposes and there are no financial resilience reserves other than the General Fund Balance. Earmarked reserves reduced by £19.7m in 2024/25 as they were utilised to fund planned expenditure or support the outturn position, with a £60.8m balance at the year end. It is essential that the Council mitigates the £2.6m forecast overspend in 2025/26 to prevent further unsustainable and unplanned drawdown of reserves.

Financial sustainability (continued)

Significant weakness identified relating to developing the Council-wide transformation plan and savings to balance the MTFS and protect the level of reserves (continued)

Evidence – Reserves (continued): The Council recognises in financial reporting that it is not sustainable or prudent to finance ongoing expenditure from one-off reserves, and the Council's benchmarking shows that Plymouth holds one of the lowest levels of reserves as a proportion of core spending power compared to 62 other upper tier authorities. We note that the Council does not model the medium-term trajectory for reserves as part of its financial planning.

Impact: The Council needs to identify and deliver significant savings to balance the budget over the period of the MTFS and achieve financial sustainability. This should be supported by an organisational-wide transformation programme supported by comprehensive reporting to Members. Budget pressures have required the planned and unplanned drawdown of reserves in 2024/25 in order to balance the position, which is not sustainable practice. Sufficient levels of reserves are required to mitigate financial risk and ensure unplanned costs do not impact on financial sustainability or service delivery.

Key Recommendation 1

KR1: The Council should further develop and implement the organisational wide transformation programme at pace and identify the significant savings required to help balance the MTFS and protect the level of reserves. This includes:

- Identifying a pipeline of savings that addresses the budget gaps identified in the MTFS, including identifying £10.0m of savings at pace in order to balance the 2026/27 budget.
- Continuing to develop and embed a standardised organisational wide approach to transformation governance, programme management and savings delivery.
- Ensuring that Cabinet receive progress reports on the development and delivery of the transformation programme, including resourcing, timescales, benefits and risks.
- Reviewing the clarity of reporting of savings delivery.
- Reviewing the minimum recommended level of the General Fund Balance to ensure that it is sufficient to mitigate financial risk.
- Reducing reliance on the use of one-off reserves to balance the revenue budget in order to allow reserves to be rebuilt to more prudent levels.
- Modelling and reporting on the trajectory of revenue reserves over the period of the MTFS.

Financial sustainability (continued)

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

Key Finding: The Council has a rapidly growing DSG deficit which represents a significant risk to financial sustainability should the statutory override end in March 2028. We have made a key recommendation that the Council should focus on urgently reducing the annual DSG deficit and develop a robust DSG Deficit Management Plan.

Evidence: The Council incurred a £14.3m DSG deficit for 2024/25, resulting in a cumulative deficit of £18.5m at March 2025. This was a step increase in the scale of the annual deficit, with a cumulative deficit of only £4.2m at March 2024. The DSG forecast for 2025/26 reported to the Schools Forum in June 2025 is for an in-year deficit of £27.0m, resulting in an estimated cumulative year-end DSG deficit of £45.5m. The growing deficit reflects growing demand for Education Help and Care Plans (EHCPs) for children with special educational needs and disabilities (SEND), which have increased by 27% between September 2023 and July 2025.

The cumulative DSG deficit at March 2025 exceeds the available General Fund Balance of £11.9m and if it continues to increase by the amount identified in Quarter 1 of the 2025/26 budget monitoring, it could potentially exceed both the General Fund Balance and Earmarked Reserves over the next two years. This represents a significant risk to financial sustainability should the statutory override end in March 2028. A growing cumulative DSG deficit also represents a drain on the cash available to the Council to fund capital investment through internal borrowing and make investments and so has an impact on treasury management costs.

We note that while the Schools Forum receives regular updates on the in-year DSG deficit position, Cabinet was not provided with updates on the DSG deficit during 2024/25 until the outturn report in May 2025. In addition, forecasts for the future trajectory of DSG deficits over the period of the MTFS are not provided to Members.

The Council is currently working on developing a DSG Deficit Management Plan and is updating forecasts of the DSG deficit over the next 10 years. These forecasts still require validation and will be impacted by the imminent government White Paper on SEND but show a rapidly increasing DSG deficit even with mitigation in the growth of EHCPs. The DSG Deficit Management Plan will be based on a shift to early intervention, prevention and cost avoidance while also increasing inclusivity in mainstream schools.

Financial sustainability (continued)

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

Evidence (continued): The Council has a SEND Sufficiency Plan which aims to create 250 additional specialist school places within the city and reduce reliance on high-cost independent specialist placements, with 58 places delivered to date, saving an average £45k per pupil per year and so representing £2.6m cost avoidance each year against the High Needs Block. In addition, the Council has delivered 10 assessment nursery places representing further potential cost avoidance of £0.8m. The Council is also using targeted funding in 2025/26 with £2.8m ring-fenced for mainstream schools to support prevention of escalation to independent specialist placements by ensuring needs are met at the earliest opportunity in school.

Impact: The growing DSG deficit represents a significant risk to financial sustainability should the statutory override end in 2028. The cumulative deficit also impacts the levels of cash available to the authority and therefore increases net treasury management costs.

Key recommendation 2

KR2: The Council should focus on urgently reducing the annual DSG deficit to increase financial resilience in the medium-term. This includes:

- Developing a robust DSG Deficit Management Plan to deliver programmes to reduce demand through prevention, early help and increased sufficiency for SEND places.
- Ensuring that forecasts and modelling of the impact of intervention are based on robust and validated data modelling.
- Reporting annual DSG deficit forecasts and trajectories for the medium-term regularly to Members as part of the budget monitoring process.

Financial sustainability (continued)

Significant weakness identified in relation to managing cost and demand in social care

Key Finding: Adults and Children’s Directorate budgets account for the majority of the Council’s net revenue budget (£209.9m or 83% in 25/26) and continuing cost and demand pressures on these budgets represent a significant risk to the Council’s financial sustainability. The 2024/25 budget included significant growth relating to Adult’s and Children’s social care, although the Adults and Children’s Directorates overspent at year end by a total of £14.4m. Significant growth is built into the 2025/26 budget, with further pressures modelled over the period of the MTFS. The management of cost and demand within these services is critical to achieving financial sustainability and we have raised a key recommendation.

Evidence – Adults Social Care: Significant growth was built into the 2024/25 budget for Adult Social Care (ASC), including care package cost and volume pressures (£5m) and national living wage (£5.4m). Despite the growth built into the budget, ASC overspent by £2.4m driven by care package costs and reduced client income. The 2025/26 budget includes further additional resources for social care packages (£7.7m) and national living wage (£4.4m), with further ASC pressures modelled in the MTFS at £4.0m per annum from 2026/27. While Quarter 1 2025/26 (June 2025) budget monitoring forecasts a net balanced position for the Adults, Health and Communities Directorate, a £1.2m pressure is identified relating to packages of care.

