

Public Document Pack



Supplementary Agenda **Audit and Governance Board**

**Wednesday, 24 September 2025 at 6.30
p.m.**
**The Board Room - Municipal Building,
Widnes**

A handwritten signature in black ink, appearing to read 'P. Abbott'.

Interim Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Neil Connolly (Vice-Chair)	Labour
Councillor John Abbott	Labour
Councillor Valerie Hill	Labour
Councillor Margaret Ratcliffe	Liberal Democrats
Councillor Sharon Thornton	Labour
Councillor Pamela Wallace	Labour

***Please contact Gill Ferguson on 0151 511 8059 or e-mail
gill.ferguson@halton.gov.uk for further information.***

The next meeting of the Board is on Wednesday, 19 November 2025

**ITEMS TO BE DEALT WITH
IN THE PRESENCE OF THE PRESS AND PUBLIC**

Part I

Item No.	Page No.
5. EXTERNAL AUDITOR'S ANNUAL REPORT 2024/25 (APPENDIX TO BE PUBLISHED AS A SUPPLEMENTARY ITEM)	1 - 65

In accordance with the Health and Safety at Work Act the Council is required to notify those attending meetings of the fire evacuation procedures. A copy has previously been circulated to Members and instructions are located in all rooms within the Civic block.

Halton Borough Council

Interim Auditor's Annual Report
Year ending 31 March 2025

18 September 2025



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

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01 Introduction and context

Introduction

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

Opinion on the financial statements

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

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

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

Auditor's powers

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

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

Value for money

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

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

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

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

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



Workforce and Governance Challenges

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

Local

Present



Financial Sustainability

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



External Audit Backlog

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

Future



Funding Reform

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



Reorganisation and Devolution

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

Halton Borough Council (the Council) is a small unitary council with a population of 128,964. 30% of the population live in areas that are deprived. The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council’s formal decision making and governance structure constitutes the full Council and an Executive (the Cabinet). Full Council and Cabinet are supported by overview and scrutiny committees. The Council has 54 councillors, and the Council is elected every four years. The most recent elections were in May 2024 when Labour secured a majority with 50 elected councillors.

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

02 Executive Summary

Executive Summary

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

We identify seven significant weaknesses in the Council's arrangements for Value for Money resulting in three statutory and four key recommendations.

Our VFM work has concluded limited progress in 2024/25 on the two statutory recommendations we made in December 2024. We are actively considering the use of our additional powers if the Council does not respond at pace to address its financial sustainability. The report is interim as we have not completed our financial statements audit work, but the recommendations made in this report are final. The two statutory recommendations relate to financial sustainability and the Council's need to improve its short and medium-term financial planning and the need to develop and implement the transformation programme at scale and pace to address the significant structural deficit. One new statutory recommendation is made relating to governance relating to corporate pace and capacity to address its financial sustainability.

The four key recommendations relate to the requirement for the Council to put sufficient plans in place to address its escalating forecast Dedicated Schools Grant (DSG) deficit, while delivering the necessary improvements to its SEND services; needing to urgently update its arrangements for business continuity and disaster recovery planning; improving its performance management arrangements; and significantly improving its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by delivering the improvement plan to address the wider children's services inspection findings. **Our conclusions are summarised on the pages 8 to 11 and set out in detail on pages 17 to 40.**

Recommendations made under section 24 schedule 7 of the Local Audit and Accountability Act 2014

Our Responsibilities - As well as our responsibilities to give an opinion on the financial statements and assess the arrangements for securing economy, efficiency and effectiveness in the Council's use of resources, we have additional powers and duties under the Local Audit and Accountability Act 2014. These include powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We have concluded that it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to inadequate arrangements relating to issues with financial planning and developing a robust transformation plan to support delivery of substantial savings and efficiencies. Further details are set out in the attached report.

What does the Council need to do next? Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions: the Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council. At that public meeting, the Council must decide whether the recommendations are to be accepted and what, if any, action to take in response to these recommendations. Schedule 7 specifies the meeting publication requirements that the Council must comply with.

Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Three significant weaknesses in arrangements resulting in two statutory recommendations and one key recommendation.	We undertook specific work to assess three risks of significant weakness, that we identified at the planning stage, in relation to financial planning, transformation and DSG.	R We confirmed three significant weaknesses in arrangements for financial planning, transformation and Dedicated Schools Grant (DSG) were identified, and statutory recommendations retained for financial planning and or transformation and a key recommendation retained for DSG.
Governance	R Two significant weaknesses in arrangements resulting in two key recommendations. Five improvement recommendations were also made.	We undertook specific work to assess two risks of significant weakness identified in relation to risk management and business continuity and disaster recovery.	R We confirmed a significant weaknesses in arrangements for corporate control and capacity resulting in a statutory recommendation. We reconfirmed a significant weakness for business continuity and disaster recovery and retained a key recommendation. We also make four improvement recommendations.
Improving economy, efficiency and effectiveness	R Two significant weaknesses in arrangements identified and two key recommendations made. We also made an improvement recommendation.	We undertook specific work to assess two risks of significant weakness identified in relation to performance management and children’s services.	R We reconfirmed two significant weaknesses in arrangements and key recommendations made in relation to performance management and children's services and one improvement recommendation made relating to contract management.

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

Executive Summary (1 of 3)

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



Financial sustainability

In our Auditor's Annual Report (AAR) 2023/24 we made a statutory recommendation that the Council should improve its short and medium-term financial planning. The 2024/25 outturn was an overspend of £16m on a net budget of £149.49m. It was funded by £6m of reserves and £10m in Exceptional Financial Support (EFS).

On 5 March 2025, full Council agreed the 2025/26 budget of £183.05m. This was a deficit budget of £29.39m funded by EFS. By May 2025, the Council forecast an overspend of £6.1m. Further EFS borrowing is expected over the next 3-4 years. We note the Council has agreed a financial recovery plan in September 2025. The Council's General Fund balance is £5.15m with no earmarked reserves available to help fund future budgets, this is just 2.8% of the 2025/26 budget. We retain this statutory recommendation on page 23.

In our AAR for 2023/24 we also made a key recommendation that the Council should put sufficient plans in place to address its forecast DSG deficit, while delivering the improvements to its special educational needs and disabilities (SEND) services. Like many other councils its DSG deficit is increasing. The Council's DSG projections show the deficit will be £33.9m by 2028 and even with mitigations the deficit is expected to be £22.1m. We retain our prior year key recommendation on page 26.

In our AAR for 2023/24 we made a statutory recommendation that the Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. We retain our prior year statutory recommendation on page 25. The Council needs to save £72.55m over the next four years (46% of the 2024/25 net budget), after the assumed EFS use of £98m over the next four years. The 2024/25 budget included just £2.7m of savings and £4m from the Transformation Programme. The Council only saved £0.01m from the transformation programme in 2024/25 and assumed no savings from transformation in 2025/26. This is considerably below our expectations of what a Council of this scale should be achieving, based on savings performance throughout the sector. We also question the decision to pause savings while the Council put transformation arrangements in place. In May 2025, the Council had agreed savings of £7.23m for 2025/26 but only £0.43m were rated green (meaning deliverable). The budget gap for 2026/27 is £14.5m not including the structural deficit of £29.39m from 2025/26.

