

# Halton Borough Council Auditor's Annual Report 2021/22

10 May 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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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# Executive summary






## Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	In our 2021/22 Audit Plan we identified a risk of significant weakness concerning how the Council would be able to address its significant budget gaps in the medium term financial plan	No significant weaknesses in arrangements identified, but one improvement recommendation made	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but improvement recommendation made	No significant weaknesses in arrangements identified, but one improvement recommendation made	↔

	No significant weaknesses in arrangements identified or improvement recommendation made.
	No significant weaknesses in arrangements identified, but improvement recommendations made.
	Significant weaknesses in arrangements identified and key recommendations made.

# Executive summary



## Financial sustainability

The Council is operating in an increasingly uncertain financial environment brought about by increased costs and demand led pressures in children and adult services and inflationary pressures brought about by war in Ukraine. The Council set a balanced budget of £111.4m for 2021/22 and reported a year end overspend of £1.2m above this level. Future sustainability is a greater issue for the Council given the funding gaps within the Medium Term Financial Plan. We identified this as a risk of significant weakness in our Audit Plan to investigate how the Council would be able to address its significant budget gaps. This is planned to be addressed by the Council through a large scale Transformation Programme which will require careful monitoring to address slippage should it occur and to avoid any further pressure on reserves which are also at a historically low level.

Further details can be seen on pages 7-11 of this report.



## Governance

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Our work this year has focussed on continuing to build our knowledge and understanding of the governance arrangements in place at the Council, building on our prior year work. We note that the Council has enhanced its governance structure through extending the number of directorates from two to five, thus improving oversight and governance. We have not identified any significant weaknesses in arrangements, but we have made an improvement recommendation for the Council to continue its focus on developing an up to date Corporate Plan.

Further details can be seen on pages 12-15 of this report.



## Improving economy, efficiency and effectiveness

The Council has demonstrated that appropriate arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. We note that our benchmarking analysis of unit costs compared to other similar councils indicates that the Council's services are generally delivered at high cost compared to nearest neighbours. Whilst this does not prevent the Council from driving out further efficiency, management recognise in the Transformation Plan that the opportunity for top-slicing of budgets is increasingly difficult and that savings will need to come from genuine transformation of service delivery and consideration of local priorities, which the Council has developed in its Transformation Plan, although this will take a number of years to implement.

Further details can be seen on pages 16-22 of this report.



We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 March 2023. Our findings are set out in further detail on page 26.



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

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 March 2023, following the statutory override regarding reporting of infrastructure assets. Our findings are set out in further detail on page 26. We are unable to issue our audit completion certificate due to a national issue arising from the triennial valuation of the Local Government Pension Scheme.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue any statutory recommendations.

## Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an Application to the Court.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an Advisory Notice.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for Judicial Review.

# Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial Sustainability

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



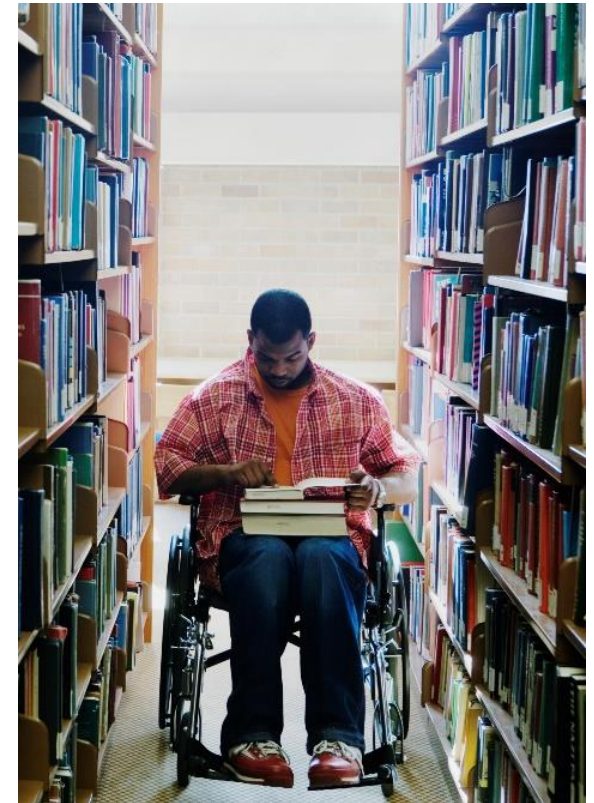
## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 22. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how Halton Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Background

There is no doubt that reduced central government funding has meant immense challenges for the local government sector. This has been compounded by the ongoing impact of Covid-19 on the Council's finances and service delivery, particularly increasing the pressure on adults and children's services with the likelihood of no further central government support.

Towards the end of the 2021/22 financial year, the Council's finances were adversely impacted by the war in Ukraine, the effect of which has been acutely felt throughout 2022/23 in terms of cost inflation especially energy costs and salaries.

In our 2021/22 Audit Plan we identified a risk of significant weakness concerning how the Council would be able to address its significant budget gaps in the medium term financial plan. We have addressed this through a review of the Council's Transformation Plan within this section and the wider budget setting and monitoring processes in the Governance section.

2021/22 has been an unprecedented period for the Council in managing its financial sustainability and uncertainties remain, with a consequent pressure on the Council's reserves.

## The 2021/22 budget and outturn

On 3 March 2021 the Council set a 2021/22 net revenue budget of £111.4m. The budget was properly aligned to wider service improvement and development priorities. We found no evidence of services developing plans in silo or producing conflicting or competing elements.

Stakeholders were consulted during the development of the budget and savings plans using various methods to listen to the views of the public, including Members own experiences through their Ward work.

Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

The 2021/22 financial statements showed a net spend for the year of £112.6m being £1.2m above the approved budget of £111.4m. Slippage and non-delivery of saving proposals were reported quarterly in sufficient detail to Executive Board/Council and to Senior Management Team through the established quarterly monitoring process. This helped to reduce the forecast slippage at Q2 and Q3 through appropriate intervention.

The Council's spending during 2021/22 included the overhanging additional pressures resulting from the COVID-19 pandemic. Additional costs and income losses relating to COVID-19 were largely funded through a combination of general and specific Government grants, thus limiting the impact on general fund. Appropriate oversight processes were put in place to ensure this funding was properly managed and utilised for the correct purposes, separately accounted for and correctly reported.