The Council has mobilised the Directorate’s Budget Containment Group to try to mitigate the pressures within ASC budgets and focus on high-risk areas to contain spend, including Domiciliary Care, Residential Care and client direct payments. Transformational work is also underway, including the prevention and reablement programmes, increasing ASC provision to reduce the need for high-cost out of area placements, and the City Help and Support Programme.

Evidence – Children’s Social Care: Significant growth was built into the 2024/25 budget for Children’s Social Care (CSC), including cost and volume pressures (£7.1m), increased social workers and support staff (£2.4m) and home to school transport (£2.1m). Despite the growth built into the budget, the Children’s Directorate overspent by £12.1m in 2024/25, with pressures noted in looked after children placements, legacy savings delivery plans, and staffing pressures. Residential placements were expected to total 50 by the end of 2024/25 but remained higher than 60 throughout the year, with weekly average costs higher than budgeted. The 2025/26 budget includes further significant growth (£16.3m) allocated to the Children’s Directorate to address continuing cost and demand pressures in addition to home to school transport growth (£2.1m). Further pressures for CSC are modelled in the MTFS rising to £4.5m per annum from 27/28. The Quarter 1 2025/26 (June 2025) budget forecast is for a £1.1m overspend relating to social care placements.

Financial sustainability (continued)

Significant weakness identified in relation to managing cost and demand in social care (continued)

Evidence – Children’s Social Care (continued): Transformational work is underway to mitigate cost and demand pressures within CSC including the SEND Sufficiency Plan, Steps Programme, Family Homes for Plymouth programme and City Help and Support Programme. There is also provision within the capital programme to increase the sufficiency of places within in-house children’s homes. The Local Government Association have been commissioned to review placements costs and trajectories to validate the accuracy of financial modelling.

Impact: Managing the ongoing cost and demand pressures within Adults and Children’s Social Care, which account for the majority of the Council’s service budget and service growth, is key to delivering financial sustainability. We have therefore raised a key recommendation to continue to develop mitigating actions.

Page 25

Key recommendation 3

KR3: The Council should focus on developing and delivering mitigating actions to manage demand and costs in relation to Adults and Children’s Social Services. Actions should include:

- Identifying and delivering actions to reduce demand through early help, prevention and ensuring the sufficiency of cost-effective placements.
- Refinement of financial and demand modelling to ensure that budgets are based on realistic assumptions.
- Managing overspends within the Directorate so as not to adversely impact on the Council’s outturn position.

Financial sustainability (continued)

Area for Improvement identified: affordability of the capital programme

Key Finding: The Council has an ambitious capital programme that utilises borrowing to fund expenditure and to deliver invest to save initiatives. The Council's capital financing costs are high and continue to grow. We have raised an improvement recommendation that the Council should review the capital programme to ensure it is affordable.

Evidence: The Capital Programme supports strategic objectives and is informed by the Corporate Plan Priority Outcomes, including schemes to support regeneration, transport infrastructure, housing, schools and public realm. The Capital Finance Strategy 2025/26 was considered alongside the Capital Programme in February 2025, setting out a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local services along with an overview of how risk is managed and the implications for financial sustainability.

The Capital Programme 2024/25 to 2028/29 as approved in February 2025 totals £395.9m and requires £223.6m of corporate and service borrowing, equating to 56% of funding. The Treasury Management Strategy 2025/26 models the capital financing requirement increasing from £866.4m at March 2024 to £1,192.8m at March 2027, a total increase of £326.4m or 38%. Minimum revenue provision is forecast to increase from £22.7m to £25.9m over the same period.

The Quarter 1 2025/26 (June) Finance Monitoring Report models the Prudential Indicator for the proportion of financing costs to net revenue stream increasing from 18.38% in 2024/25 to a projected 22.35% by 2027/28. Excluding service borrowing based on invest to save business cases, the Council's local indicator increases from 10.73% to 14.08% over the same period. Both of these measures show that financing costs are forecast to continue to rise significantly, and both are above the generally recognised prudent benchmark of 10%. The Council's own benchmarking identifies that Plymouth City Council ranks 60th out of 63 upper tier authorities (without a Housing Revenue Account) for the ratio of capital financing requirement as a percentage of core spending power.

The Council recognises the risk to financial sustainability presented by increasing capital financing costs over the medium term. The Council is reviewing its Capital Programme as part of the 2026/27 budget process to ensure that future schemes that require borrowing still align to strategic priorities and have robust business cases.

Impact: Increasing capital financing costs present a pressure within the MTFs and a risk to future financial sustainability.

Improvement Recommendation 1

IR1: The Council should continue to review the capital programme to ensure that it remains affordable over the medium term. Alternative sources of funding, such as grants and capital receipts should be identified where possible.

Financial sustainability (continued)

Area for Improvement identified: sensitivity analysis of key financial assumptions

Key Finding: The MTFS does not include a comprehensive sensitivity analysis for key assumptions. The improvement recommendation we raised in 2023/24 remains open.

Evidence: We raised an improvement recommendation in 2023/24 that the MTFS should include a sensitivity analysis where levels of income and expenditure are varied to identify best, likely and worst-case scenarios.

We note that whilst the MTFS includes a high-level sensitivity analysis for a 1% change in assumptions for inflation, pay awards and interest rates, there is not a comprehensive sensitivity or scenario analysis. Devon Assurance Partnership's review of compliance with the CIPFA Financial Management Code also noted limited sensitivity analysis which does not test a broad range of financial scenarios or high-risk areas. We therefore consider that this improvement recommendation remains open.

Impact: A comprehensive sensitivity analysis of key financial assumptions within the budget provides for better understanding and oversight of risk to the delivery of the approved budget.

