



# Auditor's Annual Report for Staffordshire County Council

Year-ended 31 March 2025

—

27 February 2026

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Our audit reports will be made solely to the members of Staffordshire County Council (the “Council”), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of Council, as a body, for our audit work, for our auditor’s report[s], for this Auditor’s Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

**01**

# **Executive Summary**



# Executive Summary



## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of Staffordshire County Council (the “Council”). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Council alongside the annual report and accounts. This Auditor’s Annual Report supersedes the version dated 19 November 2025 that was issued to comply with the 30 November 2025 as stipulated by the Code of Audit Practice.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).



**Other information (such as the narrative report)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Financial statements and other information</b>	<p>We issued a disclaimer of opinion on the Council’s financial statements on 27 February 2026. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts ahead of the statutory backstop date of 27 February 2025. Further details are set out on page 7.</p> <p>We have provided further details of the key risks we identified and our response on page 8.</p> <p>Additionally, we are the auditor of the Staffordshire Pension Fund financial statements. We have issued an unmodified opinion on those financial statements. Further details are set out on page 7.</p>
<b>Value for money</b>	<p>Our work to assess the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources is underway. Further details of our findings to date are set out on page 7.</p>
<b>Whole of Government Accounts</b>	<p>We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
<b>Other powers</b>	<p>See overleaf.</p>

# Executive Summary



There are several actions we can take as part of our wider powers under the Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**We have not applied to the courts.**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

**We have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit & Standards Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

**02**

# **Audit of the financial statements**



# Audit of the financial statements



## **Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.**

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Council's financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

## **Our disclaimer of opinion on the Council's financial statements**

We have issued a disclaimer of opinion on the Council's financial statements on 27 February 2026. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Council to publish its financial statements and our opinion thereon for the year ended 31 March 2025 by 27 February 2026 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas were: the carrying amounts of property, plant and equipment; Private Finance Initiative, lease and third-party financing liabilities; depreciation, impairment and amortisation charges and employee expenses included in the net cost of services; and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2025.

In addition, we have been unable to obtain sufficient appropriate evidence over a number of areas of the financial statements in relation to the disclosed comparative figures for the Council for the year ended 31 March 2024 due to the Backstop Date. These areas include, but were not limited to: those areas listed above (with the exception of employee expenses); other service expenses, fees, charges and other service income included in the net cost of services; related party disclosures; capital grants receipts in advance; and the net assets as at 1 April 2023. As a result, we were unable to determine whether any adjustments were necessary to the amounts recorded in relation to these areas as at 31 March 2024, or whether there were any effects on the Council's income and expenditure for the years ended 31 March 2024 and 2025.

Any adjustments from the above matters would have a consequential effect on the Council's net assets and the split between usable reserves and unusable reserves as at 31 March 2025 and 31 March 2024, and on its income and expenditure and cash flows for the years then ended.

## **Our opinion on the financial statements of the pension fund**

Additionally, we are the auditor of Staffordshire Pension Fund's financial statements. We have issued an unmodified opinion on these financial statements on 27 February 2026.

The full audit reports are included in the Council's Annual Report and Accounts for 2024/25 which can be obtained from the Council's website.

# Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings	Procedures undertaken	Findings
<p>The carrying amount of revalued land and buildings differs materially from the fair value</p>	<p>We have performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> <li>We critically assessed the independence, objectivity and expertise of DVS, the valuers used in developing the valuation of the Council's properties at 31 March 2025;</li> <li>We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.</li> <li>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;</li> <li>We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;</li> </ul> <p><b>We have not performed the following procedures due to insufficient time before the backstop date:</b></p> <ul style="list-style-type: none"> <li>Challenged the appropriateness of the valuation of land and buildings for assets valued by the DVS; including any material movements from the previous revaluations. We challenged some of the key assumptions within the DVS valuation as part of our judgement.</li> <li>Challenging the appropriateness of the valuation of land and buildings for assets not valued by the DVS;</li> <li>Agreeing the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code;</li> <li>Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.</li> </ul>	<p>While we are disclaiming our audit opinion on the Council's financial position/income and expenditure, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings</p> <p>We were unable to conclude on all elements of our work over the significant risk due to the time available before the backstop date.</p> <p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation relating to the assessment of assets not part of the rolling valuation by the DVS or the desktop valuation undertaken by management.</p>