Achievement of savings needs to be considered in the context of overall budget delivery, and planned savings are relatively low given that the Council has already endured many years of austerity and funding cuts.

Out of Borough Residential Care continued to be the main budget pressure (Children and Families Department) as the costs and demand for residential care have continued to rise year on year. More detail of unit cost and demand is within the 3 E's section of this report.

There is an informal and formal process which the Council goes through prior to approving savings. This includes Senior Management Team, Budget Working Group, Political Parties, Trade Unions, Executive Board and Council. The savings schemes are transparent in annual budget reports which are agreed by Members when the budget is approved.

# Financial sustainability

At 31 March 2022 the Council held earmarked reserves set aside to cover known future one-off costs totalling £131.9m, an increase of £3.3m from £128.6m at the same point in 2021. The Council's General Fund Reserve was £5.149m at 31 March 2022. There was an unplanned transfer of £1.118m from earmarked reserves to cover unfunded costs of Covid during 2021/22 which is not unreasonable.

At 31 March 2022 the council tax position in the Collection Fund showed the Council had a gross surplus position of £2.8m (which is shared with major preceptors).

At 31 March 2022 the Business Rates position showed the Council had a gross deficit position of £5.3m. Under regulations this deficit balance can be spread over the next 3 years. A deficit is not unusual due to the pressures on local business caused by Covid-19 and associated business disruption.

## The 2022/23 financial position

Looking ahead, the 2022/23 budget was agreed at Executive Board on 17 February 2022 and recommended for approval by Council on 2 March 2022 together with resources to deliver the Medium Term Financial Strategy (MTFS) to 2024/25. The budget agreement process is transparent via the Council's website publication of Board (Committee) meeting papers. A balanced budget of £113.9m was set for 2022/23 although with a planned transfer of £7.8m from reserves. This indicates financial sustainability pressure on the Council.

The latest 2022/23 budget performance was presented to the Executive Board on 16 February 2023 together with a forecast outturn at departmental level. In overall terms net spend to 31 December 2022 was £4.947m over budget and the outturn forecast for the year predicted that net spend would be over the approved budget by £7.098m. To contain the overspend it was agreed that spending would continue to be limited to only essential items with Strategic Directors to take urgent action to identify savings cuts.

The main cost pressures responsible for the overspend are identified as the 2022/23 pay award, being £3.232m above the budgeted uplift, together with the wider impact of inflation at 10.4% on costs. As a result of the overspends it is forecast that the Council's earmarked reserves will reduce to £97.017m due to draw downs to meet service costs.

The 2022/23 Revenue Budget makes clear that the Local Government Finance Settlement was only provisionally agreed by Government in December 2021 and therefore subject to change which could impact the budget and MTFS. The budget also makes clear that the Council partakes in the Liverpool City Region business rates retention pool. This has resulted in the Council retaining business rates but no longer receiving Revenue Support Grant or Better Care Fund Grant. The business rate retention pooling dictates that no partner will suffer a detriment in business rates collection meaning that business rate income could fluctuate from budget (either positively or negatively). Contingencies for budget pressures such as this are built in to the budget although may require revisit should slippage occur.

In undertaking our work we have reviewed a range of budget documents and minutes from meetings which provides us with the assurance that the budget process properly identifies the financial pressures faced by the Council and recognises the severity of external pressures such as price inflation.

However, as financial year 2022/23 has progressed the true impact of funding pressures, demand for services and inflationary costs have become more apparent. On 17 November 2022 the Executive Board approved the Medium Term Financial Strategy (MTFS) identifying the following funding gaps: 2023/24 £21.1m, 2024/25 £1.9m, 2025/26 £2.0m (total £25m over three years).

Management are aware that the MTFS gaps are also dependent on unknown items such as fair funding review, New Homes Bonus, business rates retention, health and social care future government strategy.

Management recognise that bridging gaps of this magnitude requires transformational change and have set about a Transformation Plan to bring about future financial sustainability.



# Financial sustainability

## Actions taken by the Council – MTFP & Transformation Plan

As an initial response to the financial situation the new Chief Executive of the Council implemented a number of short-term measures including:

- Increased scrutiny on all new expenditure; and
- Reductions in non-essential expenditure across services.

Notwithstanding these short-term responses, Management recognise that transformational change is required given the magnitude of savings required. An estimated £24.095m savings is required and proposed against a net operational budget of approximately £140.88m which must be achieved to secure future financial sustainability for the Council. This is to be secured through a combination of savings and restructuring.

In response to the challenge the Council acted swiftly and has created a Transformation team led by an experienced transformation officer which reports directly to the Chief Executive. It was quickly recognised that bold and creative thinking was required with clarity on communication, resource input, governance and decision making.

Key to the Transformation Plan is gaining control of the Childrens services budget and overspend and rethinking wider service delivery models, especially where Halton's service delivery is outside peer group performance (either significantly above or significantly below). The Plan addresses different delivery methods for service delivery to drive savings and wider partnership working, including the setting up of arms length delivery bodies eg for economic redevelopment.

The 2023/24 Budget and Medium-Term Financial Plan (MTFS) was approved by Council on 8 March 2023 alongside the granular transformation plans. The Transformation Plan concentrates upon the five programme theme areas in the table alongside. Each of these themes is underpinned by detailed plans.

The Council plans to fund the costs of the Transformation Plan including initial costs of set up by way of flexible use of capital receipts under the flexibilities offered by central government. This amounts to £7m and a strategy has been approved by full Council as required by Regulations.

Achieving transformational savings at this level are risky and should significant slippage occur then reserves will be impacted and could fall below minimum prudential levels. We have raised an improvement recommendation to emphasise that management must closely monitor achievement of the plan. This is particularly relevant given that the larger savings are programmed in the latter years meaning that up front investment is key.

Transformation Programme theme	23/24 Savings (£m)	24/25 Savings (£m)	25/26 Savings (£m)
Adults / Adults with Learning Difficulties	1.035	4.139	5.174
Children's Services	0.302	1.208	1.51
Special Educational Needs (SEND)	0.1	0.4	0.5
Accelerating Development & Growth Income & Asset Realisation	0.1	0.4	0.5
Optimised Services	0.463	1.853	2.316
<b>Total</b>	<b>2.0</b>	<b>8.0</b>	<b>10.0</b>

# Financial sustainability

## Capital Strategy

The Council's capital strategy is included in the 2021/22 Council Budget report and MTFS, along with capital financing and treasury management activity. Capital spending at 31 March 2022 was £20.364m which was 85% of the capital programme plan of £24.08m, in part owing to the lack of resources available to deliver projects. These have been rolled over into future years. No major capital investments have been postponed or cancelled by the Council.