Improvement Recommendation 2

IR2: The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Audit & Governance Committee and Scrutiny Management Board receive regular Risk Management Monitoring Reports. Risk Management Monitoring Reports include a summary Strategic Risk Register that lists all current and removed strategic risks, risk description, service area, key controls, mitigations and risk scores. We note that the summary risk registers provided do not include the risk owner or map risk to corporate priorities. We consider it best practice to include this information, and the Council should consider doing so in future risk register reports. The Corporate Management Team provides oversight of strategic risk. We note, however, that the Council has not established a wider officer group that includes risk champions from Directorates to ensure that risk identification and management is consistently embedded across the organisation. This was one of the recommendations made by internal audit in their review of risk management, and so we have not made a further recommendation in this report. We raised an improvement recommendation in 2023/24 that the information on the Corporate Risk Register should be reviewed. The Council can demonstrate that risks are reviewed and updated, and we have closed this recommendation. The Council has adequate risk management arrangements in place, and we have not raised further recommendations. As outlined above, there are opportunities to consider to further strengthen arrangements. The Council has an effective internal audit function provided by Devon Assurance Partnership. The Audit & Governance Committee approve the annual risk based-plan and receive progress reports on plan delivery and implementation of management actions. Internal audit provided a Reasonable Assurance opinion for the adequacy and effectiveness of the internal control framework in 2024/25. We raised an improvement recommendation in 2023/24 that the annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals. This improvement recommendation remains open (Page 31).	A

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Council has an adequate annual budget setting process. This includes consideration of the latest financial monitoring position identified against the base budget in the current financial year and review of all base budget income and expenditure lines. There is adequate engagement from senior managers, Cabinet and Budget Scrutiny during the budget setting process. Savings plans are signed off by Directorates and subject to check and challenge by Corporate Management Team and Budget Scrutiny. The Council also undertakes an annual public budget engagement exercise.	G
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	Cabinet receives quarterly Finance Monitoring Reports which include the overall budget forecast, detailed narrative for Directorate positions, summary table of savings delivery by Directorate, capital programme and prudential indicators. Quarterly Finance Monitoring Reports would be strengthened and provide for a more comprehensive understanding of the Council’s financial position if they included an analysis of reserves, the DSG deficit and a more comprehensive summary of savings delivery without having to refer to individual Directorate appendices. The MTFS would also be strengthened by including a forecast of levels of reserves over the medium-term. Strengthening reporting in these areas forms part of Key Recommendations 1 and 2 raised in the financial sustainability section of this report (Pages 19-23). We judge this criteria justifies an Amber RAG rating reflecting the significant weakness identified in the financial sustainability section. The responsibilities for budgetary control and management are clearly set out in the Council’s Financial Regulations. The internal audit review of Budget Management 2025/26 provided reasonable assurance, confirming that budget planning, monitoring and reporting processes are broadly effective and aligned to strategic priorities. Areas for improvement were identified including ensuring strengthened and consistent training for budget holders and an action plan has been agreed with management. We have therefore not raised any further recommendations in this report.	A

G

A

R

No significant weaknesses or improvement recommendations.

No significant weaknesses, improvement recommendations made.

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council considered the Armada Way Independent Learning Review in June 2025, with reference to a decision made in March 2023 which resulted in legal challenges, further consultation on the design of the regeneration scheme, and a significantly increased capital budget. The review made 18 recommendations for improving governance and decision making and the Council is progressing the associated action plan. We have made an improvement recommendation that the Council should ensure it maintains the positive trajectory strengthening governance arrangements as a result of the learning review (Page 32). We have found no evidence of unlawful or inappropriate decision making during 2024/25 and the Council can demonstrate a suitable tone from the top. Decision making is supported by adequate Scrutiny arrangements and an effective Audit & Governance Committee.	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	Arrangements are in place to ensure compliance with legislative and regulatory requirements and standards. These include Codes of Conduct for Members and officers, Registers of Interest, and Registers of Gifts & Hospitality. We have not found any evidence of significant regulatory breaches, data breaches or cyber-attacks during 2024/25. The Council has continued to strengthen company governance arrangements during 2024/25, and the Audit & Governance Committee approved the Family of Companies Governance Framework in September 2024. The Council has a Procurement Strategy in place that sets out strategic procurement themes and enablers. The Audit & Governance Committee received their first annual Procurement Strategy Report 2024/25 in July 2025, confirming processes have been updated to ensure compliance with the Procurement Act 2023. The Council reports the total number and value of procurement waivers and non-complaint procurements to the Audit & Governance Committee through the annual Procurement Strategy Report. We have raised an improvement recommendation that the Audit & Governance Committee should be provided with periodic reports providing the detail of individual procurement waivers and breaches in order to support effective oversight and challenge where processes designed to achieve value for money have not been followed (Page 33).	A

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

Governance (continued)

Area for Improvement identified: fraud referral annual reporting

Key Finding: The improvement recommendation raised in 2023/24 to strengthen fraud referral annual reporting remains open.

Evidence: We raised an improvement recommendation in 2023/24 that the annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences.

The Counter Fraud Annual Report 2024/25 confirms that 203 allegations of fraud were received and processed but does not provide a summary of high-level outcomes or how the Council's internal control framework has been strengthened as a result of fraud investigations.

Impact: Providing this information will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.

Improvement Recommendation 3

IR3: The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.

Governance (continued)

Area for Improvement identified: Armada Way Independent Learning Review

Key Finding: The Armada Way Independent Learning Review identified 18 recommendations to strengthen governance and decision making. The Council is making progress implementing the associated action plan. We have made an improvement recommendation to ensure this positive trajectory is maintained.

Evidence: Armada Way is a strategic city centre regeneration scheme. Following an urgent decision made in March 2023, 110 trees were felled as part of the works with no opportunity for scrutiny or public debate. An injunction was sought by members of the public and works halted. Due to legal challenges and further consultations on scheme design there have been substantial delays in progressing the scheme. Following rescoping and redesigning the scheme, the budget has increased to £29.9m. The Council announced a commitment for an independent learning review in July 2023, which was also a requirement of the High Court Order of March 2024 which dismissed the need for a Judicial Review as academic.

The Council received the Armada Way Independent Learning Review Report in June 2025 alongside an action plan to address the 18 recommendations raised. Recommendations raised relate to improving governance around decision making and urgency provisions, the approach to Scrutiny and Cabinet, reviewing the approach for the pre-election period, extension of the Council's Forward Plan for decision making, refreshing good governance training and the importance of engagement and consultation.

The Action Plan is being monitored by a sub-group of the Audit & Governance Committee. The approach to decision making has been strengthened and a Decision-Making Guide developed, and a new system of recording officer decisions introduced to increase transparency. The Terms of Reference for capital project boards are under review, and a Capital Programme Handbook was introduced in 2024. The role of the Scrutiny Management Board has been enhanced as has the role of Statutory Officers who have met on a formal basis since July 2024. The Council's Monitoring Officer is currently leading a wider governance review of the decision-making processes within the Constitution.

Impact: Addressing the recommendations within the Independent Learning review will strengthen governance and decision-making arrangements.

Improvement Recommendation 4

IR4: In line with the action plan approved by Full Council, the positive trajectory strengthening governance and decision-making arrangements as a result of the Armada Way Independent Learning Review should be maintained. Progress should be regularly reported to the Audit & Governance Committee.