Executive Summary (2 of 3)

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



Governance

The Council does not have sufficient corporate control and is not working at the pace needed to achieve financial sustainability and deliver budget savings from its transformation programme. This presents a significant weakness at the Council. We make a new statutory recommendation relating to governance on page 31. It is imperative that senior officers and elected members take effective corporate control of the issues highlighted by this report and prioritise corporate effort in managing the issues identified in relation to financial sustainability and embedding strengthened arrangements in the Council.

In our AAR for 2023/24 we made a key recommendation for the Council to significantly improve risk management. The Council has developed a new risk policy in 2024/25, aligned with the Government’s Orange Book, which was agreed by the Executive in July 2025. We conclude the Council has progressed our recommendation and make an improvement recommendation on page 33 to embed these improvements to the Corporate Risk Register(CRR) format and to risk reporting.

The Council did not consult the public on its budget for 2025/26. We included this in the need for a more robust budget setting process in our statutory recommendation on financial planning page 23. CIPFA (the Chartered Institute of Public Finance and Accountancy) strongly encourages transparency, accountability, and stakeholder engagement as part of good financial management practice. We note the Leader of the Council is introducing a star chamber model for 2026/27 budget setting to improve internal budget setting and challenge which is good to see. The star chamber model is a mix of members and senior officers providing financial challenge to budget holders.

In our AAR for 2023/24 we made a key recommendation for the Council to urgently update its arrangements for business continuity and disaster recovery planning. The Council has developed joint arrangements with business continuity however a disaster recovery plan is not expected to be fully tested until September 2025. Therefore, this recommendation is retained.

In our AAR for 2023/24 we made an improvement recommendation that the Council needed to enhance its internal audit arrangements. We have identified further improvements needed to internal audit and make a revised improvement recommendation on page 34. We retain improvement recommendations for overview and scrutiny and the effectiveness of its Audit and Governance Committee. In 2023/24 we made an improvement recommendation relating to whistleblowing, the Council did update the policy and this recommendation is closed.

Executive Summary (3 of 3)

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



Improving economy, efficiency and effectiveness

In our AAR for 2023/24 we made a key recommendation that the Council needs to improve its performance management arrangements. We have found no evidence of a direct link between corporate and service plans or any public-facing annual report. However, there is a corporate plan for 2024/29 to build on. In 2024/25 there was no quarterly reporting aligned to corporate priorities and directorate reporting was not reported consistently each quarter. We have not seen a performance framework to join up the corporate plan with directorate and service performance or evidence of benchmarking to national or nearest neighbours in the directorate reports. In 2024/25 performance, risk and finance reporting was not integrated. We retain our key recommendation on page 38.

In our prior year AAR, we made a key recommendation for the Council to significantly improve its services for children and young people by putting in place arrangements to improve its special educational needs and disabilities (SEND) services and by delivering the improvement plan to address the children’s services inspection findings. In May 2024, Ofsted identified Children’s Services in Halton as inadequate’ across all areas. On 30 August 2024, the Secretary of State issued a Statutory Direction requiring urgent improvements and appointed a Children’s Commissioner. The Commissioner worked closely with the Council and published a report in December 2024, with 24 recommendations for the Council and its partners to implement. Implementation of the Commissioner’s recommendations is monitored by the independently chaired Children’s Ofsted Improvement Board. The Department for Education (DfE) issued a revised statutory direction in February 2025. We note some progress to address these concerns but in 2025/26 actions are still being monitored by the DfE and Ofsted and we retain our key recommendation on page 39.

In July 2025, the Care Quality Commission (CQC) published its assessment of Halton’s adult social care and gave a good rating following the inspection in March 2025.

In our AAR for 2023/24 we made an improvement recommendation for the Council to improve its contract management arrangements. The Council has improved contract management in children’s services. However, no formal contract meetings are held with Merseyside Recycling and Waste Authority (MRWA) and financial performance is not discussed even informally. In 2024/25 MRWA were updating the Inter Authority Agreement (IAA) with the Council to reflect the waste changes. This did not happen by November 2024 as planned and was not agreed by August 2025. The current contract does not enable Halton to fulfil its duties under the Simpler Recycling changes which came into effect from 31 March 2025. We make a revised improvement recommendation on page 40.

Executive summary – auditor’s other responsibilities

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

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	We have completed our audit of your financial statements and anticipate issuing an unqualified audit opinion, following the Audit & Governance Board meeting on 24 September 2025. Our findings are set out in further detail on pages 12 to 15.	
Use of auditor’s powers	We issued a new written statutory recommendation under Schedule 7 of the Local Audit and Accountability Act 2014 and retained the two from 2023/24. We have considered the lack of progress made by the Council in 2024/25 and considered use of further powers beyond statutory recommendations. While we did not use our further powers in 2024/25, we will consider progress throughout 2025/26 and may again consider additional powers if sufficient progress is not achieved. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.	



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

Opinion on the financial statements

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

Audit opinion on the financial statements

We anticipate issuing an unqualified audit opinion, following the full Council meeting on 22 October 2025. The full opinion is included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

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

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

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

Findings from the audit of the financial statements

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

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

- We have identified 4 adjustments to the financial statements. These have no impact on the level of the Council's usable reserves.
- We have also raised recommendations for management as a result of our audit work.
- Our work remains on-going, however based on work completed to date there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to a small number of outstanding matters.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit & Governance Board meeting on 24 September 2025. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

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

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

Following receipt of the updated AGS, we have nothing to report in this regard.



Use of auditor's powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body.

We retained two prior year statutory recommendations as part of our VFM in 2024/25 and issued a new statutory recommendation to the Council in 2024/25 relating to corporate control and pace.

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 report in the Public Interest with regard to arrangements at the Council for 2024/25. However, we are carefully considering the use of additional powers if the Council does not achieve corporate control over its financial sustainability at the pace we consider necessary.

04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability (1 of 8)

We considered
how the
Council:

Commentary on arrangements

Rating

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

In our AAR for 2023/24 we made a statutory recommendation that the Council should improve its short and medium-term financial planning

The 2024/25 outturn was an overspend of £16m on a net budget of £149.49m. It was funded by £6m of reserves and £10m in Exceptional Financial Support (EFS). MHCLG (see Appendix D) offers EFS for councils needing financial support. It is provided through capitalisation directions, which allow councils to treat revenue costs as capital—enabling them to borrow or use capital receipts to cover costs.

The additional cost of agency staff is one of the main reasons and we note agency staff covering vacancies are not budgeted for as we would expect to see. On 5 March 2025, full Council agreed the 2025/26 budget of £183.05m. This was a deficit budget of £29.39m funded by EFS. By May 2025, the Council forecast an overspend of £6.1m despite a 22% increase in its budget for 2025/26. We note that during 2024/25 the Chief Executive held budget meetings with Directors. Further EFS borrowing is expected over the next 3-4 years. The Council’s General Fund balance is £5.15m with no earmarked reserves available to help fund future budgets, this is just 2.8% of the 2025/26 budget. On 31 March 2025, the Council had £16.57m of debt owing to it, of which £12.69m related to adult social care. Given the Council's financial position, the scale of debt compared with the budget is significant. We retain this statutory recommendation on pages 22-23.