# Audit of the financial statements



Valuation of post retirement benefit obligations	Procedures undertaken	Findings
<p><b>An inappropriate amount is estimated and recorded for the defined benefit obligation</b></p>	<ul style="list-style-type: none"> <li>• Understood the processes the Council has in place to set the assumptions used in the valuation;</li> <li>• Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;</li> <li>• Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;</li> <li>• Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;</li> <li>• Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;</li> <li>• Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</li> <li>• Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;</li> <li>• Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and</li> <li>• Where applicable, assessed the level of surplus that should be recognised by the entity;</li> </ul>	<p>While we are disclaiming our audit opinion on the Council's financial position/income and expenditure, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:</p> <p>We completed the procedures as described and we did not identify any material misstatements relating to this area.</p>

# Audit of the financial statements



The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Management override of controls	Procedures undertaken	Findings
<p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk.</p> <ul style="list-style-type: none"> <li>We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.</li> <li>We evaluated the selection and application of accounting policies.</li> <li>In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments.</li> </ul> <p><b>We have not performed the following procedures due to insufficient time before the backstop date:</b></p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.</li> <li>Analysed all journals through the year using data and analytics and focus our testing on those with a higher risk.</li> </ul>	<p>We were unable to complete the procedures we considered necessary to obtain sufficient appropriate audit evidence in relation to this area</p>

02

# Value for Money



# Value for Money



## Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



**Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

## Summary of findings

Our work in relation to value for money is not complete. Matters set out here may change upon the completion of our work.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	9	12	15
<b>Identified risks of significant weakness?</b>	No	✓ Yes	No
<b>Actual significant weakness identified?</b>	No	No	No
<b>2023-24 Findings</b>	No significant weakness identified	No significant weakness identified	Significant weakness identified
<b>Direction of travel</b>	↔	↔	↔

# Value for Money



## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Council's they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

### Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). Government guidance is awaited on children’s services reform and SEND, and some authorities are delaying transformation programmes until there is clarity on how services should evolve.

An accounting override exists meaning Councils do not need to recognise schools deficits as part of their reserves which, for some, avoids Councils becoming insolvent. This override was extended to March 2028. However, some have raised concerns that this extension only defers the problem, and the underlying unsustainability of education expenditure has not been resolved.

## Local context

The Council ended the year with an underspend of £5.3m, driven by underspends in Health and Care and centrally controlled items.

Overspends in Children in Care placements were offset by a one-off social care grant of £3.9m and improvements in special educational needs and disability (SEND) Home to School Transport provision.

The reported underspend excludes the overspend on the High Needs Block, with the Dedicated Schools Grant (DSG) deficit growing to £53.6m at 31 March 2025. Whilst the statutory override was extended to 31 March 2028, management is proactively exploring ways to reduce this deficit.

Quality of services has been maintained, and no significant concerns have been raised by regulators, however we will continue to assess the response to the Ofsted review reported in 2023-24.

Final proposals for local government reorganisation must be submitted by 28 November 2025. The Council is currently in the process of considering its options alongside proposals which are being considered across the County.

# Financial Sustainability



## How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## 2024/25 Outturn

In February 2024, the Council set a general fund revenue budget of £666.7m for the 2024-25 financial year. The final outturn was an underspend of £5.3m. Children's and Education services broke even, with savings in Health and Care (£1.9m), Economy Infrastructure and Skills (£1.4m), and savings in Corporate Services (£0.6m), Finance (£0.1m) and centrally controlled items (£1.2m).

Overspends realised due to sustained high demand for Children in Care placements were offset by a one-off social care grant of £3.9m and improvements in special educational needs and disability (SEND) Home to School Transport curtailed the potential overspend resulting in a saving of £0.1m in Education services. Notably, this does not include the SEND High Needs Block deficit which overspent by £27m in year resulting in a charge to the DSG reserve which now stands at £53.6m deficit.

Throughout the year, the Council regularly monitored its financial position, ensuring transparent reporting and robust challenge.