Governance (continued)

Area for Improvement identified: reporting procurement waivers and non-compliant procurements to those charged with governance

Key Finding: The Council reports the total number and value of procurement waivers and non-complaint procurements to the Audit & Governance Committee through the annual Procurement Strategy Report. We have raised an improvement recommendation to strengthen oversight by providing detailed reports periodically to the Committee.

Evidence: The Procurement Strategy Report 2024/25 highlights 33 procurement waivers were approved during 2024/25 with a total value of £3.3m. The report confirms that waivers were authorised in accordance with Contract Standing Orders. In addition, there were 41 cases of non-compliance with procurement rules with a total value of £1.9m, which equates to 0.5% of the Council's annual spend. The average value of a non-complaint procurement was £46k, where a complaint process would require a minimum of 2 quotations.

We are satisfied that the Council has in place arrangements to request and approve procurement waivers, that Contract Standing Orders set out the process for reporting procurement breaches, and that the value of waivers and non-compliance is relatively low. While the Procurement Strategy Report 2024/25 highlights the number and value of waivers and non-compliance, the Audit & Governance Committee are not provided with a list of individual waivers and non-compliant procurements, their value, and the reason a compliant procurement exercise was not or could not be undertaken. We consider it best practice that those charged with governance receive periodic detailed reports on procurement waivers and breaches in order to support effective oversight and challenge of where processes designed to achieve value for money have not been followed.

Impact: Providing reports that detail the reasons and value for individual procurement waivers and non-compliant procurements will increase the oversight and challenge by those charged with governance and better hold officers to account for achieving value for money through procurement activity.

Improvement Recommendation 5

IR5: The Audit & Governance Committee should be provided with periodic reports providing the detail of individual procurement waivers and non-compliance in order to support effective oversight and challenge where processes designed to achieve value for money have not been followed.

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	The Council has arrangements in place to manage and report performance. The Scrutiny Management Board and Cabinet receive Corporate Plan Performance Reports and there is further oversight of performance by Scrutiny Committees and Corporate and Directorate Management Teams. The Council have a Performance and Accountability Framework that was last updated in November 2024 and are currently refreshing the Performance Framework. We note that Scrutiny Management Board and Cabinet received half-yearly performance reports in 2024/25. It is considered best practice to report performance quarterly and for reported performance indicators to have targets. Arrangements could also be strengthened in the use of data and AI tools in a consistent way across the organisation. We have raised an improvement recommendation to strengthen arrangements as part of the development of a revised Performance Framework (Pages 37-38).	A
evaluates the services it provides to assess performance and identify areas for improvement	The Council can demonstrate significant activity is underway and progress is being made to deliver the Achieving Excellence Strategy and drive improvement within Children’s Services. We raised a key recommendation in 2023/24 that the Council should fully cost the improvements identified through the Achieving Excellence Strategy and incorporate these into financial plans. The Council is funding the cost of the Children’s transformation programme through the flexible use of capital receipts as set out in the Outturn Report 2024/25 and Flexible Use of Capital Receipts Strategy 2025/26. The Council has addressed this key recommendation. We raised a key recommendation in 2023/24 that the Council should ensure appropriate arrangements are in place to address the actions raised in the Joint Local Area SEND Inspection. The Local Area SEND Partnership can evidence that significant progress is being made in delivering the required improvements through the SEND Improvement Plan. However, this key recommendation will remain open pending the review and potential lifting of the Improvement Notice following further inspections by Ofsted and the Care Quality Commission (CQC) (Page 36).	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
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council works with a wide range of partners to develop and deliver strategic priorities. Partnerships include the Local Area SEND Partnership, Safeguarding Adults and Children’s Partnerships, Homes England and the Safer Plymouth Community Safety Partnership. The Plymouth Plan 2014-2034 sets a shared direction of travel for the city for economic, transport, housing, health and wellbeing needs. The Plan recognises the importance of partnership and co-operative working with local people, businesses, developers and partners. The SEND Sufficiency Plan 2024-2030 and South West Devon Joint Local Plan are further examples of partnership working to deliver strategic priorities and consultation with key stakeholders. The Council is working with Homes England to deliver over 10,000 homes in order to kickstart a transformational regeneration programme. Cabinet have been kept updated on the progress made developing this strategic partnership, and a Memorandum of Understanding has been approved and a Strategic Regeneration and Infrastructure Board established while the model for a future Joint Venture is being explored.	G
commissions or procures services, assessing whether it is realising the expected benefits	Contract Standing Orders provide the framework for contract management and monitoring, including the requirement for all contracts to have a designated contract manager responsible for overseeing contract performance and compliance. Contract management is delegated to the relevant service area. Currently there is no central oversight of contract management or processes in place to provide assurance that contracts are being effectively managed. Contracts are not categorised by value and impact on service delivery to determine proportionate contract monitoring arrangements according to risk. We have raised an improvement recommendation that the Council should strengthen contract management arrangements (Page 39).	A

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

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified relating to the Joint Local Area Special Educational Needs and Disabilities (SEND) inspection

Key Finding: We raised a key recommendation in 2023/24 that the Council should ensure appropriate arrangements are in place to address the actions raised in the Joint local Area SEND Inspection. The Local Area SEND Partnership can evidence that significant progress is being made in delivering the SEND Improvement Plan. However, this key recommendation will remain open and has been updated pending the lifting of the Improvement Notice following further inspections by Ofsted and the CQC.

Evidence: Following a joint Ofsted and Care Quality Commission Local Area SEND Inspection, an Improvement Notice was issued in November 2023 in response to the widespread and systematic weaknesses identified through the inspection. This resulted in the Local Area SEND Partnership developing an Improvement Plan that reflects the priorities within the SEND Strategy 2023-2026.

Progress in delivering the Improvement Plan is reported to the Children Young People & Families Scrutiny Panel and Cabinet and is overseen by the Local Area SEND Improvement Board. The Partnership can demonstrate that significant progress is being made delivering the required improvements. Governance arrangements have been strengthened through the Improvement Board and Strategic Leadership Board. The targeted approach to inclusion has been improved with 30 schools supporting 300 pupils by implementing an alternative curriculum pathway for children without Education Health and Care Plans (EHCPs). A multi-disciplinary Vulnerable Pupils Panel is in place to provide early targeted intervention to reduce permanent exclusions, with a 50% reduction in exclusions noted for pupils with EHCPs. The Council is ahead of its planned trajectory to reduce the backlog of EHCPs, with process improvements delivering increases in completed EHCPs. There were 69 final EHCPs issued in August 2025, compared to a previous average of 40 a month, and work continues to improve compliance with the 20-week target. The original SEND Improvement Plan has been completed, and a second updated Plan is now in place.