In our AAR for 2023/24 we also made a key recommendation that the Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the improvements to its SEND services. The Council is part of the Delivering Better Value (DBV) programme. The Council’s DSG projections show the deficit will be £33.9m by 2028 and even with mitigations the deficit is expected to be £22.1m. By March 2025, the DSG deficit was £14.65m, an increase of £9m since 2023/24. Given the Council's reserves of £5.15m lifting of the statutory override in March 2028 would be very serious for the Council's financial sustainability. This is a similar position for many other councils. The DSG statutory override is a temporary accounting mechanism introduced by the Government to help Councils manage DSG deficits. the Government plans to extend the override to 31 March 2028. We retain our prior year key recommendation on page 26.

R

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

Financial sustainability (2 of 8)

We considered how the Council:

Commentary on arrangements

Rating

plans to bridge its funding gaps and identify achievable savings	In our AAR for 2023/24 we made a statutory recommendation that the Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. We retain our prior year statutory recommendation on pages 24-25. In December 2024, the Council needed to save £69.8m over the next four years (46% of the 2024/25 net budget), after the assumed EFS use over the next four years of £98m. On 10 February 2025, the Council received a letter from the Government confirming it was minded to approve a capitalisation direction not exceeding £52.8m, of which £20.8m related to 2024/25 and £32m in 2025/26. On 21 August 2025, Government confirmed a capitalisation direction of £10m to fund the balance of the Council’s 2024/25 overspend. At period one 2025/26 the Council forecast an overspend of £6.19m, increasing the level of EFS required to £35.57m, above the approved limit. The 2024/25 budget included just £2.7m of savings and £4m from the Transformation Programme. The Council only saved £0.01m from the transformation programme in 2024/25 and assumed no savings from transformation in 2025/26. This is considerably below our expectations of what a council of this scale should achieve, based on performance in the sector. We also question the decision to pause savings while the Council put transformation arrangements in place. The transformation programme cost £2.41m in 2024/25 and is expected to cost £2.43m in 2025/26. In May 2025, the Council had agreed savings of £7.23m for 2025/26 but only £0.43m were rated green (meaning deliverable). The budget gap for 2026/27 is £14.5m not including the 2025/26 gap of £29.39m funded by EFS. Appropriate arrangements are not in place to identify and make savings or to report on these to elected members. In September 2025 we note the updated MTFP to 2030/31 shows a medium-term gap of £118.6m and that the Executive will be discussing a financial recovery plan to reduce this gap. We will consider this as part of our 2025/26 assessment of your VFM arrangements.	R
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	In our AAR for 2023/24 we made a statutory recommendation that the Council should improve its short and medium-term financial planning. The Council has not made a coherent link between its priorities and the 2025/26 budget. This budget does not make a distinction between statutory and discretionary services which we would expect to see in a Council of this size. The need to address these areas is especially important to the transformation programme. We retain the statutory recommendation (pages 22-23).	R

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

Financial sustainability (3 of 8)

We considered how the Council:	Commentary on arrangements	Rating
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	The Council did not have arrangements in place to manage the Capital programme in line with its strategic objectives. We note some spending on capital which was not accounted for in the programme although this was not material. The Workforce Development Strategy remains in progress in 2025/26.	R
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	In our AAR for 2023/24 we made a statutory recommendation that the Council should improve its short and medium-term financial planning including by quantifying financial risk. Financial risks are not quantified in robustness of estimates in the S25 report. For example, it does not address the reliance on the transformation programme and its failure to deliver budget savings. The S151 Officer could also be clearer in this report about the Council's useable reserves given the ring-fencing for the Mersey Gateway. Additional agency spend is not included in the budget and is driving the overspend in children and adult services, although we note there has been improvement in agency spend in children's during 2024/25. Agency use needs building into the budget to control costs. The impact of agency costs is a significant factor in council overspending we include this in our retained statutory recommendation on financial planning on pages 22-23.	R

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

Financial sustainability (4 of 8)

Significant weakness identified in relation to financial sustainability

Key Finding: In our prior year AAR we made a statutory recommendation that the Council should improve its short and medium-term financial planning including by: ensuring financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff, implementing a more robust budget-setting approach, including public budget engagement, ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report, ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves. On 6 March 2024, full Council agreed the 2024/25 budget of £149.49m. At outturn for 2024/25 the Council was £16.07m overspent, 10.7% of its budget. The overspend was funded by £6.07m of reserves and £10m in EFS. The use and cost of agency staff continues to be one of the main contributing factors to the overspend. We note agency staff covering vacancies are not budgeted for in the Council as we would expect to see. We note children's services did start reducing agency overspending in October 2024, but the issue remains in 2025/26.

Evidence: On 5 March 2025, full Council agreed the 2025/26 budget of £183.05m. This was a deficit budget of £29.39m funded by EFS. The 2025/26 budget included £8.23m of savings to balance 2026/27. We note these savings are less than the known gap of £14.5m for 2026/27 and this gap does not include the £29.38m gap for 2025/26 funded by EFS. The MTFS in February 2025 identified a budget gap over the subsequent three financial years (2026/27 to 2028/29) of £43.17m in addition to the funding gap of £29.38m for 2025/26, giving a total funding gap of £72.55m over the next four financial years. Further EFS borrowing is expected over the next 3-4 years. At end May 2025 the Council projected an overspend of £6.1m despite a 22% increase in its budget for 2025/26. The overspend is driven by £1.9m of agency staff costs and pressure in the children's and adults social care directorates.

We note, on 10 February 2025 the Government issued a letter to the Council confirming it was minded to approve a capitalisation direction not exceeding £52.8 million, broken down as £20.8m in 2024/25 and £32m in 2025/26. In August 2025, the Council received a letter from MHCLG confirming £10m for 2024/25 in EFS. If no action is taken to reduce the forecast overspend of £6.19m the level of EFS required will increase to £35.57m, above the approved limit. We include this in our statutory recommendation relating to financial planning. The Council did not consult the public on its budget for 2024/25. This was not actioned for 2025/26 budget setting as we would expect to see. We note the Leader of the Council is introducing a star chamber model for 2026/27 budget setting to improve internal budget setting and challenge which is good to see.

Financial sustainability (5 of 8)

Significant weakness identified in relation to financial sustainability

Evidence (continued): In the Section 25 statement in the adequacy of reserves the S151 Officer says the current level of general and earmarked reserves is £54.8m, although only £11.4m of this is available for immediate need. The Section 25 statement is a statutory requirement and should be robust. CIPFA suggests it should include a summary of reserves clearly outlining unusable and earmarked reserves from general reserves and a reserves narrative summarising the purpose of earmarked reserves and the basis of calculation of general reserves. S151 Officer should be clearer in this statement about the level of general fund balances and the extent to which reserves are held for the Mersey Gateway Bridge. The Robustness of Estimates does not include an assessment of financial risk which we would expect to see with their planned mitigations. The 2024/25 outturn report states other than the General Fund reserve of £5.15m there are no reserves available to help fund future budgets. This is just 2.8% of the net budget for 2025/26 which we do not consider sufficient. The Council's 2024/25 budget and MTFS recognise the need to move away from the short-term approach of using reserves to provide a balanced budget position and avoiding making permanent budget savings. The MTFS 2024/25 - 2026/27 includes a £2m contribution in 2025/26 and 2026/27 which will be provided to replenish reserves. However, it is not clear how this will be achieved with significant budget gaps remaining to be closed. On 31 March 2025, the Council had £16.57m of debt owing to it, of which £12.69m related to adult social care. We note in the 2025/26 budget the Council identified a saving of just £0.1m from debt management. Given the Council's financial position this scale of debt compared with the budget is significant. In September 2025 we note the updated MTFP to 2030/31 shows a medium-term gap of £118.6m and that the Executive will be discussing a financial recovery plan to reduce this gap. We will consider this as part of our 2025/26 assessment of your VFM arrangements.