## Capital Outturn 2024-25

The approved capital programme for the year was £168.3m, funded by £116m in external grants and contributions, £20m from revenue and capital resources, and £32m in borrowing. Prudential Indicators in the Capital and Minimum Revenue Provision Strategy confirmed that the planned borrowing was affordable.

As of 31 March 2025, total capital expenditure was £151.6m of which £92m was allocated to highways and £43m to maintained schools. An acceleration of spend on maintained schools has been partially offset by rephasing of budgets to future financial years. Borrowing was much less than anticipated at £4.7m with an increase in the majority of the programme funded by government grants (£70.3m), S106/Voluntary contributions (£32.6m) and use of reserves (£21.5m).

The Council demonstrated that the capital programme was fully funded, with no need for extra borrowing or revenue contributions.

## Reserves Position

The Council increased its general fund balances compared to 31 March 2024, continuing the trend from the previous year. The £15m contingency budget was not used and will be transferred to the capital reserve for future capital investments in line with the MTFs.

Higher than expected interest rates during 2024-25 led to increased income from short-term investments, resulting in significant savings on the Council's Capital Financing budget, including borrowing costs. These savings have been transferred to the inflation reserve to help address inflationary pressures identified in the Medium-Term Financial Strategy (MTFS) for 2025-26 and beyond. The Council's commitment to maintaining general fund reserves highlights its ongoing focus on financial sustainability.

# Financial Sustainability

The Council has completed a detailed, costed risk assessment to determine the minimum reserve levels required for the 2025-26 MTFS. This ensures that potential financial risks are closely aligned with the Council's Balance and Reserves Strategy and the MTFS requirements

According to Gov.uk Value for Money Profiles, the Council holds above-average balances in non-school, earmarked, unallocated, and school reserves compared to other County Councils. Similarly, non-school reserves as a percentage of net current expenditure has remained at over 40%, compared to a steady decline across other County Councils between 22/23 and 24/25 from 24% to 18%. Staffordshire's reserve strategy is outcome focussed and the MTFS demonstrates the level of Staffordshire's reserves are sufficient to address the financial impact of risks identified.

The Council's spend on Children's Services did however exceed that of the sector average in 2024/25 by £16m at £239.1m.

## Dedicated Schools Grant (DSG) Deficit

As of March 2025, the DSG reserve deficit had grown to £53.6m, up from £30.8m in 2023-24. The government's statutory override requires that accumulated DSG deficits remain ringfenced and separate from other Council reserves. Whilst the statutory override was extended to 31 March 2028, management is proactively exploring ways to reduce this deficit.

## Cost Pressures and Savings

Ongoing review and monitoring of financial plans to address funding gaps is embedded in the Council's processes. Risks and potential impacts are evaluated through the Strategic Plan (2022-26) and the MTFS, with quarterly updates provided to Cabinet via Integrated Performance Reports.

Efficiency plans are communicated via Senior Leadership Team (SLT) and Wider Leadership Team (WLT) briefings, budget holder meetings and accountability letters. WLT includes all Assistant Directors in addition to the Chief Executive and Directors. Any saving proposals that have not yet crystallised into cost reduction forecasts are documented in the MTFS report as recommendations in the MTFS executive responses section. The savings plans which become cost reduction forecasts in the MTFS budget are presented in the MTFS report and in-total are the expected efficiency savings for the period. Cost reduction forecasts are also given a confidence level on their ability to be achieved and this was evidenced in the reporting documents reviewed.

The Council also uses a Community Impact Assessment (CIA) framework to conduct annual strategic reviews of the MTFS, considering the cumulative effects of key savings proposals on Staffordshire's communities, places, and vulnerable residents. These assessments were reviewed and approved as part of the MTFS in February 2025.

	2024/25 £m	2023/24 £m
General Fund	62.2	48.5
Earmarked General Fund Reserves	395.9	369.0
School reserves	19.4	21.5
<b>Total General Fund reserves</b>	<b>477.5</b>	<b>439.0</b>

# Financial Sustainability



## Budget setting 2025-26

The Council sets its budget on an annual basis. Budget holders begin by using income and expenditure statements from the Council's general ledger to establish a baseline, which is then adjusted for virements, investments, new initiatives, and savings.