Cabinet approved the SEND Sufficiency Plan 2024-2030 in September 2024 that identifies options and delivery models to increase the sufficiency of places in mainstream, satellite and specialist schools. To date 58 specialist maintained school places have been delivered with further in development.

Impact: The Local Areas SEND Partnership should continue the momentum and positive trajectory in delivering improvements in SEND services in order to facilitate the lifting of the Improvement Notice at the next inspection.

Key Recommendation 4

KR4: The Council should continue to embed the improved arrangements that are in place with partners to address the actions raised in the Joint Local Area SEND inspection and resultant Improvement Notice.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: continuing to strengthen performance management

Key Finding: The Council provides Corporate Plan Performance Reports to Cabinet and the Scrutiny Management Board and is refreshing the Performance Management Framework. There are opportunities to further strengthen performance management, and we have raised an improvement recommendation.

Evidence: The Scrutiny Management Board received Corporate Plan Performance Reports in January 2025 (Quarter 2 2024/25) and September 2025 (Quarter 4 2024/25). Cabinet received a Corporate Plan Performance Report in November 2024 (Quarter 2 2024/25) and September 2025 (Quarter 4 2024/25). Corporate Plan Performance Reports provide key performance metrics for each of the Corporate Plan priorities. Performance indicators provide summaries of previous and current performance metrics for each indicator, and the reports provide further information on performance trajectories over time using graphs and tables. We note that the performance indicators reported to Members do not include targets. Scrutiny Panels also receive performance reports for the areas under their remit.

The Corporate Management Team and Directorate Management Teams receive monthly key performance indicator reports that cover service performance.

The Council have a Performance and Accountability Framework that was last updated in November 2024 and sets out the performance and accountability system and how performance is monitored and reported. We understand that a refreshed Performance Framework is currently being developed. One area where the need for development is recognised is in the use of data and AI to drive automated performance management across the Council. The Council is rolling out digital apprenticeships across the organisation to strengthen capability in this area. There are currently some automated performance dashboards within services that use PowerBI, but this is not universal, and the compilation of some performance data remains a manual exercise.

We have identified that there are opportunities to further strengthen performance management. We recommend that the Council approves a revised Performance Management Framework and embeds this across the organisation in order that performance management processes reflect current best practice and organisational structures. This includes how the Council will use data and AI in order to ensure that performance information on which decisions are made is based on comprehensive, up to date, consistent and validated data.

Performance reporting to Cabinet and the Scrutiny Management Board should be timely and on a quarterly basis to ensure there is adequate oversight of how the Council is performing. The Council should also review the key performance indicators (KPIs) reported in Corporate Plan Performance Reports to ensure they provide for sufficient overview of service performance as well as corporate priority performance and develop targets for KPIs to improve the assessment of whether performance is strong or weak. We have therefore raised an improvement recommendation.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: continuing to strengthen performance management (continued)

Impact: Opportunities have been identified to strengthen the reporting and oversight of corporate and service performance that should be considered as the revised Performance Management Framework is developed.

Improvement Recommendation 6

IR6: The Council should continue to strengthen performance management across the organisation. This includes:

- Providing the Cabinet and Scrutiny Management Board with quarterly performance reports as opposed to half-yearly reports.
- Reviewing KPIs to ensure that they provide sufficient overview of service performance and develop targets against which to assess performance
- Developing the skills, capacity and tools across the organisation to make best use of data and AI in performance management.

Improving economy, efficiency and effectiveness

Area for Improvement: contract management

Key Finding: Contract Standing Orders provide the framework for contract management, with the management of contracts delegated to service areas. The Council does not categorise contracts by value and risk to determine the level of contract monitoring required and there is no central oversight that contracts are being managed effectively. We have raised an improvement recommendation.

Evidence: Contract Standing Orders provide the framework for contract management and monitoring, including the requirement for all contracts to have a designated contract manager responsible for overseeing contract performance and compliance. Contract management is delegated to the relevant service area. The Procurement Team provide advice and guidance for contract management but do not have responsibility for managing contracts.

The first year of the Procurement Strategy 2024-2026 focussed on embedding the requirements of the Procurement Act 2023. We understand that the Council plans to develop the corporate approach to contract management over the next 12 months and are working with an external consultant to refine the procurement operating model. Currently there is no central oversight of contract management or processes in place to provide assurance that contracts are being effectively managed. Contracts are not categorised by value and impact on service delivery to determine proportionate contract monitoring arrangements according to risk. We have seen this practice in other councils where contracts are categorised as Gold, Silver, or Bronze to determine the level and frequency of contract monitoring and we consider this best practice. We have raised an improvement recommendation that the Council should strengthen contract management arrangements.

Impact: The Council currently risks not realising value for money from the delivery of its contracts.

Improvement Recommendation 7

IR7: The Council should strengthen contract management arrangements by:

- Implementing processes to provide central oversight and assurance that contracts are being monitored and managed effectively.
- Developing the contract management framework to categorise contracts by value and impact on service delivery and develop proportionate contract management processes according to risk.

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

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR1 The Council should further develop and implement the organisational wide transformation programme at pace and identify the significant savings required to help balance the MTFS and protect the level of reserves. This includes: - Identifying a pipeline of savings that addresses the budget gaps identified in the MTFS, including identifying £10.0m of savings at pace in order to balance the 2026/27 budget. - Continuing to develop and embed a standardised organisational wide approach to transformation governance, programme management and savings delivery. - Ensuring that Cabinet receive progress reports on the development and delivery of the transformation programme, including resourcing, timescales, benefits and risks. - Reviewing the clarity of reporting of savings. (Continued overleaf)	Financial sustainability (pages 19-21)	Actions: Plymouth City Council recognises the need maintain the alignment and coherence between its transformation programme and the Medium-Term Financial Strategy (MTFS) to ensure long-term financial sustainability. The updated and recently published MTFS sets out a clear strategic direction, underpinned by the “Prevention First” approach and the City Help & Support programme, which aim to reduce demand on high-cost services and embed early intervention across the organisation. The Council is actively developing a Council-wide transformation programme, supported by the establishment of a Programme Management Office with transformation functions and capabilities. This will provide delivery assurance, risk management, and business analysis to ensure transformation is embedded consistently across directorates. There will be a specific element of transformation finance to identify, evaluate and propose in-year measures for delivery in response to the budget gap. Directorates are working to identify and deliver savings proposals to address the £13.657m budget gap forecast for 2026/27. These proposals build on the work undertaken for the 2025/26 budget and will be supported by robust financial modelling and governance arrangements. Portfolio holders have received updates on the development and delivery of the mid- to long-term City Help and Support programme. This has to date been focussed on establishing the programme strategy and ensuring there is clarity about determining outcomes, with details set out in the recently issued MTFS. Work is underway to further develop the business case and Cabinet will be appropriately engaged in due course. Responsible Officer: Chief Operating Officer Due Date: March 2026