The capital strategy is consistent with wider corporate priorities and is considered to be consistent with the Council's revenue plans. Slippage is addressed through the quarterly reporting process, and the annual strategy must clearly address how proposals fit with Council priorities. The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme.

In a change to capital strategy, the Council plans to fund Transformation costs through flexible use of capital receipts in the medium term.

## Financial Risk management

Risks are incorporated into the budget and MTFP which is agreed annually by the Council. The annual budget report includes a summary of the corporate risk register, is updated regularly and is included in the quarterly finance reports presented to Executive Board and Council.

Sensitivity analysis is undertaken as part of the budget setting process with specific consideration of: Government funding levels; Council tax and NNDR collection rates; Pay awards; Energy costs; Fuel inflation; Food inflation; and Interest rates. We recognise that the Council (In common with other Local Authorities) could not have anticipated the impact and extent of cost inflation arising from the war in Ukraine when the 2021/22 budget and MTFS was proposed. However the risk register has been updated to report the financial challenges now faced.

## Conclusion

The Council's financial position has become significantly more challenging due to increased user demand and complexity of service provision, along with the impact of inflation and the cost-of-living crisis, combined with workforce pressures.

A failure to deliver savings schemes with appropriate contingencies in place will further intensify this pressure. The greatest risk is around the Council's use of reserves in the short to medium term. Reserves are a one-off resource therefore developed plans need to be in place to replenish these or the Council may be forced to curtail non-statutory activities. The need to build up reserves has been acknowledged by Management.

The infancy of the Transformation Plan and magnitude of the savings required poses challenges to the Council and they must ensure rigorous monitoring of the position of savings going forward, with key risk assessments and development of mitigating actions on a regular basis. We have raised an improvement recommendation to emphasise the importance of monitoring the Council's Transformation Plan to future financial sustainability.

# Improvement recommendation



## Financial sustainability

### Recommendation 1

The members and senior officers of the Council must recognise the severity of the Council's medium term financial outlook and the need to deliver upon the key themes of the Transformation Plan. The Council should take the following steps to help this process:

- Review the process of setting savings schemes and monitoring these throughout the financial year to build a greater element of contingency and allowance for slippage.
- Corporate and member oversight and challenge of proposed savings must be robust, with responsible managers held to account, to make sure savings are credible, accurately valued, have realistic timing and phasing of delivery, and have been properly assessed for quality impact and risk.
- Corporate and member monitoring of savings delivery should be sufficiently regular and robust to drive delivery in line with plan and help to develop mitigating actions as soon as possible when delays or risks are met.

### Why/impact

The Council's financial position is becoming significantly more challenging due to increased demands and complexity of service provision, along with the impact of inflation and the cost-of-living crisis, combined with workforce pressures. A failure to properly develop and risk assess savings schemes with appropriate contingencies in place will further intensify this pressure. The greatest risk is around the Council's use of reserves in the short to medium term. Reserves are a one-off resource therefore developed plans need to be in place to replenish these or the Council may be forced to curtail non-statutory activities.

### Auditor judgement

The Council has not had in place large savings schemes in recent years, so now has a large cultural shift in order to achieve planned savings targets to bridge budget gaps. The infancy of the arrangements to develop and monitor savings going forward poses challenges to the Council and they must ensure rigorous monitoring of the position of savings going forward

### Management Comments

Approved savings are reviewed on a quarterly basis and reported to Chief Officers Management Team and Executive Board. Updates on work of the Transformation Plan will be reported on a regular basis to Executive Board.

# Governance



## We considered how Halton Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Risk Management

The Council has a Corporate Risk Management Policy which was last updated in February 2019. This sets out aims and objectives, categories of risks (strategic or operational), risk scoring, roles and responsibilities, plus other relevant information.

The risk management process within the Council, clearly sets out the risk strategy in a clear and detailed format, providing members and Council officers with sufficient and appropriate detail. The report includes relevant management actions, control opportunities and trends in a digestible format.

Throughout 2021/22 this policy operated and met the basic requirements of risk management, risk recording and scoring for the Council. The Council is currently reviewing the risk register, policy and toolkit with their insurer and an update is expected during 2023.

The risk management arrangements are suitably embedded. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. This enables the Council to manage the risk actively and act where necessary.

The risk register is RAG rated and scored with named lead officers and mitigating actions. There is a column to link to the relevant Council priority.

The Corporate Risk Register was last reviewed and approved by the Audit & Governance Board at its meeting on 23 November 2022 and has been regularly reviewed throughout the year.

To support managers, the Council has a Manager's toolkit guide (updated April 2019) explaining how risk management is integrated into business processes. This is a helpful guide to explain what is meant by risk and how risks should be reported, controlled, monitored and reviewed.

The Council's risk management processes are also used to inform the work of internal audit.



# Governance

## Change in operational structure

A new Chief Executive was appointed to the Council in April 2022. Throughout the 2021/22 financial year and up until December 2022 the Senior Management Structure consisted of Chief Executive with two Strategic Directors. Beneath the Strategic Directors sat several operational directors including the Operations Director Financial Services (s151 Officer).

However with the arrival of the new Chief Executive in April 2022 the structure has expanded from two Strategic Director positions sitting below the Chief Executive to four directorates plus the Chief Executive's Directorate. The new directorate structure comprises:

- Adults Directorate
- Chief Executive's Directorate
- Children's Directorate
- Environment & Regeneration Directorate
- Public Health Directorate

Beneath each Executive Director sit Operational Directors, including the Operational Director of Finance (s151 Officer) who reports directly to the Chief Executive. There are six Policy and Performance Boards each aligned to the Council's six corporate plan priorities.

The revised structure benefits the Council by being more responsive to the changing environment and ensures senior oversight of key priorities, linked to the large scale transformation plans which are outlined in the Financial Sustainability section of this report. Recruitment to the new Executive Director posts has taken some time with the Executive Director – Environment & Regeneration post remaining unfilled until May 2023.