After consulting with stakeholders and considering recommendations from the MTFs Working Group, the Cabinet finalized its Medium-Term Financial Strategy (MTFS) proposals and submitted them to the Council for approval. The Council adopted the 2025-26 general fund revenue budget in February 2025, setting it at £735.0m. This includes a net drawdown from reserves of £3.9m and a contingency allocation of £15m.

Whilst inflation has improved since the previous financial strategy for 2024-2029 was agreed, it remains a challenge for the remaining MTFS period. Pressures in Adult and Children's social care and SEND are widely publicised nationally and the Council are not alone in their challenges to address these. Increasing demand and cost of placements are key drivers. The High Needs Block continues to overspend contributing to the growing deficit on the DSG reserve.

The capital programme for 2025-26 is £135.2m, with continued significant investment in maintained schools (£50.6m). Highways projects continue to represent the largest share of the capital programme (£53.1 million). Most of the capital funding comes from grants and contributions (£89m), with £24m expected to be financed through borrowing.

Looking ahead, the first three years of the MTFS are balanced due to previously approved use of reserves, together with a targeted use of the Care Risk reserve to fund the particular pressures emerging in Adult Social Care. However, this is not sustainable beyond 2028-29 and significant savings will need to be identified and delivered by the later years of the MTFS.

## Conclusion

We have not identified a significant weakness in the Council's financial sustainability arrangements.

Key financial and performance metrics:	2024/25 £m	2023/24 £m
Actual surplus/(deficit)	56.7	88.0
Usable reserves	573.7	552.4
Gross debt as compared to capital financing requirement	0.55:1	0.58:1
Year-end borrowings	360.5	389.1
Year-end cash position	327.3	311.2

*Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.*



## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Staffordshire County Council consists of 62 elected members who together form the 'full council.' This body is responsible for setting the annual budget and determining the Council's overall policies, including major strategies that guide how services are delivered. The full council meets six times each year.

The Cabinet is responsible for making key decisions about Council services. It is composed of the Leader of the Council and nine other councillors, all selected from the majority party, which was the Conservative Party as at 31 March 2025. Following the county elections in May, Reform are now the controlling party. Each Cabinet member oversees a specific area, known as their portfolio. The Cabinet also publishes a Forward Plan of Key Decisions, outlining important decisions scheduled for the near future.

### Risk Management

The Council has established robust processes for identifying and managing risks. Risks are first assessed at the service area level and reported to the relevant directorate's risk owners. Each directorate maintains its own risk register, which feeds into the Council's overall corporate risk register.

The corporate risk register is regularly updated and reviewed by the Corporate Governance Working Group (CGWG), which is chaired by the Director of Corporate Services. Before being scrutinized by the Audit and Standards Committee, the CGWG examines each corporate risk in detail during scheduled meetings.

Our review of Overview and Scrutiny Committee (OSC) papers shows that risk reports for major decisions and investments provide sufficient detail for informed management decisions. Additional risks may be highlighted in other reports, such as the integrated performance report, which is presented quarterly to Cabinet and includes updates on financial risks facing the Council.

### Fraud Prevention and Detection

The Council maintains a Corporate Fraud Risk Assessment Register, which lists potential fraud risks and rates them based on materiality, impact, and likelihood, resulting in an overall risk score for each. The most significant fraud risk currently faced by the Council relates to cyber security and data loss. The Council also has an Anti-Fraud, Theft and Bribery Policy, which is reviewed regularly.

The Internal Audit team includes a fraud specialist and follows a defined Counter Fraud Work Plan. This plan focuses on fostering an anti-fraud culture, preventing and detecting fraud, and outlining investigation activities. The Internal Audit Counter Fraud and Corruption Outturn 2024-25 did not identify any significant issues.

# Governance



## Reporting to budget holders of financial performance

Services receive regular financial updates—either monthly or quarterly—which include detailed income and expenditure analyses comparing actual results to budgeted and forecast figures. Senior finance business partners meet with Assistant Directors to review these forecasts, discuss any emerging financial pressures, and decide if budget adjustments (virements) are necessary.