Impact: The Council's financial position is not sustainable in the medium-term without reliance on EFS which must be repaid in full with interest over the long-term and therefore we retain our statutory recommendation.

Statutory recommendation 1

SR1: The Council should improve its short and medium-term financial planning by:

- ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff
- implementing a more robust budget-setting approach, including public budget engagement
- ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report
- ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves
- ensuring that financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan

Financial sustainability (6 of 8)

Significant weakness identified in relation to financial sustainability

Key Finding: In our AAR for 2023/24 we made a statutory recommendation that the Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. The Council has not addressed this recommendation. The Council needs to save £72.55m over the next four years (46% of the 2024/25 net budget), after the assumed EFS use of £98m over the next four years but future years are not yet provisionally agreed by MHCLG.

Evidence: The 2024/25 budget included just £2.7m of savings and £4m from the Transformation Programme. The Council only saved £0.01m from the transformation programme in 2024/25 and assumed no savings from transformation in 2025/26. We note the 2025/26 budget identified £0.16m of cost reductions from transformation in 2024/25. The transformation programme cost £2.41m in 2024/25 and is expected to cost £2.43m in 2025/26. In May 2025, the Council had agreed savings of £7.23m for 2025/26 but only £0.43m were rated green. The budget gap for 2026/27 is £14.5m and does not include the 2025/26 gap of £29.39m funded by EFS. In September 2025 we note the updated MTFP to 2030/31 shows a medium-term gap of £118.6m and that the Executive will be discussing a financial recovery plan to reduce this gap. We will consider this as part of our 2025/26 assessment of your VFM arrangements.

Appropriate arrangements are not in place to identify and make savings. The Council has repeated its benchmarking undertaken in 2022 to establish the transformation programme, and this has identified areas of high cost. However, it lacks change management and analytical capability and the capacity to lead transformation, and it has not yet addressed levels of statutory provision.

Arrangements to monitor and report on the delivery of efficiencies need improvement. On 12 June 2025, the Executive received the 2024/25 outturn report which does not identify delivered savings values against expected savings for 2024/25 as we would expect to see. The only reporting on the three-year £20m transformation programme at year end in 2024/25 was the outturn which identified the main area driving the budgetary overspend position was the £4m target against the Transformation Programme, from which savings for the year were minimal.

We have seen no evidence of robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme or a risk register for the programme.

Financial sustainability (7 of 8)

Significant weakness identified in relation to financial sustainability

Impact: The Council's transformation programme is not delivering at the pace needed to meet the expected future year gaps resulting in the Council not being financially sustainable without reliance on EFS.

Statutory recommendation 2

SR2: The Council should develop and implement its transformation programme at scale and pace to address the significant structural budget deficit. This should include:

- ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings.
- ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and programme management.
- ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation.
- improving programme management to include officer as well as member assurance boards.
- developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme.
- ensuring the programme has a risk and issues log that the PMO updates and uses regularly.

Financial sustainability (8 of 8)

Significant weakness identified in relation to financial sustainability

Key Finding: The Council is part of the Delivering Better Value in SEND programme with a grant of £1m over 2 years to develop strategies for managing the DSG deficit. The Government has extended the DSG statutory override until March 2028. We are concerned the agreed management plan will not address the deficit and if the statutory override is lifted on 31 March 2028 the DSG deficit can not be met from the Council’s very minimal reserves.

Evidence: High Needs Block deficits are an issue nationally which the Department for Education (DfE) has been addressing through the Safety Valve and Delivering Better Value in SEND programmes. The Council is part of the Delivering Better Value (DBV) programme. DBV projections show the Council’s DSG deficit rising from £2.9m in 2023 to £33.9m by 2028 and even with mitigations the deficit is expected to be £22.1m. We note the 2024/25-outturn showed in March 2025 the DSG deficit was £14.649m, an increase of £9m since 2023/24. Given the Council's reserves of £5.149m, lifting of the statutory override in March 2028 would be very serious for the council's financial sustainability. In September 2025 we note the MTFS for 2026/27 to 2023/31 showed the DSG deficit in March 2028 as £45.8m.

Impact: If the statutory override is not further extended in April 2028 the Council will become liable for the DSG deficit which would significantly impact its financial sustainability.

Key recommendation 1

KR1: The Council should urgently address its increasing DSG deficit and work at pace, with its partners, to deliver a deficit management plan to restrict further deficit increases while delivering the improvements to its SEND services. This plan must include key actions that should be reported frequently to a clearly designated forum capable of holding officers to account.

Governance (1 of 9)

We considered how the Council: Commentary on arrangements		Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	In our AAR for 2023/24 we made a key recommendation that the Council needs to significantly improve its risk strategy, improve the Corporate Risk Register (CRR) and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting. The Council drafted a new risk management policy in 2024/25, aligned with the Government’s Orange Book of risk management, which was agreed by the Executive in July 2025. A new CRR format will now be developed and reported quarterly to the Executive and to Audit and Governance Board. We conclude the Council has progressed our recommendation so there is no longer a key recommendation and we make an improvement recommendation on page 33 to improve the CRR format and ensure consistency with service risk registers. In our AAR for 2023/24 we made an improvement recommendation for the Council to enhance its internal audit arrangements. In June 2025, the audit manual was still not complete. Links are made to the CRR in the audit plan for 2025/26. Audit working papers are stored in a database. We have identified further improvements are needed to internal audit reporting and make a revised improvement recommendation on page 34. In 2023/24 we made an improvement recommendation relating to whistleblowing, the Council did update the policy and this recommendation is now closed.	A
approaches and carries out its annual budget setting process	In our AAR for 2023/24 we made a statutory recommendation that the Council should improve its short and medium-term financial planning including by implementing a more robust budget-setting approach, including meaningful public budget engagement. The Council did not consult the public on its budget for 2025/26. We retain this recommendation and report it in financial sustainability. We note the Leader of the Council is introducing a star chamber model for 2026/27 budget setting, to improve internal budget setting and challenge which is good to see.	R

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

Governance (2 of 9)