## Council decision making and oversight

Within the Council, arrangements are in place to ensure that all relevant information is provided to decision makers before making major decisions. Directors commission service leads and their teams to produce reports related to the major decisions, which are supported where necessary by professional experts. Draft proposals are reviewed by the responsible directorate senior leadership teams.

All investment decisions within the Council are assessed and approved internally prior to the revenue or capital allocations provided, through the annual budget, which then is signed off by the Executive Board. This system allows for segregation of duties regarding financial decisions, and enables for healthy deliberation and challenge to be incorporated into the decision making process.

The Council's decision making arrangements are established in the Council's constitution, which is publicly available on the Council's website. Decisions are either made by members (Council, or other decision making committees) or delegated to senior officers. The Council Constitution clearly sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated by management in May 2021.

Internal Audit has provided effective oversight throughout 2021/22. The Head of Internal Audit provides an annual opinion on the Council's risk management, control and governance processes based upon the internal audit work completed during the year. The opinion covering 2021/22 was presented to the Audit & Governance Board on 6 July 2022 and concluded that the Council's risk management, control and governance processes in place during 2021/22 were considered to be adequate and to have operated effectively during the year.

The long term vision for the Council would normally be published in the Council's Corporate Plan. However as set out on the Council website, the current version of the Plan covering the period 2018-20 has expired and replacement is overdue, although the core priorities remain relevant. A new Corporate Plan is anticipated from April 2024 to allow due consideration to take place of consultations and changes in government policy, with a particular reference to the Council's ambitious Transformation Plan and savings programme. In the meantime the Council considered developing an interim Corporate Plan but have decided to continue with their previous Corporate Plan until March 2024 whilst a "big conversation" takes place.

Whilst we understand that time and energy is required to develop a meaningful Corporate Plan given the changing environment in which the Council operates, we consider that the Plan should be developed as soon as possible, especially given the challenges faced in the Transformation Plan referenced in the Financial Sustainability section of this report. We have raised this matter as an Improvement Recommendation on page 15, which is repeated from the prior year Auditor's Annual Report.

# Governance

## Investigation of fraud and corruption

From our review of the Council's central resources, it is clear that there are arrangements in place in respect of the prevention and detection of fraud. These are covered within the Council's constitution, codes of conduct and whistleblowing policy. A Code of Conduct for Members and Officers is in place together with a Whistleblowing Policy, each of which has been reviewed and considered adequate for its purpose. There is a high level Code of Conduct for Members summarising the principles of office. This is supported by a detailed Code of Conduct developed to be consistent for Members across the Liverpool City Region.

Elected members follow a Code of Conduct to ensure high standards in the way they undertake their duties. This Code was updated in 2021 and 2022 upon recommendation by the Audit & Governance Board. A new Model Code of Conduct for elected members was adopted in 2021 based on the Local Government Association (LGA) Model Councillor Code of Conduct. The 2021 changes to the Code of Conduct were extensive and therefore training was provided for all Members in September 2021 facilitated by an expert external consultant. Further relatively minor changes were made to the Code of Conduct during 2022.

The Monitoring Officer provides training to new elected members on the Code of Conduct, and also feeds back to Audit & Governance Board annually on a summary of complaints raised, the last being 22 March 2023. No major matters were raised.

The Council is alert to the risk of Fraud and this features highly in the Council Constitution which is published on the external web site. Included is the Anti-Fraud, Bribery and Corruption Policy and the Fraud Response Plan which sets the right tone to anyone considering committing a fraud against the Council.

All new employees attend a corporate induction process where they are made aware of the Code of Conduct and anti-fraud measures in place at the Council.

An annual update on counter fraud is presented to Members by the Head of Internal Audit. On 28 September 2022 the Audit & Governance Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements. The report does not highlight any significant control deficiencies leaving the Council open to Fraud, and provides good evidence of the seriousness which is attached to counter fraud by the Council.

The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct or other issues. All whistleblowing complaints and referrals received are assessed and investigations undertaken where sufficient information is provided.

The Council had a Standards Committee until May 2021 when the powers and duties of the Standards Committee transferred to the Audit & Governance Board (formerly the Business Efficiency Board). This was primarily for business efficiency reasons since the Standards Committee met only once annually and therefore absorbing the role into the Audit & Governance Board, which meets quarterly meant that any matters arising could be reported more promptly. No matters were brought to the attention of the Monitoring Officer for reporting to Audit & Governance Board during 2021/22 (or 2022/23) which required formal investigation.

## Gifts, hospitality and declaration of interests

A satisfactory gifts and hospitality policy is set out in the Councils' constitution together with a policy for declaration of interests. Audit inspection of the registers confirmed that declarations are made within the required timeframe. It was noted however that within our previous Value for Money assessment that gifts and hospitality declarations were not clearly visible on the Council's website and could not be interrogated by political party for Members. This has been updated and became available from 2021/22.

## Conclusion

The Council has appropriate arrangements for ensuring that it makes informed decisions and properly manages its risks. Our work this year has focussed on continuing to build our knowledge and understanding of the governance arrangements in place at the Council building on our work in the prior year. We have not identified any significant weaknesses in arrangements, but we have made one improvement recommendations for the Council to enhance its arrangements in regard to updating of the Corporate Plan.

# Improvement recommendation



## Governance

### Recommendation 2

The latest Corporate Plan covers the period 2018-20 and is due for a refresh and alignment with other key/strategic plans and priorities, including the Council's Transformation Plan

### Why/impact

The Council's strategies should cascade down from and have a clear linkage to the overall Corporate Strategy. This should feed down to the Medium Term Financial Strategy (MTFS) and annual budget based upon the priorities established in the Corporate Strategy.

### Auditor judgement

Delays in updating the Corporate Strategy could lead to the Council losing sight of key priorities and the funding streams that accompany them.

### Summary findings

The Corporate Strategy was last updated for the period 2018-20.

### Management Comments

The Council has in place an interim Corporate Plan until the end of March 2024. A new Corporate Plan will take effect as from April 2024. A detailed report on the process for putting in place the interim and new Corporate Plan was reported to Executive Board on 16 March 2023.