Each month, directorate senior leadership teams hold meetings to discuss the latest financial position, including any variances and mitigation plans. Evidence from service line inquiries confirms that these reports are reviewed and actions are agreed upon. The Council’s Senior Leadership Team (SLT) then receives directorate-level financial information, which is subsequently presented to Cabinet on a quarterly basis as part of the Integrated Performance Report.

A review of the minutes from both the Corporate Overview & Scrutiny Committee and Cabinet meetings shows that members consider the Integrated Performance Report each quarter. This report provides a detailed breakdown of directorate underspends, overspends, and forecast outturns. While savings and cost reductions are not itemized separately, they are reflected in the overall financial position.

## Standards and Behaviours

The Council has a range of processes and controls to ensure compliance with regulatory requirements. This includes effective scrutiny committees and a structured complaints management system. There are three complaints procedures in operation: two statutory procedures for Adult and Children’s Social Care, and a corporate procedure covering all other Council services. No significant complaints were reported by the Local Government and Social Care Ombudsman.

Our review of the Annual Governance Statement (AGS) and the Head of Internal Audit report found no significant issues or areas of non-compliance. The annual review of the code of corporate governance was completed in accordance with the CIPFA/SOLACE framework, and the Corporate Governance Working Group concluded that the Council’s current documents and processes provide an effective governance framework.

The Members’ Code of Conduct applies to all elected and co-opted Members of Staffordshire County Council. There have been no breaches of this Code.

	2024-25	2023-24
<b>Control deficiencies reported in the Annual Governance Statement</b>	None identified	None identified
<b>Head of Internal Audit Opinion</b>	Adequate	Adequate
<b>Ofsted rating</b>	No published inspections in 24-25	Requires improvement to be Good (Children’s Services)
<b>Local Government Ombudsman findings</b>	No significant findings	No significant findings
<b>Care Quality Commission rating</b>	Good	Four care homes inspected – Three rated Good, One rated Requires Improvement



## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## Informed decision making

The Cabinet is responsible for making major decisions about Council services. Its main duties include leading the development of Council policies and budgets, guiding community planning, and ensuring value for money. Only the Cabinet can make key decisions involving significant costs or savings—typically those exceeding £2 million or affecting more than 15% of a service's budget—as well as decisions that impact multiple Cabinet portfolios or carry a high risk of reputational impact for the Council.

Overview and Scrutiny Committees play a vital supporting role. They review Cabinet decisions, produce reports, and make recommendations, but do not have decision-making powers or handle individual complaints. Instead, they examine issues in depth and advise the Cabinet on potential improvements.

We reviewed the process around one key Cabinet decision relating to the procurement of a new social care management system. We inspected the 17<sup>th</sup> April 2024 Cabinet meeting minutes which included the business cases for the expenditure. The case outlined that the capital cost to procure and implement a new case management system was estimated to be £6.5m – £9.0m. Legal implications are also outlined in business cases provided to the Cabinet as in this example the implications were discussed including an outline timetable for the procurement process, funding implications and community impact assessment.

The final proposal went to a Special Cabinet on 5<sup>th</sup> March 2025, including supplier evaluation, and was approved. By using business cases and committee approvals, the Council has demonstrated that it has appropriate decision-making processes in place in line with the Council's constitutional framework.

## Responding to findings of the regulators or inspectorates

### *Ofsted*

In November 2023 Ofsted completed an inspection of the Council's Children's Services. Ofsted published their findings in January 2024 and concluded that in four areas services "required improvement to be good" and in one area services were "good". This resulted in an overall rating of "required improvement to be good".

In the prior year, we concluded the Council's response on receipt of the Ofsted report had been proportionate and arrangements had been put in place to provide appropriate oversight for the development of the Improvement Plan, including engagement of partners. The formal Inspecting Local Authority Children Services (ILACS) improvement plan was presented to Ofsted on 24th April 2024, following scrutiny by the Safeguarding Overview and Scrutiny Committee on 18th April 2024. The final action plan then went to what is now called Safeguarding & Education Overview & Scrutiny Committee on 13th June 2024 (continued overleaf)

# Governance



## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Following development of the ILACS Improvement Plan, the internal plan is being monitored by the Children's Improvement Board (CIB) Operational Group and the partnership plan monitored by Staffordshire Strategic Children's Improvement Board (SSCIB). Both the SSCIB and the CIB Operational Group have the same external independent chairman and met for the first time in February 2024. Since October 2024, the CIB Operational Group is now chaired by the Director of Children and Families.