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Budget monitoring and outturn reporting to the Executive during the year supports the communication of timely and accurate financial information and provides a clear understanding of the Council's financial position, covering revenue and capital budgets. The Council has documented responsibilities in respect of budgetary control and management set out in its constitution. As noted in financial sustainability, financial risks are not included sufficiently in the budget papers to members. Reports do not identify the key risks facing the business and what the Council is doing to address these and there is no tie in with the CRR risks which we would expect to see. We also noted a weakness in the Council's arrangements for monitoring savings and have included it in our key recommendation on savings and transformation, so we do not repeat these conclusions here.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit and governance board.	In our AAR for 2023/24 we made a statutory recommendation that the Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. We have retained our statutory recommendation relating to transformation in financial sustainability on pages 24 and 25. We are concerned about the Council's pace and capacity and capability to address the challenges it has relating to financial sustainability and we have raised a new statutory recommendation relating to corporate control and pace of change on page 30-31. In our AAR for 2023/24 we made an improvement recommendation for the Council to review its overview and scrutiny arrangements. The Local Government Association (LGA) Corporate Peer Challenge (CPC) report also made a recommendation to strengthen scrutiny in September 2024. The Council has no dedicated scrutiny officers which we would expect to see. We retain our prior year recommendation on page 35. In our AAR for 2023/24 we made an improvement recommendation for the Council to enhance the effectiveness of its Audit and Governance Board. We have made a revised internal audit improvement recommendation on page 34 which includes recommendations for the Audit and Governance Board.	R
G	No significant weaknesses or improvement recommendations.	
A	No significant weaknesses, improvement recommendations made.	
R	Significant weaknesses in arrangements identified and key recommendation(s) made.	

Governance (3 of 9)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	In our AAR for 2023/24 we made a key recommendation for the Council to urgently update its arrangements for business continuity and disaster recovery planning. The Council has made a start on this by developing joint arrangements between disaster recovery and business continuity. We note a disaster recovery plan is not expected to be fully tested until September 2025. We note staff training on cyber security is expected over Summer 2025 and gaps remain in its cyber security although the Council obtained Public Service Network (PSN) accreditation in April 2025. We have revised our prior year key recommendation on page 32. We also made an improvement recommendation for the Council to improve its arrangements for member and officer declarations of interest by updating member and officer declarations annually at the start of each year. The Council still has no single register of member interests as we would expect to see, and a sample of member interests were out of date. We retain our improvement recommendation on page 35. The Council has good arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.	R

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

Governance (4 of 9)

Significant weakness identified in relation to governance

Key Finding: In our AAR for 2023/24 we made a statutory recommendation that the Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. We have reported on the retention of this statutory recommendation for 2024/25 on page 22. We also retained our prior year statutory recommendation relating to financial planning on page 23. The Council does not have sufficient corporate control and is not working at the pace needed to address the state of its financial sustainability and deliver budget savings from its three-year transformation programme. This presents a significant weakness to the Council.

Evidence: On 1 February 2023, full Council approved a three-year £20m transformation programme. Programme costs are funded by £7m of capital receipts. The Transformation programme terms of reference has an end date of 31 March 2026. In August 2024, a Transformation Programme Board was established following a decision of the Executive Board in July 2024. The Re-imagine Halton Programme Board is a working party of ten Executive Board members and since November 2024 two members of Audit and Governance Committee. Several corporate officers also form part of the Transformation Programme Board. We note six focused areas - children's and SEND, adults, waste, employer of choice, customer journey, and accelerating growth. Each has a named director or senior manager and a named portfolio member. We note there is no effective risk management arrangement in place such as a risk register for the programme and effective risk mitigation and assurances.

Our view is shared by the Local Government Association (LGA). In September 2024, the LGA undertook a corporate peer challenge and identified a high level of concern about the Council's financial resilience. It recommended the Council took urgent action to deal with the in-year position and reset the approach and culture around budget planning, decision making, management and grip. It recommended that a clear finance improvement plan is needed across the immediate – mid-term, to give clear oversight and grip of the actions to deal with this challenge, the progress being made, any delays experienced and the implications of this. This improvement plan was yet to be started in June 2025.

Support for addressing the financial challenges faced by the Council is not fully embedded across all of the leadership team and elected members. We have seen evidence of some elected members pushing back on the need for transformation and savings despite our prior year statutory recommendations on financial planning and transformation.

Governance (5 of 9)

Significant weakness identified in relation to Governance

Evidence (continued): We note adult social care was expected to deliver £10m between 2023 and 2026 but has so far only saved £0.04m. We note the Finance Team is not expecting to save anything from its transformation programme in 2025/26.

We note in June 2025 the Council has a list of revised transformation schemes, but these were not yet costed or fully developed. There was also evidence of scope creep in the transformation programme meaning it is not sufficiently focused on the £20m savings target.

The Council lacks capacity for change and transformation. The Head of Transformation works just three days a week and he does not lead the transformation team. There is a lack of data and business analysis skills in the Council to support decision-making. The Council has used cost benchmarking in 2025/26 to identify high-cost areas but without these additional skills and the buy-in of all the senior leadership team this will not achieve the level of savings the Council needs to make.

Impact: The Council is lacking corporate control which is impacting on financial sustainability, governance and the delivery of the transformation programme.

Statutory recommendation 3

SR3: Senior officers and elected members need to take effective corporate control of the issues highlighted by this report and prioritise at pace corporate effort in managing the issues identified in relation to financial sustainability and embed strengthened governance into the Council.

The Council must ensure it has capacity and capability in its management team to achieve this and address the significant weaknesses we have identified in relation to financial sustainability.

In time for budget setting 2026/27 we would expect to see a well-developed medium-term corporate savings and transformation programme to manage MTFP funding gaps and to reduce future reliance on EFS, with clear responsibilities and timescales.

Governance (6 of 9)

Significant weakness identified in relation to governance

Key finding: In our AAR for 2023/24 we made a key recommendation for the Council to urgently update its arrangements for business continuity and disaster recovery planning. The Council did make progress to address this weakness, but arrangements remain untested in 2025/26 with some IT systems yet to have their cyber security levels identified.

Evidence: The Council has started developing joint arrangements between business continuity and disaster recovery in 2024/25. It updated its Business Continuity Plan format to address emerging threats, including enhanced disaster recovery measures with a focus on IT security and held a training exercise in November 2024. The Council has undertaken an evaluation of the cyber assessment framework and has an improvement plan in place. We note the Council obtained PSN accreditation in April 2025. However, we note in June 2025 that two more months of testing were needed on disaster recovery before the disaster recovery plan is fully tested in September 2025. We note staff training on cyber security is expected over Summer 2025 and gaps remaining in business continuity plans and cyber security arrangements for ICT systems. The Council has not identified for each of its key IT systems the required level of IT security.

Impact: The Council has no tested arrangements for business continuity or disaster recovery which could impact the whole council.

Key recommendation 2

KR2: The Council needs to work at pace to finalise and test its arrangements for business continuity and disaster recovery planning. It also needs to ensure all staff and members are trained in cyber security and it develops a process to validate how its ICT systems comply with cyber security arrangements.

Governance (7 of 9)

Area for Improvement identified: risk management

Key Finding: In our AAR for 2023/24 we made a key recommendation that the Council needs to significantly improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting. The Council drafted a new risk management policy in 2024/25, aligned with the Government’s Orange Book, which was agreed by the Executive in July 2025. A new CRR format will now be developed and reported quarterly to the Executive and to Audit and Governance Board.

Evidence: In 2024/25 the Audit and Governance Board saw the CRR in June 2024, it then received an update in June 2025. We expect quarterly reviews of the CRR by the Audit and Governance Board. The CRR does not currently include target risk score, assurance and risk treatment and risk appetite. We note the Section 25 statement in the budget does not quantify risk as we would expect to see and its robustness of estimates does not include an assessment of financial risk together with mitigation which we would also expect to see. For example, it does not address the reliance on the transformation programme and its failure to deliver budget savings.