# Improving economy, efficiency and effectiveness



## We considered how Halton Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Overview of Arrangements for Ensuring Economy Efficiency and Effectiveness

Halton Council has established and appropriate arrangements to ensure economy, efficiency and effectiveness. Our work has not identified any risks of significant weakness. A detailed review of the Mersey Gateway and the Waste Services function was reported in our 2020-21 Auditor's Annual Report with no significant deficiencies in arrangements. Improvement Recommendations arising in 2020/21 in these two areas are followed up at pages 24 and 25.

## Performance Management

There is adequate monitoring and reporting of performance across each of the directorates within the Council. Quarterly monitoring reports are produced and presented at the supporting committee for the directorates and also the Executive Board where decision making takes place. There is an overview of issues and progress against key service objectives, milestones and performance targets. These reports have a sufficient level of detail, have a RAG rating system and are subject to scrutiny. The Council's MTFS looks at service plans and options over the longer term. Service demand pressures are identified and addressed.

Benchmarking is in place within the Adult and Social Care directorate. An example of this is The Adult Social Care Outcomes Framework (ASCOF) benchmarking that measures how well care and support services achieve their outcomes. We noted that benchmarking is not as consistent across the rest of the Council. This is something that the new Chief Executive has been keen to address since taking office in April 2022.

Halton Council have a good track record of delivering to budget although financial pressures are becoming more extreme. Based on the CIPFA financial resilience index for 2021/22 compared to nearest neighbours, Halton Council has a lower than average level of unallocated reserves, although an unusually high level of earmarked reserves. This is largely due to the Mersey Gateway reserve of £73.4m. This is ringfenced for spend on Mersey Gateway only and cannot be utilised by the Council for any other purpose and should not therefore provide any false comfort on the level of reserves available.

The Council's Corporate Plan 2018-20 outlines the Council's vision, priorities and values, and it is against these that the Council manages performance against its stated key outcomes. However it has been noted that the Plan is out of date and overdue a refresh. This is expected to take place during 2023/24.





# Improving economy, efficiency and effectiveness

## Performance monitoring and unit cost analysis

The Council is structured with an Executive Board comprising ten portfolio holders (reduced to nine portfolio holders in May 2022), whose areas of responsibility reflect the Council’s corporate priorities. There are six Policy and Performance Boards (aligned to each of the six corporate priorities) and an Audit & Governance Board, (attended by the external auditor) which also reflects on corporate priorities and undertakes an overview and scrutiny role. Financial and non-financial key performance indicator data is reported to Policy and Performance Boards on a quarterly basis and is published on the Council’s website.

Performance against service objectives for 2021/22 was reported to 16 June 2022 Executive Board in the annual “Directorate Performance Overview Report”. In year performance is reported quarterly to Executive Board throughout the year. The Directorate Performance Overview Reports provide a strategic summary of the key issues arising from performance in the relevant quarter for each Directorate and is aligned to Council priorities or functional areas.

Our analysis of value for money draws upon benchmarking of service information extracted from a variety of sources including our own CFO Insights analysis, CIPFA financial resilience indices and detailed year end RO returns compiled by the Council.

On 3 March 2021 the Council set a 2021/22 net revenue budget of £111.4m. The 2021/22 financial statements shows a net overspend for the year of £1.2m. The continued push to reduce spending during the second half of 2021/22 resulted in all departments’ operational net spending to be under the approved budget for the year, with the exception of Children & Family Services.

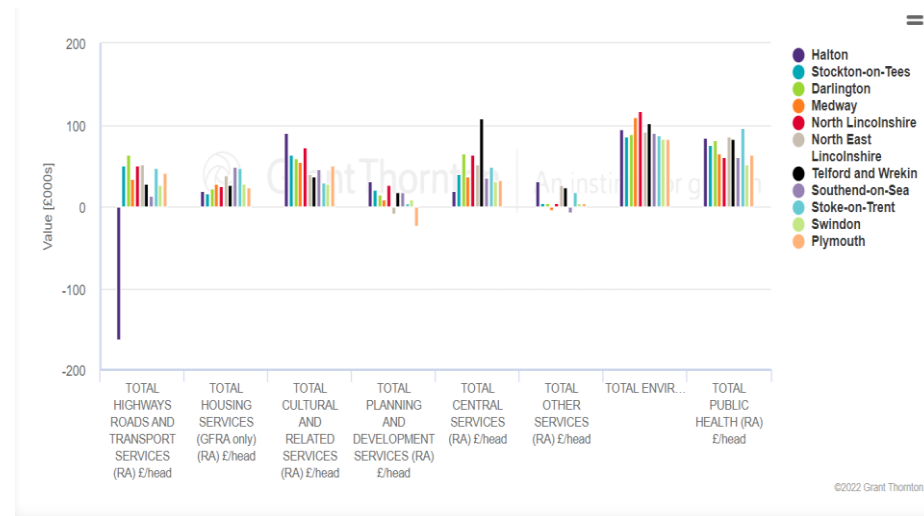
The main budget pressure for the Children & Families department was for out of borough residential placements due to increase in unit cost and demand. Spend for the year was £12.5m against budget provision of £8.9m, resulting in an overspend of £3.6m. Demand pressures have increased annually. The average number of children being placed in out of borough residential placements has increased to 70, an increase of 84% in seven years. Alongside the demand increase there has been a corresponding increase in costs with the average annual package cost of care rising from £0.115m to £0.178m (55%) over the period 2014/15 to 2021/22.

The Council is also seeing demand pressures within Adult Social Care, although the increase in costs relating to this for 2021/22 has been offset by a transfer of funds from the Complex Care Pool budget (hosted between the Council and Halton Clinical Commissioning Group). In addition, the Council has also used remaining funding from Covid grants to help mitigate these costs.

The pages which follow compare Halton Council to nearest neighbour comparator councils based upon factors such as size, population age, demographics and educational attainment. In summary the unit cost is very high for Education, Adult Social Care, Cultural, Planning & Development and other services making the total unit cost per head averaging as very high.

We have raised an improvement recommendation for management to investigate where the Council is an outlier to pinpoint either areas for savings or data quality issues.