We identified there was a risk that management had failed to implement or achieve progress on actions identified in the Inspecting Local Authority Children Services (ILACS) Improvement Plan. We have considered this as a risk of significant weakness.

The review of the SSCIB minutes did identify on the back of the Local Authority Designated Officer (LADO) LGA Peer Review (January 2025) improvements are still needed in this area, however, we are satisfied management have appropriate arrangements in place to facilitate the delivery of the ILACS Action Plan. Through our review of Cabinet, Improvement Boards and Overview and Scrutiny Committee minutes and inquiry with management there has been appropriate oversight and progress on actions identified.

### CQC

The CQC undertook a review of the Council's Adult Social Care services in February 2025 with the final report published in May 2025. The regulator assess how well local authorities are performing against their duties under Part 1 of the Care Act 2014 using a subset of quality statements from the overall assessment framework. All Quality Statements were assessed as 'Good', a really positive assessment of the services provided by the Council.

### Conclusion

We have not identified a significant weakness in the Council's governance arrangements.

# Improving economy, efficiency and effectiveness



## How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council 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; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

## Financial and Performance management

The Council monitors its effectiveness using key performance indicators (KPIs) and outcome measures. Quarterly performance reports are presented to both the Corporate Overview and Scrutiny Committee and the Cabinet.

These reports provide a comprehensive overview of the Council's progress in delivering the Strategic Plan 2022–26 and the Corporate Delivery Plan, as well as its financial position relative to the Medium-Term Financial Strategy (MTFS). They include detailed commentary on the capital programme, savings, additional pressures, and issues within each directorate's portfolio. At the end of each quarter, the reports also present a forecast outturn against key financial health and prudential indicators approved during the 2024–25 budget-setting process.

Our review of the quarter three integrated performance report for 2024–25 confirmed that these financial performance indicators are included. Performance for the six strategic priorities is RAG rated alongside delivery performance. A performance dashboard offers a visual 12-month trend analysis of key indicators, accompanied by relevant commentary. There are clear links between performance and financial indicators and the Council's corporate priorities as set out in the Strategic Plan.

Review of committee minutes shows that members actively challenge and scrutinize these reports.

However, we did note the Council is failing to meet the twenty-week target for the completion of Education, Health and Care Plans (EHCPs) which is a statutory requirement set out in the Children and Families Act 2024. Many local authorities have struggled to meet this target. In 2024, 46.4% of new EHC plans were issued within the twenty-week statutory timeframe nationally. The Council is performing lower than the national average and has set itself a target of 48% in 24-25. This is considered a realistic target but still one which is below the statutory requirement. Whilst it failed to achieve that target across 2024-25, it did achieve 55.7% in quarter 2 2024-25 and has demonstrated an improvement on the prior year.

Management are fully sighted on the difficulties with respect of meeting the required target and consider it one of the top performance challenges for 2025-26. This is reflected by increasing investments in Children's services and SEND.

We have included a performance management observation in our ISA 260 recommending management continue to provide the necessary oversight to monitor and facilitate improvement on the delivery against this target and ensure there is full transparency with members on the risks to achieving the target.

# Improving economy, efficiency and effectiveness



## Benchmarking

Our discussions with management confirm that the Council regularly benchmarks its costs against comparable organizations (“nearest neighbours”) and external data, utilizing CIPFA benchmarking tools. The LG Futures Financial Benchmarking – Key Financial Indicators report is also reviewed to assess the Council’s financial resilience in comparison to all English county councils.

The nature and form of that benchmarking will be determined by a range of factors including data availability, context, relevant comparatives, there is no standardised benchmark policy. Management have confirmed the process to identify benchmarking metrics is to conduct independent research, use personal knowledge, CIPFA data or use collaborative networks.