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR1 The Council should further develop and implement the organisational wide transformation programme at pace and identify the significant savings required to help balance the MTFS and protect the level of reserves. This includes: (Continued) • Reviewing the minimum recommended level of the General Fund Balance to ensure that it is sufficient to mitigate financial risk. • Reducing reliance on the use of one-off reserves to balance the revenue budget in order to allow reserves to be rebuilt to more prudent levels. • Modelling and reporting on the trajectory of revenue reserves over the period of the MTFS.	Financial sustainability (pages 19-21)	Actions: The Council is committed to maintaining a prudent level of reserves. The MTFS includes annual contributions to replenish the General Fund Balance and outlines a revised approach to the 5% target, however the approach and policy clearly needs to be reviewed in light of changes to the Settlement Funding Assessment under Fair Funding 2.0 – hence this work has been deferred to second half of 2025-26. Acknowledging the need to provide transparency of savings plan delivery, the Council has enhanced its budget monitoring to provide a clear overview. As part of the 2026-27 budget setting further enhancement will be considered to appropriately report upon savings plans agreed. Responsible Officer: Service Director for Finance (s151 Officer) Due Date: March 2026

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR2 The Council should focus on urgently reducing the annual DSG deficit to increase financial resilience in the medium-term. This includes: - Developing a robust DSG Deficit Management Plan to deliver programmes to reduce demand through prevention, early help and increased sufficiency for SEND places. - Ensuring that forecasts and modelling of the impact of intervention are based on robust and validated data modelling. - Reporting annual DSG deficit forecasts and trajectories for the medium-term regularly to Members as part of the budget monitoring process.	Financial sustainability (pages 22–23)	Actions: The DfE DSG Management Plan is a planning and reporting tool designed for local authorities to manage their Dedicated Schools Grant (DSG), particularly where there is a deficit or a significant reduction in surplus. It helps authorities forecast spending, monitor Education, Health and Care Plan (EHCP) numbers, and develop strategies for high needs provision. The work to project costs and reduce demand through early intervention and prevention is already underway. Submission of this plan to DfE is planned to be completed by December 2025, following which it will be regularly updated and presented at schools forum. We have engaged with the LGA to provide support on an independent assessment of our approach to modelling to assist with financial planning, with a report anticipated within the next three weeks. Initial feedback has confirmed we have put the correct actions in place to mitigate risks of a worst-case scenario deficit. The SEND Sufficiency Strategy and Action Plan is partially complete and will replace the former SEND Sufficiency Strategy and Plan. The remaining work to include is the Alternative Provision Strategy and a detailed action plan to deliver the strands of the strategy. This is due to be completed for discussion with relevant portfolio holders in December. Responsible Officer: Service Director for Education, Participation and Skills Due Date: December 2025. Actions: The annual DSG deficit forecast will be included in the budget monitoring reporting presented to Cabinet on a quarterly basis. Reporting on the medium-term deficit trajectory has been included in the MTFs and will be further updated as the annual budget process is completed. Responsible Officer: Service Director for Finance (s151 Officer) Due Date: March 2026

Key recommendations raised in 2024/25

Recommendation	Relates to	Management Actions
KR3 The Council should focus on developing and delivering mitigating actions to manage demand and costs in relation to Adults and Children’s Social Services. Actions should include: - Identifying and delivering actions to reduce demand through early help, prevention and ensuring the sufficiency of cost-effective placements. - Refinement of financial and demand modelling to ensure that budgets are based on realistic assumptions. - Managing overspends within the Directorate so as not to adversely impact on the Council’s outturn position.	Financial sustainability (pages 24–25)	Actions: We continue to prioritise work to embed the Prevention First approach across service delivery. This includes near term work to address placement costs as well as accelerating the City Help & Support programme, which brings together cross-functional teams to deliver early help and targeted interventions that reduce reliance on high-cost, crisis-driven services. The Council is expanding its sufficiency of cost-effective placements by investing in in-house provision. Financial and demand modelling will continue to be refined to ensure budgets are based on realistic and evidence-led assumptions. This includes separating inflationary pressures from demand-driven growth, using predictive analytics to forecast service needs, and improving transparency in cost and volume modelling. Responsible Officer: Director Children’s Services Due Date: March 2026 Actions: In-year progress against these actions will be reported to Cabinet and Scrutiny, with financial outcomes from demand suppression incorporated into the 2026/27 budget and the 5-year MTFP to be published alongside. Responsible Officer: Service Director for Finance (s151 Officer) Due Date: March 2026

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR4	The Council should continue to embed the improved arrangements that are in place with partners to address the actions raised in the Joint Local Area SEND inspection and resultant Improvement Notice.	Economy, efficiency and effectiveness (page 36)	Actions: There are already robust systems in place including a strong governance structure and an independently chaired SEND Improvement Board, with membership across the partnership. The board oversees the delivery of the SEND Strategy and Delivery Plan. Workstreams are also led by leaders across the partnership and there is strong evidence of impact. Independent support and challenge has also been provided by the Department for Education through SEND stock take and critical reviews and there is evidence from these activities that improvements have been made, with positive impact for children, young people and families. Responsible Officer: Service Director for Education, Participation and Skills Due Date: <i>[in place and ongoing]</i>

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
IR1	The Council should continue to review the capital programme to ensure that it remains affordable over the medium term. Alternative sources of funding, such as grants and capital receipts should be identified where possible.	Financial sustainability (page 26)	Actions: The Council is actively reviewing its capital programme, with work being undertaken as part of the current budget round and will be used to inform the development of the 2026–27 Capital Strategy. The review will assess the cumulative financing requirement of historic, ongoing, and planned investment, ensuring that borrowing costs remain affordable and are sustainable within the Council’s wider revenue budget. In parallel, the Council continues to explore and secure alternative sources of funding, including external grants, capital receipts, and invest-to-save initiatives. These funding streams are managed through robust governance arrangements, including scrutiny and endorsement by the Capital Programme Officer Group and oversight by specialist finance teams, to ensure financial risks are identified and mitigated at project inception and throughout the project lifecycle. The outcomes of this review will be published in the Capital Strategy and presented to Members as part of the February budget setting process. Responsible Officer: Service Director of Finance (s151 Officer) Due Date: February 2026