Unit Cost Analysis Chart – Halton budget spend by service area compared to nearest neighbour



# Improving economy, efficiency and effectiveness - Unit cost comparisons overview

Standard RO block	Relative position in 2021/22	Comments
Housing Services	VERY LOW	<ul style="list-style-type: none"> <li>Halton benchmarks very low for Housing services unit cost. Housing benefits administration is low as are rent allowance and rent rebates discretionary payments</li> </ul>
Environmental & regulatory	HIGH	<ul style="list-style-type: none"> <li>Halton benchmarks high for Environment and regulatory services unit cost. High outliers include: Community safety crime reduction, Environmental health food safety, Pest control, Port health levies, Waste minimisation.</li> </ul>
Planning & development	VERY HIGH	<ul style="list-style-type: none"> <li>Planning and Development is ranked very high unit cost overall, particularly within the economic development and business support sub-categories.</li> </ul>
Highways & transport	VERY LOW	<ul style="list-style-type: none"> <li>Halton ranks very low in Highways and transport services compared to its neighbours. It is however noted that Street lighting is very high at £11.42, a significant increase from £4.72 as per the 2020/21 RO</li> <li>Structural maintenance is very high at £9.89 compared to £3.04 per the 2020/21 RO financials.</li> <li>Road safety education and safe routes are very high at £2.23 against £1.19 per the 2020/21 RO.</li> </ul>
Cultural & related	VERY HIGH	<ul style="list-style-type: none"> <li>Halton benchmarks very high for cultural and related services unit cost. In particular: Open spaces is very high at £37.99. Recreation and sports is very high at £32.38.</li> </ul>
Central services	VERY LOW	<ul style="list-style-type: none"> <li>Halton benchmarks very low for central services unit cost.</li> </ul>

# Improving economy, efficiency and effectiveness - Unit cost comparisons overview

Standard RO block	Relative position in 2021/22	Comments
Education Services	VERY HIGH	<ul style="list-style-type: none"> <li>• Halton benchmarks very high for education services unit cost. Suggested areas for Council follow up are:</li> <li>• Early years 0-4 very high at £1 214.40 compared to £1 681.31 for the 2020/21 RO</li> <li>• Other education and community budget very high at £702.95 against £462.46 for the 2020/21 RO</li> </ul>
Children Social Care	AVERAGE	<ul style="list-style-type: none"> <li>• Halton benchmarks average for children's social care services unit cost. Suggested areas for Council follow up are:</li> <li>• Other children's and family services 0-17 very high at £72.14 compared to £55.30 as per the 2020/21 RO</li> <li>• Sure starts children's centres/flying start and early years very high at £59.73 compared to £57.10 for the 2020/21 RO.</li> </ul>
Adult Social Care	VERY HIGH	<ul style="list-style-type: none"> <li>• Halton benchmarks very high for adult social care services unit cost. Suggested areas for Council follow up which are very high outliers are:</li> <li>• Commissioning and service delivery.</li> <li>• Learning and disability support adults (18-64).</li> <li>• Mental health support -adults 18-64.</li> <li>• Sensory support adults (18-64)</li> <li>• Sensory support older people 65+</li> <li>• Support with memory and cognition older people 65+</li> </ul>
Public Health	HIGH	<ul style="list-style-type: none"> <li>• Halton benchmarks high for public health services unit cost. Suggested areas for Council follow up which are very high outliers are:</li> <li>• Children 5-9 public health programmes.</li> <li>• Health protection -local authority role in health protection (prescribed functions)</li> <li>• Msc. Public health services -children 0-5 services (prescribed functions)</li> <li>• NHS health check programme (prescribed functions)</li> <li>• Obesity -adult 18+</li> <li>• Obesity- children 0-17</li> </ul>

# Improving economy, efficiency and effectiveness

## Procurement and Contract Management

The Council has a procurement strategy in place which covers the period 2020-2023. This strategy is regularly updated and has oversight from the Audit & Governance Board with the update reports reported through the Executive Board. The strategy is underpinned by procurement standing orders to ensure Best Value in procurement is achieved. We have not found any evidence of the Council failing to operate a fair procurement strategy. All contracts over £1m or those not in line with the standards are presented to the Executive Board for scrutiny and approval of the procurement. The decision for each item is clearly set out. Anything over £1,000 at the Council must go through procurement. Procurement update reports are presented at the Audit and Risk Committee. The purpose of these is so the Council can have oversight over the procurement arrangements and its activity.

Outsourcing, partnerships and shared service agreements are generally managed at service level. Oversight of these are provided at the relevant committee for the service line that would review any issues.

Throughout 2021/22 the Council has continued to review its services to identify where changes to the way in which services are delivered can realise efficiencies. This captures seeking improved procurement, better utilisation of assets, changes to staff terms and conditions and collaborative working with other Councils and partner agencies, and increased income from external sources. Whilst this has helped manage costs during 2021/22, the scale of savings required in the Transformation Plan is of a greater magnitude and will require an unprecedented driving down of costs through improved procurement and contract management.

## Delivering within significant partnerships, engagement with stakeholders and monitoring performance against expectations

The Council's Corporate Plan 2018-20 sets out the objectives and visions for the Council which has been developed with partners. However, as noted under the governance section of this report the Corporate Plan is out of date and due a refresh. This has been delayed to enable the new Council Chief Executive and Leader to play a prominent role, and to capture the core themes of the Council's Transformation Plan which is designed to resolve the Council's budget deficits in the MTFS.

During 2021/22 the Council worked jointly with NHS colleagues to establish the Cheshire and Merseyside Integrated Care System (ICS) and at the local level to establish the One Halton Place Based Partnership, prior to the abolition of Clinical Commissioning Groups from 1 July 2022. 2022/23 is a transitional year during which the detailed arrangements will be developed for the operation of the new structures.

The One Halton Place Based Partnership Board has been meeting monthly to oversee the development of the partnership arrangements. A number of sub-groups have also been established to take aspects of the work forward. These include the Finance and Performance Sub-Group which is developing a methodology to provide place based financial reporting and control.

During 2021/22 there has continued to be close co-operation between the Council and Halton Clinical Commissioning Group (HCCG) to deliver integrated health and social care services utilising a pooled budget arrangement. On 1 July 2022 HCCG was dissolved and its function became part of the Cheshire and Merseyside Integrated Care System (ICS).

The Council participates in various other partnership arrangements. An example being the One Halton partnership which we have identified as having good arrangements in place. This will form part of the new integrated care system (ICS) which came into effect on 1 July 2022 and builds on this partnership and collaboration. The Health and Wellbeing board has delegated the overseeing of the One Halton ICS to the multi-agency One Halton ICP Board. In order to deliver the objectives of the partnership, this Board is intended to provide leadership, engage with key stakeholders, identify priorities, oversee governance arrangements and promote joint working through the partnership.