Through our service line inquiries, we were provided with a report commissioned by the LGA which provides financial benchmarking of Staffordshire County Council Children’s Services. The report provides a commentary on the budget position for Children’s Services within the wider Council position along with key financial and performance benchmarks for Children’s Social Care and Education Services in order to identify possible areas which may assist the Council in improving value for money

## Partnership working

The Council is involved in a broad range of partnership arrangements. In Health and Care, it collaborates closely with the Staffordshire and Stoke-on-Trent Integrated Care Board (formerly the Staffordshire Clinical Commissioning Groups) and manages the Better Care Fund (BCF), which totals £141 million. The aim of the BCF is to deliver integrated health and social care services for better outcomes. Oversight of the Staffordshire BCF Plan is provided by the Health and Wellbeing Board (HWB), with annual updates presented to Cabinet.

Beyond health and care, the Council also partners with various agencies in other areas. Within the Economy, Infrastructure and Communities portfolio, Cabinet receives regular updates on the ‘Staffordshire Back to Business’ partnership, which was initially established during the COVID-19 pandemic to support business recovery.

The Council has played a key role as a partner in the Local Enterprise Partnership (LEP), acting as its accountable body and securing national investment to support successful programmes

This involvement has contributed to job creation, infrastructure investment, and improvements in local skills. Oversight of these partnership arrangements is provided through the Council’s Overview and Scrutiny Committees.

In the Children’s and Families area, partnership annual reports—such as the Staffordshire Safeguarding Children’s Board Annual Report 2023–24—have been presented to the Safeguarding and Education Overview and Scrutiny Committee during the year. This report covers the work of the three statutory partners: the Integrated Care Board (ICB), the Council, and Staffordshire Police, under the leadership of an Independent Chair and Scrutineer.

The annual report provides updates on arrangements like child safeguarding practice reviews and evaluates their effectiveness. It highlighted several improvements made in response to findings from independent inspections and system-wide learning. Additionally, the partnership had begun to address challenges identified in the previous year’s report, such as strengthening links between learning and other strategic boards, and improving staff recruitment and retention.

## Commissioning and Procurement

The Assistant Director for Commercial and Assets oversees procurement activities and leads the Commercial Team, which is responsible for contract management. This team supports the process of engaging with providers to select, award, and manage contracts, ensuring value for money is achieved.

Procurement data is regularly exported from the Council’s contracts register and published quarterly on the Transparency site. This data includes key details such as contract titles, start and end dates, provider names, and agreement values. Publishing this information helps inform the provider market about potential future opportunities and supports effective re-procurement.

We have reviewed the register and are satisfied that it is up to date, with appropriate oversight and governance in place for the Council’s procurement practices

## Conclusion

We have not identified a significant weakness in the Council’s arrangement for improving economy, efficiency and effectiveness.

# Significant Value for Money Risk



## 1 Ofsted Report

Risk that value for money arrangements may contain a significant weakness linked to governance.

### Significant Value for Money Risk

#### Description

Ofsted issued an overall rating of Requires Improvement to be Good report for Children’s Services in January 2024. The inspection concluded services for vulnerable children and their families and for care leavers in Staffordshire need to improve. The Council is requiring improvement overall and for the following judgement areas:

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

There is a risk management have failed to implement or achieve progress on actions identified in the Inspecting Local Authority Children Services (ILACS) Improvement Plan.

### Our response

#### Response

We will perform the following procedures:

1. Review the arrangements in place to provide oversight of implementation of the Improvement Plan submitted to Ofsted in April 2024.
2. Reviewed meeting minutes of the Improvement Boards, Safeguarding and Education Overview and Scrutiny Committee and Cabinet to establish what management has done to respond to the findings in the period to 31 March 2025.

We identified the outcome of the findings as a significant weakness in our Auditor’s Annual Report for 2023-24. The focus of our work for 2024-25 will be assessment the arrangements in place to implement the actions identified.

We are required to follow up the progress against any recommendations in response to significant weaknesses in prior year reports.

### Our findings

#### Findings

We are satisfied management have appropriate arrangements in place to facilitate the delivery of the ILACS Action Plan. Through our review of Cabinet, Improvement Boards and Overview and Scrutiny Committee minutes there has been appropriate oversight and progress on actions identified.



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