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
IR2	The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.	Financial sustainability (page 27)	Actions: The recently updated and issued MTFS document includes enhanced sensitivity of key income assumptions. Specifically, it presents percentage changes in income under different scenarios, allowing for a comparative view of how optimistic or pessimistic assumptions affect the overall resource envelope. It is acknowledged that the sensitivity analysis is focussed to income-side variations and does not extend to expenditure assumptions or model full best-case, likely-case, and worst-case scenarios. This was considered important given degree of uncertainty currently faced due to the local authority financing reforms. In year budget management and reporting are used to manage expenditure outcome scenarios against plan, an approach considered appropriate given the parameters under which budget delivery is achieved. With a move to multi-year settlement, the MTFP document to be issued for the 5-year period from 2026-27 will be enhanced to include a broader sensitivity analysis section. This will take into consideration the metrics suggested in this recommendation. Responsible Officer: Service Director of Finance (s151 Officer) Due Date: February 2026

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
IR3	The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.	Governance (page 31)	Actions: We acknowledge that this recommendation remains outstanding and agree that reporting fraud investigation outcomes will support a more comprehensive understanding of the measures in place for preventing and detecting fraud. While not all fraud cases result in direct control improvements, particularly where incidents are isolated rather than systemic, we recognise the importance of capturing lessons learned and integrating these into audit activity and reporting. We are working with our colleagues in Devon Assurance Partnership (DAP), who lead on the delivery of our counter fraud initiatives, to address this. They have confirmed an approach that will ensure the Counter Fraud Report content is updated under a consistent approach across all DAP partners for the 2025/26 end-of-year reporting, ensuring enhanced transparency and shared learning. Responsible Officer: Service Director of Finance (s151 Officer) Due Date: July 2026

Improvement recommendations raised in 2024/25

Recommendation		Relates to	Management Actions
IR4	In line with the action plan approved by Full Council, the positive trajectory strengthening governance and decision-making arrangements as a result of the Armada Way Independent Learning Review should be maintained. Progress should be regularly reported to the Audit & Governance Committee.	Governance (page 32)	Actions: The Council has already established a dedicated Audit and Governance Sub-Committee to oversee the implementation of the Armada Way Independent Learning Review Action Plan. This sub-committee provides focused scrutiny and assurance on progress against the recommendations. Key updates have been provided to the sub-committee across all thematic areas, including governance, project management, consultation and engagement, environmental regulations, employee wellbeing, and training and development. An initial progress reports was presented at its first meeting in October 2025, with a further meeting planned for December. Updates will be presented to the Audit & Governance Committee following both of these meetings. In addition, the Corporate Management Team (CMT) maintains oversight of implementation of the Action Plan, with regular reporting to CMT meetings. Responsible Officer: Service Director for Legal (Monitoring Officer) Due Date: March 2026

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR5	The Audit & Governance Committee should be provided with periodic reports providing the detail of individual procurement waivers and non-compliance in order to support effective oversight and challenge where processes designed to achieve value for money have not been followed.	Governance (page 33)	Actions: The Procurement Service currently captures and records data relating to waivers and non-compliances at the point of occurrence. We recognise the need to enhance visibility of this data to enable more effective oversight and challenge, particularly in instances where established processes intended to secure value for money have not been followed. To support this, we are actively working with the Oversight & Governance Team to ensure this information is shared with the Council’s leadership teams on a scheduled and consistent basis. Responsible Officer: Service Director of Finance (s151 Officer) Due Date: December 2025

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR6	The Council should continue to strengthen performance management across the organisation. This includes: • Providing the Cabinet and Scrutiny Management Board with quarterly performance reports as opposed to half-yearly reports. • Reviewing KPIs to ensure that they provide sufficient overview of service performance and develop targets against which to assess performance • Developing the skills, capacity and tools across the organisation to make best use of data and AI in performance management.	Economy, efficiency and effectiveness (pages 37-38)	Actions: The Council has started a programme of change which will further develop Performance Management, including how we manage, access and make data informed decisions. There are a number of activities underway, including a further review of our current ‘Performance and Accountability Framework’, and delivery of a series of enhancements to meet the reporting requirements from relevant stakeholders. This will include reviewing the frequency of delivery and how we make the information available, including targets where appropriate. Concurrently we will continue to build our programme to deliver Data, Insights and AI capability, which will focus on embedding innovation and talent development. Responsible Officer: Chief Operating Officer Due Date: March 2026

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR7	The Council should strengthen contract management arrangements by: - Implementing processes to provide central oversight and assurance that contracts are being monitored and managed effectively. - Developing the contract management framework to categorise contracts by value and impact on service delivery and develop proportionate contract management processes according to risk.	Economy, efficiency and effectiveness (page 39)	Actions: The Procurement Service is currently undertaking a project in collaboration with external procurement consultants, V4 Services, to design - and where appropriate - support the implementation of a fit-for-purpose Procurement Target Operating Model. This initiative involves a multi-phase approach, addressing several key aspects of how the Council conducts its procurement activities. One of the primary focus areas within this work is the enhancement of Contract Management practices. Phase 2 of the project is scheduled for completion at the end of November 2025 alongside the presentation of its outcomes and recommendations. These will outline both the immediate actions that can be undertaken and a proposed roadmap for addressing future changes or areas requiring further attention in subsequent phases of the project. Responsible Officer: Service Director of Finance (s151 Officer) Due Date: December 2025 <i>for initial findings and development of timetable for future actions</i>

06 Follow up of previous Key recommendations

Follow up of 2023/24 Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action
KR1	The Council should implement its plans for its council wide transformation programme at sufficient scale and pace to demonstrate that it is able to address the significant structural budget deficit. This should include: • cohesive reporting to Cabinet on the planned resourcing, timescales, milestones, savings and outcomes from its council wide transformation programme, bringing together work planned and delivered by directorates; • detailing the planned annual savings and how these reconcile to the forecast savings required in the revised Medium Term Financial Strategy 2025/26 to 2029/30.	2023/24	The Council’s MTFS identifies that significant cumulative savings of £28.4m are required to balance the budget up to 2029/30. The MTFS does not explicitly identify how the identified budget gaps will be addressed by the Council’s developing transformation programme. While there are Directorate transformation programmes in place in Adults and Children’s Services, and other Council-wide programmes are gaining momentum such as enabling activity and the City Help and Support Programme, the Council-wide programme requires further development and embedding in order to identify and deliver the scale of savings required. To date Cabinet have not received any formal reports on the development of the Council-wide transformation programme, the resources required to deliver it, or the planned benefits and how they reconcile to the requirements of the MTFS.	Work in progress. Recommendation not fully implemented.	We raised two key recommendations in 2023/24 relating to implementing the Council-wide transformation programme at scale and pace and having a robust response to financial matters. We have updated these into a single key recommendation for 2024/25.