Impact: Effective risk management is an essential part of the Council’s control environment.

Improvement Recommendation 1

IR1: The Council should continue to improve its arrangements for risk management by:

- Improving the CRR format to include target risk score, assurance and risk treatment and risk appetite.
- Reflecting changes to the CRR for directorate level risk management.
- Ensuring the S25 statement includes quantified risks which are assessed as part of the robustness for estimates.
- Embedding the new risk policy across the Council through training for officers and elected members on risk management.
- Ensuring the CRR is reported quarterly to the Executive and to Audit and Governance Board aligned with performance and financial reporting.

Governance (8 of 9)

Area for Improvement identified: Internal audit

Key Finding: In our AAR for 2023/24 we made an improvement recommendation that the Council needed to enhance its internal audit arrangements by: putting in place an audit manual, making specific linkages between the audit plan and the Council's significant risks and strategic objectives, retaining planning records. In June 2025, the audit manual was still not complete, and we identified further improvements are needed. We also made an improvement recommendation for the Council to enhance the effectiveness of its Audit and Governance Board

Evidence: In March 2025, the Audit and Governance Board received an internal audit progress report. We note this covering report does not provide members with reasons why some audits are limited assurance and the recommendations being made to address that together with the timescale as we would expect to see. We would also expect internal audit reports to be reported as Part A agenda items in a transparent manner. The initial Annual Governance Statement for 2024/25 includes the Head of Internal Audit Opinion for 2023/24 not 2024/25 as we would expect to see. We note that the first draft of the AGS does not identify the statutory or key recommendations we made in 2023/24 or progress to address these as we would expect to see. In the revised constitution from April 2025, the Audit and Governance Board is responsible for ensuring effective scrutiny of the treasury management strategy and policies. It is also responsible for ensuring compliance with the Code of Financial Management but has not seen it. We note on 16 May 2025 full Council agreed to the Audit and Governance Board having an independent member, but recruitment is yet to take place at the time of this audit. Procurement waivers were taken to Audit and Governance Board in June 2025 for 2024/25.

Impact: Effective internal audit is an essential part of the Council’s control environment.

Improvement Recommendation 2

IR2: The Council should further enhance its internal audit arrangements by:

- Improving audit reporting to demonstrate transparency and provide members with reasons why some audits have limited assurance and the recommendations being made in the progress report together with the timescale in the progress report.
- Ensuring the AGS identifies the statutory and key recommendations made by external audit together with actions and timescales to address these.
- Strengthening the Audit and Governance Board to include formal reports on standards, making internal audit reports Part A to improve transparency, and providing reporting on the Financial Management Code and on Treasury Management.

Governance (9 of 9)

Area for Improvement identified: Overview and Scrutiny

Key Finding: In our AAR for 2023/24 we made an improvement recommendation for the Council to review its overview and scrutiny arrangements to provide earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge. The LGA also made a recommendation to strengthen scrutiny in September 2024. The LGA CPC report said the Council needs to take steps to support Policy and Performance Boards to have a greater impact.

Evidence: We note the Council has no dedicated scrutiny officers which we would expect to see. In June 2025, the Council was working with the LGA to provide support for scrutiny and reshape its committees. We note in June 2025, the Corporate PPB received an update on spending in January 2025 which is far too late, this was two months after it was shared with the Executive Board.

Impact: Scrutiny is insufficiently developed and integrated into Council decision-making. Section 9F of the Local Government Act 2000 (“the 2000 Act”) requires all local authorities operating executive arrangements to have one or more committees to scrutinise the actions of the executive and the authority and provide overview of matters affecting the authority’s area and the inhabitants of that area.

Improvement Recommendation 3

IR3: The Council needs to review its overview and scrutiny arrangements to provide earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge.

Area for Improvement identified: Declarations of interest

Key Finding: In our AAR for 2023/24 we made an improvement recommendation that the Council needed to improve its arrangements for member and officer declarations of interest by updating member and officer declarations annually at the start of each year.

Evidence: The Council still does not have a single register of member interests as we would expect to see and our audit work identified 2 members with undisclosed interests.

Impact: Not having up to date declaration of interest presents a risk to the Council

Improvement Recommendation 4

IR4: The Council needs to improve its arrangements for member and officer declarations of interest.

Improving economy, efficiency and effectiveness (1 of 5)

We considered how the Council: Commentary on arrangements		Rating
uses financial and performance information to assess performance to identify areas for improvement	In our AAR for 2023/24 we made a key recommendation that the Council needs to improve its performance management arrangements. We have found no evidence of direct link between corporate and service plans or any public-facing annual report. However, there is a corporate plan for 2024/29 to build on. In 2024/25 there was no quarterly reporting aligned to corporate priorities and directorate reporting was still not being reported consistently each quarter as we identified in 2023/24. We have not seen a new performance framework to join up the corporate plan with directorate and service performance and any evidence of benchmarking to national or nearest neighbours in the directorate reports. In 2024/25 performance risk and finance reporting was still not integrated as we would expect to see. Therefore, we will retain our key recommendation on page 38.	R
evaluates the services it provides to assess performance and identify areas for improvement	In our prior year AAR, we made a key recommendation that the Council needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by delivering the improvement plan to address the wider children's services inspection findings. In May 2024, Ofsted identified Children's Services in Halton as inadequate' across all areas. On 30 August 2024, the Secretary of State issued a Statutory Direction requiring urgent improvements and appointed a Children's Commissioner. The Commissioner worked closely with the Council and published a report in December 2024, with 24 recommendations for the Council and its partners to implement. Implementation of the Commissioner's recommendations is monitored by the independently chaired Children's Ofsted Improvement Board. The Department for Education issued a revised statutory direction in February 2025. We have noted some progress identified by Ofsted to address these concerns but in 2025/26 there are still actions being monitored by the DfE and Ofsted and we retain our key recommendation (page 39). In July 2025, the Care Quality Commission (CQC) published its assessment of Halton's adult social care and gave a good rating following the inspection in March 2025.	R

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

Improving economy, efficiency and effectiveness (2 of 5)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership, the Halton Children’s Board, and the Halton Learning Alliance. An executive director from the Halton Clinical Commissioning Group (CCG) is also a member of the Council’s Management Team. The Health and Wellbeing Board provides a key forum for public accountability of the NHS, Adult Social Care, Children’s Services, Public Health, and other commissioned services relating to the wider determinants of health in Halton. While the Council has members sitting on partnership boards, consideration should be given to annual partnership review which is reported annually to Executive Board.	G
commissions or procures services, assessing whether it is realising the expected benefits	In our AAR for 2023/24 we made an improvement recommendation for the Council to improve its contract management arrangements by putting in place formal contract management review processes and ensuring performance and financial management are included in contract review meetings and are formally documented. The Council has improved contract management in children’s services. However, no formal contract meetings are held with Merseyside Recycling and Waste Authority (MRWA) and financial performance is not discussed. In 2024/25 MRWA was updating the IAA with Halton to reflect the waste changes. This did not happen by November 2024 as planned and was not agreed by August 2025. We note the current MRWA contract does not enable Halton to fulfil its duties under the Simpler Recycling changes which came into effect from 31 March 2025. The Council is taking steps to address this in August 2025, but it is not yet in place. We make a revised improvement recommendation on page 40.	A

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

Improving economy, efficiency and effectiveness (3 of 5)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

Key finding: In our prior year AAR we made a key recommendation that the Council needs to improve its performance management arrangement. We note the Council has got a corporate plan but has not progressed the development of a performance framework and in 2024/25 did not report consistently.