There are adequate arrangements in place for overseeing the delivery of the ICS with the addition of the One Halton Partnership Finance & Performance sub-committee and the Operations and Delivery sub-committee that have board representation across the partnership. Each month an update report is prepared and a revised governance structure has been put in place. The Council are transparent about One Halton through the update reports provided.

The Mersey Gateway Bridge opened in 2017 completing a £1.86bn project for the Council and its partners. The partnership arrangements were reviewed and reported in the 2020/21 Auditor's Annual Report with no significant deficiencies. Emovis Ltd have continued to operate the toll system under the "Merseyflow" brand.

The Council is an active member of the Liverpool City Region (LCR) Combined Authority and works closely with the other five member councils in respect of a number of key service areas. These include economic regeneration, highways and transport services. Alongside this, the Council is part of the LCR Business Rates Retention pilot scheme, which is designed to incentivise councils to develop their local economy by enabling retention of any resulting growth in business rates. The pilot scheme continues through 2023/24, however participation in the scheme beyond March 2024 is uncertain.

# Improving economy, efficiency and effectiveness

## Service Inspection

Ofsted is one of the key regulators at the Council who carried out their latest inspection in 2021. This was a focused visit which looked at the Council's arrangements for children in need and those who are subject to a child protection plan. The Council received a score of 'requires improvement to be good'. The key finding being that there were significant weaknesses in social work practice and deficits in management oversight and supervision that have failed to safeguard and promote children's welfare. The areas for priority action are:

- Assessment and management of risk to children
- Management oversight and supervision to provide effective support and challenge.

The Council developed a Children and Young People's Improvement Plan in response to the OFSTED inspection in October 2021. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better.

The improvement plan to address weaknesses consists of three key areas for development being:

- Leadership, Management and Workforce
- Improving quality of frontline practice
- Quality assurance and performance

The action plan details how progress will be measured using a RAGB rating system in line with the Ofsted findings.

A focused re-inspection of Children's Services by Ofsted took place 23-24 November 2022 with their report issued 13 January 2023.

The re-inspection confirmed that improvement had taken place, specifically regarding the effectiveness of the work being done by the iCart team (Integrated Contact and Referral Team) and Duty Assessment Team front-door services to ensure vulnerable children and families benefit from timely and proportionate interventions and support.

Ofsted inspectors noted that the new chief executive had secured corporate commitment and significant financial investment to children's services in the council's drive to improve social work practice.

The report also noted that the newly established senior leadership team, referenced in the Governance section of this report, had accelerated the much-needed pace of change to the local authority's improvement journey.

But the report said there were areas which could be improved including the quality of social workers' supervision and the consistency of audit practice.

## Conclusion

The Council has demonstrated that appropriate arrangements are in place to secure economy, efficiency and effectiveness in its use of resources. We note that the Council has an ambitious Transformation Plan from 2023 onwards to address the significant budget deficits within the MTFs. This will impact on service delivery and procurement, to name a few areas in order to drive down costs.

The impact of the Covid pandemic is still being felt on services and on the Council's financial position and this is likely to continue in the medium term. The gross cost and loss of income attributed to Covid in 2021/22 is £18.0m. This was met through a combination of specific government grants (£10.9m), general grant, compensation for the loss of fees and charges and the balance of £1.1m funded directly by the Council from a review of earmarked reserves.

Legacy costs of the pandemic are not yet known going forward but it is expected that some areas will continue to experience costs or loss of income. This will need to be managed carefully given the likelihood that there will be no further financial support from Government.

We also note that our benchmarking analysis of unit costs, compared to other similar councils, indicates that Halton Council's services are generally delivered at high cost, with some outliers at high cost for management review are highlighted in this report. Management recognise in the Transformation Plan that the opportunity for further top slicing of budgets is increasingly difficult and that savings will need to come from genuine transformation of service delivery and consideration of local priorities, which is likely to take a number of years to implement.

Our work identified no risk of significant weaknesses in arrangements.

# Improvement recommendation



Improving Economy, efficiency and effectiveness

## Recommendation 3

Review the areas where the Council is identified as an outlier in service delivery cost compared to nearest neighbour cohort.

## Why/impact

Understanding the cost base will furnish management with accurate information to drive out efficiencies and help seek out best practice. This is key as the Council implements its Transformation Plan to reduce costs on a previously unseen magnitude.

## Auditor judgement

Compared to nearest neighbour cohort, the Council is very high / high cost in the following service areas:

- Environmental & regulatory
- Planning & development
- Cultural & related
- Education
- Adult Social Care

## Summary findings

Our analysis of value for money draws upon benchmarking of service information extracted from a variety of sources including our own CFO Insights analysis, CIPFA financial resilience indices and detailed year end RO returns compiled by the Council.