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR2	Given the increased level of financial stress the Council is facing Members need to ensure that there is a robust response to financial matters with a more detailed version of the Council’s Medium Term Financial Strategy, early in 2024/25, to address how it will mitigate the risks against the financial stress indicators. Progress in delivering transformation plans should be tracked by Cabinet each month and periodically reviewed by the relevant Scrutiny Committee for the service.	2023/24	Members have received regular updates to the MTFS during 2024/25. The updated MTFS that was provided when the Council set the 2025/26 budget in February 2025 did not provide the detail of how cumulative gaps of £10.0m in 2026/27, increasing to £28.4m by 2029/30, would be balanced. To date Cabinet have not received any formal reports on the development of the Council-wide transformation programme, the resources required to deliver it, or the planned benefits and how they reconcile to the requirements of the MTFS. We understand that the Council is currently working on a revised MTFS for presentation to Cabinet in November 2025 and which will include the progress made developing longer-term plans to deliver savings and Council-wide transformation.	Work in progress. Recommendation not fully implemented.	We raised two key recommendations in 2023/24 relating to implementing the Council-wide transformation programme at scale and pace and having a robust response to financial matters. We have updated these into a single key recommendation for 2024/25.

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR3	The Council should: • ensure appropriate arrangements are in place with partners to address the actions raised in the Joint Areas SEND inspection and resultant Improvement Notice; and • fully cost the improvements identified through the "Achieving Excellence Strategy", approved in July 2024, and incorporate these into the Council's updated financial plans, with relevant timeframes identified.	2023/24	The Outturn Report 2024/25 confirms that the One Children's Services Improvement and Transformation Programme played a key role in addressing OFSTED inspection outcomes, with £1.4m of capital receipts utilised in-year to support Children's Services transformation. The Flexible Use of Capital Receipts Strategy 2025/26 includes an allocation of £0.8m to create an excellent One Children's Service Portfolio as part of the Achieving Excellence 3-Year Plan, which is expected to support the delivery of the £3.1m savings target for Children's Services. The Council has addressed this element of the key recommendation. The Local Area SEND Partnership can evidence that significant progress is being made in delivering the required improvements through the SEND Improvement Plan. However, this element of the key recommendation will remain open pending the lifting of the Improvement Notice following further inspections by Ofsted and the CQC.	Partly implemented.	The SEND improvement element of this recommendation remains open and has been updated.

07 Appendices

Appendix A: Responsibilities of the Council

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

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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

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

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The MTFS should include a sensitivity analysis where levels of assumed income and expenditure are varied to identify the best, likely and worst-case scenarios.	2023/24	We note that while the MTFS includes a high-level sensitivity analysis for a 1% change in assumptions for inflation, pay awards and interest rates, there is not a comprehensive sensitivity analysis. Devon Assurance Partnership’s review of compliance with the CIPFA Financial Management Code also noted limited sensitivity analysis which does not test a broad range of financial scenarios or high-risk areas.	Recommendation not addressed.	Recommendation remains open.
IR2	The Council should clearly identify and report on the split between recurrent and non-recurrent savings each year.	2023/24	This recommendation has not been actioned. We have raised a key recommendation that includes reviewing the reporting of savings delivery to ensure it is transparent and comprehensive.	Recommendation not addressed.	This recommendation is superseded by Key Recommendation 1.
IR3	The Council approved the four year Medium Term Financial Strategy 2023/24 to 2027/28 in September 2023. The 2024/25 to 2028/29 MTFS should be approved early in the 2024/25 financial year, and we suggest that future MTFS are prepared at the same time as the annual budget and approved before the start of each financial year.	2023/24	Members have received regular updates to the MTFS during 2024/25. Updates were provided to Members in July 2024, November 2024, and when the 2025/26 budget was set in February 2025.	This recommendation has been addressed.	Recommendation closed.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	As the Council is in the bottom quartile of "general fund and earmarked reserves as a percentage of net revenue expenditure" compared to other councils then it should aim for a higher working balance target than its current 5% to protect the long term financial health and viability of the council.	2023/24	The Council was able to increase the level of the General Fund Balance closer to the 5% internal benchmark during 2024/25 through adjustments to MRP made in relation to exceptional financial support. The General Fund Balance at March 2025 was £11.9m, representing 4.9% of the net budget. The MTFS includes further contributions to the General Fund Balance of £0.5m per annum to maintain it at 5%. Earmarked revenue reserves are under pressure, with the Council utilising reserves to set a balanced budget in 2024/25 and 2025/26, as well as manage the 2024/25 outturn position. In total the 2024/25 budget was supported by £9.1m of revenue reserves to reach a balanced position. The 2025/26 budget includes further planned reserve drawdown of £4.3m in order to balance financial plans. The Council recognises in financial reporting that it is not sustainable or prudent to finance ongoing expenditure from one-off reserves, and the Council's benchmarking shows that Plymouth holds one of the lowest levels of reserves as a proportion of core spending power compared to 62 other upper tier authorities. We note that the Council does not model the medium-term trajectory for reserves.	Work in progress. Recommendation not fully implemented.	Due to the continued pressure on reserves, we have escalated this improvement recommendation to a key recommendation in 2024/25 as part of Key Recommendation 1.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date. This should be done through better triangulation with other information, to remove inconsistencies in scoring and improve understanding of the risks around the Council's operations.	2023/24	The Council has engaged with the Devon Assurance Partnership to review arrangements and conduct a facilitated workshop to improve risk ownership and scoring practices. We noted that there were 26 strategic risks in our Auditor's Annual Report 2023/24. The Quarter 4 2024/25 Risk Monitoring Report confirms there are currently 18 strategic risks and provides evidence of review with 7 risks removed and 6 added, with some individual risks consolidated into broader strategic risks. The score for the financing strategic risk is increased to 20, there are now strategic risks for social care sustainability and company governance arrangements.	This recommendation has been addressed.	Recommendation closed.

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	The annual fraud report should incorporate details of the high-level outcomes in terms of improving the Council's control framework as a result of fraud referrals, along with the specific procedures and measures implemented to prevent similar occurrences. This will provide a more comprehensive understanding of the measures in place for preventing and detecting fraud.	2023/24	The Counter Fraud Annual Report 2024/25 confirms that 203 allegations of fraud were received and processed but does not provide a summary of high-level outcomes or how the Council's internal control framework has been strengthened as a result of fraud investigations. Therefore, this improvement recommendation remains open.	Recommendation not addressed.	Recommendation remains open.
IR7	The Council's Procurement Readiness Action Plan should be reported to the Audit and Governance Committee so it has assurance that the Council will be implementing the requirements of the new procurement regulations in a timely manner by the deadline of February 2025.	2023/24	This recommendation has been actioned as the Procurement Readiness Action Plan was considered by the Committee in January 2025.	This recommendation has been addressed.	Recommendation closed.



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