Evidence: We have found no evidence of a golden thread or any public-facing annual report. However, there is a corporate plan for 2024/29 to build on. In 2024/25 there was not consistent quarterly reporting aligned to corporate priorities and directorate reporting was still not being reported consistently each quarter as we identified in 2023/24. We have not seen a new performance framework to join up the corporate plan with directorate and service performance and any evidence of benchmarking to national or nearest neighbours in the directorate reports. In 2024/25 performance risk and finance reporting was still not integrated as we would expect to see. Therefore, we will retain our key recommendation.

Impact: The Council needs to significantly improve its arrangements for performance management and ensure it has a golden thread in place and performance is consistently reported alongside nearest neighbours.

Key recommendation 3

- KR3:** The Council needs to improve its performance management arrangements by:
- establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public.
 - agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework.
 - improving performance reporting to include benchmarking with ‘nearest neighbours’ data where possible;
 - integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board.
 - ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked.

Improving economy, efficiency and effectiveness (4 of 5)

Significant weakness identified in relation to improving economy, efficiency and effectiveness

Key finding: In May 2024, Ofsted identified Children’s Services in Halton as inadequate’. In August 2024, the Secretary of State issued a Statutory Direction requiring urgent improvements and appointed a Children’s Commissioner. The Commissioner worked closely with the Council and published a report in December 2024, which concluded the Council was in the early stages of its improvement journey. To support this, the Commissioner made 24 recommendations for the Council and its partners to implement. Implementation is being monitored by the independently chaired Children’s Ofsted Improvement Board.

Evidence: The Department for Education issued a revised statutory direction in February 2025. The Secretary of State was satisfied while there was some improvement, the Council was still failing to perform to an adequate standard, and as would be expected, a DfE Improvement Adviser for Children’s Services will continue in Halton to provide ongoing monitoring and support until the DfE is satisfied adequate improvement and sustainability is made. On 2 June 2025 Ofsted published a letter following an Ofsted monitoring visit in April 2025. It found evidence of improvement and noted steady progress in the development of social work practice and noted that senior leaders had continued to establish some positive foundations for improving practice. It also identified some areas where there was still more to do. On 15 July 2024, the Children, Young, People’s and Families Policy and Performance Board received a report on SEND improvement. The SEND Priority Action Plan mandates the production of 4 new or revised strategies: SEND Strategy 2025-2030, Alternative Provision Strategy, SEND Sufficiency Strategy and the Waiting Well Strategy. All documents will be published within the 18-month delivery schedule of the Priority Action Plan. We note when quarter 4 performance was reported in June 2025 the first three of these strategies were still progressing.

Impact: The Council’s services for children and young people were a significant weakness in 2024/25 that continued into 2025/26.

Key recommendation 4

KR4: The Council needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by delivering the improvement plan to address the wider children’s services inspection findings.

Improving economy, efficiency and effectiveness (5 of 5)

Area for Improvement: contract management

Key Finding: The Council has no formal contract meetings with Merseyside Recycling and Waste Authority (MRWA) and financial performance is not discussed formally or informally.

Evidence: The Council needs to ensure regular contract meetings are held and performance and finance is validated on this significant contract. In 2024/25 MRWA was updating the IAA with Halton to reflect the waste changes. This did not happen by November 2024 as planned and was not agreed by August 2025. We note the current MRWA contract does not enable Halton to fulfil its duties under the Simpler Recycling changes which came into effect from 31 March 2025. The Council is taking steps to address this in August 2025, but it is not yet in place.

Impact: The Council may not achieve value for money from its waste contract, and it is not delivering it statutory responsibly for simpler recycling.

Improvement Recommendation 5

IR5: The Council should improve its contract management arrangements by putting in place formal contract management review processes and ensuring performance and financial management are included in contract review meetings and are formally documented. It also needs to ensure that the inter authority agreement with MRWA is formally agreed and signed by both parties and the waste contract is amended to enable the Council to fulfil its statutory duties.

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

Statutory recommendations retained or raised in 2024/25 (1 of 3)

	Recommendation	Relates to	Management Actions
SR1	The Council should improve its short and medium-term financial planning by: • ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff • implementing a more robust budget-setting approach, including public budget engagement • ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report • ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves • ensuring that financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan	Financial sustainability (pages 19 – 26)	Actions: The Medium-Term Financial Strategy (MTFS) 2026-2031 has been further developed to highlight risks regarding financial resilience and reflect all significant forecast cost pressures we are aware of. The MTFS has been extended to cover five years, to reflect the Council’s challenging financial circumstances and financial risks. It highlights all key areas of financial pressure and the work being undertaken corporately and across service directorates to address these pressures. Three scenarios have been developed in preparing the MTFS, to reflect continuation of the current position, a median scenario reducing costs to the benchmarked nearest neighbour average, and best case scenario whereby costs are reduced sufficiently to deliver a balanced budget by 2030/31 without reliance upon EFS. The approach to budget setting has been re-focused to make it more robust, with budget savings proposals being sought by Management Team for 2026/27 onwards to achieve the best case scenario. These include longer-term proposals being developed via the re-shaped Transformation Programme. The proposals will be presented for consideration by the Transformation Board, Budget Working Group, Executive Board and Political Groups. The Section 25 report within the 2026/27 Budget Report will be further enhanced to highlight current and future financial risks, the level of useable reserves, and progress with delivering the MTFS best case scenario. When considering budget savings proposals, Members will consider the Council’s priorities and particularly the impact upon social care services and thereby vulnerable residents. Further work will be undertaken to consider how the budget setting process can be closer linked to the delivery of the Council’s priorities as set out within the new Corporate Plan. Responsible Officer: Director of Finance Due Date: 31 March 2026

Statutory recommendations retained or raised in 2024/25 (2 of 3)

Recommendation	Relates to	Management Actions
SR2 The Council should develop and implement its transformation programme at scale and pace to address the significant structural budget deficit. This should include: • ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings. • ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and PMO. • ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation. • improving programme management to include officer as well as member assurance boards. • developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme. • ensuring the programme has a risk and issues log that the PMO updates and uses regularly.	Financial sustainability (pages 19 – 26)	Actions: The Transformation Board are reshaping the Programme to prioritise the achievement of savings for implementation as a matter of urgency. Benchmarking against comparators is being used to focus upon service areas exhibiting significant variances against comparator average spend. Viability assessments are being presented to the Board seeking approval to progress with full reviews. The resourcing, skills and knowledge within the Transformation Delivery Unit is being considered, to enable the Programme to be driven forward at pace. The Transformation Delivery Board (officers) and the Transformation Programme Board (Members) continue to provide governance and oversight of programme delivery, ensuring a focus upon budget reductions and directing capacity towards the generation of savings to meet the MTFS funding gaps over the forthcoming five years. Benefit tracking is being improved as part of the governance reporting regime for the Programme. Responsible Officer: Interim Director of Transformation Due Date: 31 March 2026