## Management Comments

This will be considered as part of the Councils work in delivering the Transformation Plan.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
1	The latest Corporate Plan covers the period 2018-20 and is due for a refresh and alignment with other key/strategic plans and priorities.	Improvement	June 2022	Report presented to Executive Board on 16 March 2023. The Council has in place an interim Corporate Plan until the end of March 2024 at which point a new Corporate Plan will take effect.	Yes	Yes, new Corporate Plan to be introduced April 2024.
2	Consideration should be given to expanding the finance risk on the Corporate Risk Register to go beyond funding pressures but to explain expenditure pressures and the pressure on reserves.	Improvement	June 2022	Updated Corporate Risk Register reported to Audit and Governance Board on 23 November 2023 made reference to the volume of reserves required in balancing the 2022/23 budget. Point made that use of reserves must be replaced by sufficient permanent savings.	Yes	Continued reference in Corporate Risk Register.
3	Consider the creation of a central register of gifts, hospitality and interests for Members which is available for inspection on the Council's external website.	Improvement	June 2022	A central point has been created for a register of gifts, hospitality and interests for members and officers. This is an internal document only and is yet to be published on the Council's external website.	No	Further consideration to be given to publishing externally.
4	We noted that benchmarking is not as consistent across the rest of the Council. This is something that the Council should consider particularly in Finance that would help identify areas for improvement by benchmarking costs and performance against similar bodies in particular areas facing pressure.	Improvement	June 2022	Initial work on the Transformation Programme was to benchmark the Council on both cost and quality from a range of sources against its statistical neighbours, to identify those Councils that in whole or part appear to deliver better or similar outcomes for less cost.	Yes	Benchmarking will be a continued action of the Transformation Programme.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
5a	There should be greater oversight from the Council over the performance monitoring of Emovis. It is clear that there is engagement between the Mersey Gateway Crossings Board and Emovis however this should be formally communicated through the Council and a reporting channel through the appropriate committee and Executive Board on an appropriate basis.	Improvement	June 2022	Ongoing, discussions to take place with Mersey Gateway Crossings Board to agree on an improved reporting framework.	No	As per progress to date.
5b	A clear action plan should be put in place focused on toll collection outlining the issues and measuring the performance against these objectives on a regular basis to improve economy, efficiency and effectiveness in this area. This should be reported through the relevant committee at the Council to ensure appropriate oversight.	Improvement	June 2022	Ongoing, discussions to take place with Mersey Gateway Crossings Board	No	As per progress to date
5c	Although the penalty charge notice rate is low, when a debt is registered this is a cost each time to the Council. The Council should put in place a process of reviewing how many PCN's proceed to debt registration and review this against recoverability.	Improvement	June 2022	Ongoing, discussions to take place with Mersey Gateway Crossings Board	No	As per progress to date.



# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6a The Council should consider its annual recycling rates in line with the national average and in the context of national targets (65% by 2035). It should put in place plans for improving efficiency and effectiveness in this area.	Improvement	June 2022	Along with each of the other LCR authorities, the Council commissioned a joint piece of work for consultants to model a range for future waste collection scenarios. The outcome will be a report for each individual authority setting out the outcome of each modelled scenario (cost implications, recycling performance, carbon benefits etc) which will be used to help inform future decisions on service changes required to meet new legislative requirements arising from the Environment Act 2021 and help meet future national recycling targets. Further, Halton, and each of the other Partnership authorities, including the MRWA, have recently endorsed a Liverpool City Region Zero Waste 2040 Strategic Framework to minimise waste related carbon emissions through actions to prevent, reduce, recycle and re-use waste.	Yes	Ongoing
6b The increase in waste tonnages collected could create a budget gap / pressure in the coming years which could impact the Council's ability to set a balanced budget in future. It should consider opportunities for savings and / or how this pressure will be managed, to ensure continuity of service to residents.	Improvement	June 2022	As per response to 6A	Yes	Ongoing
6c Consideration should be given to formalising the relationship between MWDA observer and the official responsible for waste, while the current relationship works well, this is not guaranteed if either party was to change role.	Improvement	June 2022	The Council consider the arrangements in place to be sufficient.	Yes	No
6d It would be useful to provide Members with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.	Improvement	June 2022	Reporting of KPIs has been discussed with Members and will further be developed.	Yes	Ongoing

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
6e The LCR Strategic Waste Management Partnership does not currently include the MWDA. As waste management relates to both collection and disposal, it could be beneficial to formally include the MWDA within the partnership and this alongside a framework to allow recommendations from the MWDA to be formally considered will enable collaborative working and decision making.	Improvement	June 2022	MWDA has become an established member and active partner within the LCR Strategic Waste Management Partnership.	Yes	No
6f The MWDA, Merseyside Councils and Halton Council should continue to work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.	Improvement	June 2022	The Strategic Waste Partnership is developing a Waste Action Plan with, one of the actions of which is to “Examine and present the options for future Governance of joint zero waste work”	Yes	Ongoing

# Opinion on the financial statements



## Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 1 March 2023. This was later than the deadline of 30 November 2022 due to CIPFA reaching a resolution on the reporting of infrastructure assets. This was resolved by statutory override in December 2022.

We are unable to issue our audit completion certificate due to a national issue arising from the triennial valuation of the Local Government Pension Scheme.

## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported in draft to the Council's Audit & Governance Board on 23 November 2022 and finalised for circulation to Members in February 2023.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. Our assurance report was issued on 1 March 2023 with no matters to report to the NAO.

## Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a generally good set of working papers to support it.

## Issues arising from the accounts:

The key issues reported in the audit of the accounts were:

- Understatement of pension fund asset valuation £1.03m (unadjusted)
- Understatement of creditors £0.93m (unadjusted)
- Presentational and disclosure improvements to the notes to the accounts (adjusted)

## Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation



# Appendices

# Appendix A – Responsibilities of the Council

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

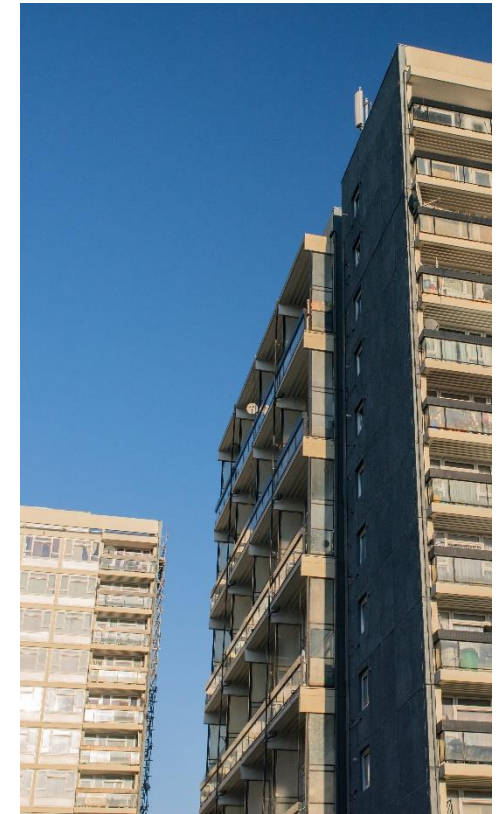
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



# Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was identified as a potential significant weakness, see page 7 for more details.	Detailed review and challenge of the latest budget reports and medium term financial plan. Included review of the Transformation Plan and discussions with key officers	The Council has an itemised Transformation Plan intended to achieve medium term financial sustainability across five workstreams.	Appropriate arrangements are in place. One improvement recommendations raised to ensure focus remains on meeting the planned savings.

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	11, 15, 22