Statutory recommendations retained or raised in 2024/25 (3 of 3)

Recommendation		Relates to	Management Actions
SR3	Senior officers and elected members need to take effective corporate control of the issues highlighted by this report and prioritise at pace corporate effort in managing the issues identified in relation to financial sustainability and embed strengthened governance into the Council.	Governance (pages 27 – 35)	Actions: The Interim Chief Executive’s key priority is to ensure the Council’s financial challenges are addressed as a matter of urgency, with full co-operation of all officers and Members. Governance arrangements will be strengthened to ensure the effective delivery of actions required to bring the Council onto a sustainable financial footing over the period of the MTFS. The senior officer leadership group is being fully engaged to implement spending constraints, changes to service delivery, use of innovation, and delivery of savings proposals.
	The Council must ensure it has capacity and capability in its management team to achieve this and address the significant weaknesses we have identified in relation to financial sustainability. In time for budget setting 2026/27 we would expect to see a well-developed medium-term corporate savings and transformation programme to manage MTFP funding gaps and to reduce future reliance on EFS, with clear responsibilities and timescales.		Work is underway to develop savings proposals for 2026/27 onwards including those from the reshaped Transformation Programme, for consideration by Members, to address the funding gaps highlighted by the MTFS and eventually remove the reliance on EFS. Responsible Officer: Interim Chief Executive Due Date: 31 March 2026

Key recommendations raised in 2024/25 (1 of 3)

	Recommendation	Relates to	Management Actions
KR1	The Council should urgently address its increasing DSG deficit and work at pace, with its partners, to deliver a deficit management plan to restrict further deficit increases while delivering the improvements to its SEND services. This plan must include key actions that should be reported frequently to a clearly designated forum capable of holding officers to account.	Financial sustainability (pages 19 – 26)	Actions: The Council is part of the DfE pilot for Delivering Best Value in SEND, for which a Delivery Plan was approved by the DfE and is being implemented, with support from partners, the DfE and Cipfa to address the spiralling demand and costs of High Need SEND pupils. Progress with delivery of the programme is being monitored by the Children & Young People’s Policy and Performance Board. The MTFs included details of the forecast DSG deficits and the issues surrounding the statutory over-ride. This was also highlighted in the Section 25 Statement within the 2025/26 Budget Report. The DSG deficit issue affects many councils across the country. Whilst the Council is taking urgent steps to curb High Needs costs going forward, Government recognises that the scale of accumulated DSG deficits to date is such that a national solution is required, and this is being considered alongside the current Fair Funding Review. Responsible Officer: Executive Director Children’s Due Date: 31 March 2026
KR2	The Council needs to work at pace to finalise and test its arrangements for business continuity and disaster recovery planning. It also needs to ensure all staff and members are trained in cyber security and it develops a process to validate how its ICT systems comply with cyber security arrangements.	Governance (pages 27 – 35)	Actions: Business Continuity Plans have been updated and the format revised to reflect emerging threats in the current operating environment. These incorporate disaster recovery factors, particularly around IT security and are to be tested. Online training is being rolled out to ensure officers and Members are fully conversant with cyber security. Responsible Officer: Director of ICT Due Date: 31 March 2026

Key recommendations raised in 2024/25 (2 of 3)

	Recommendation	Relates to	Management Actions
KR3	The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public. • agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework. • improving performance reporting to include benchmarking with ‘nearest neighbours’ data where possible; • integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board. • ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked.	Improvement economy, efficiency and effectiveness (pages 36 – 40)	Actions: A new performance management framework is being rolled out and work will continue to fully implement this as soon as possible. A core set of Key Performance Indicators have been incorporated into the quarterly performance reporting regime, linked to the new corporate priorities and built upon Departmental business plans and performance monitoring. A corporate data project is being implemented to pull together relevant performance data and provide links to service data, with increased use of benchmarking in setting targets and monitoring outcomes. Responsible Officer: Interim Director of HR & Corporate Affairs Due Date: 31 March 2026

Key recommendations raised in 2024/25 (3 of 3)

Recommendation		Relates to	Management Actions
KR4	The Council needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by delivering the improvement plan to address the wider children's services inspection findings.	Improvement economy, efficiency and effectiveness (pages 36 – 40)	Actions: The Council is part of the DfE pilot for Delivering Best Value in SEND, for which a Delivery Plan was approved by the DfE and is being implemented, with support from partners, the DfE and Cipfa to address the spiralling demand and costs of High Need SEND pupils. Progress with delivery of the programme is being monitored by the Children & Young People's Policy and Performance Board. The independently chaired Ofsted Improvement Board have established an Improvement Delivery Plan which is being monitored monthly by the Board and continues to develop improved outcomes for children and reduced costs. This work will continue with support from corporate departments and advised by a DfE representative on the Board. Responsible Officer: Executive Director Children's Due Date: 31 March 2026

Improvement recommendations raised in 2024/25 (1 of 2)

	Recommendation	Relates to	Management Actions
IR1	The Council should continue to improve its arrangements for risk management by: - Improving the CRR format to include target risk score, assurance and risk treatment and risk appetite. - Reflecting changes to the CRR for directorate level risk management. - Ensuring the S25 statement includes quantified risks which are assessed as part of the robustness for estimates. - Embedding the new risk policy across the Council through training for officers and elected members on risk management. - Ensuring the CRR is reported quarterly to the Executive and to Audit and Governance Board aligned with performance and financial reporting.	Governance (pages 27 -35)	Actions: The Council has reviewed its approach to risk management, with external support from Zurich Municipal (the Council’s Insurers). A new risk management policy is being considered by Executive Board on 11th September 2025, following which a new corporate risk register and monitoring regime will be implemented, supported by training for officers and Members. The recommendations from the Annual Auditor’s Report will be incorporated into the revised arrangements. Responsible Officer: Interim Director of HR & Corporate Affairs Due Date: 31 March 2026
IR2	The Council should further enhance its internal audit arrangements by: - Improving audit reporting to demonstrate transparency and provide members with reasons why some audits have limited assurance in the progress report and the recommendations being made together with the timescale. - Ensuring the AGS identifies the statutory and key recommendations made by external audit together with actions and timescales to address these. - Strengthening the Audit and Governance Board to include formal reports on standards, making internal audit reports Part A to improve transparency, and providing reporting on the Financial Management Code and on Treasury Management.	Governance (pages 27 – 35)	Actions: Further enhancements will be made to Internal Audit reporting arrangements, and amendments have been made to the 2024/25 AGS to reflect the recommendations. As assessment against the Cipfa Financial Code is being reported to the Audit & Governance Board with updates thereafter. An update on Standards is given to each Audit & Governance Board whenever there are relevant matters to report. Consideration will be given to also reporting Treasury Management matters to Audit & Governance Board in addition to Executive Board. Responsible Officer: Director of Finance Due Date: 31 March 2026

Improvement recommendations raised in 2024/25 (2 of 2)

Recommendation	Relates to	Management Actions
IR3 The Council needs to review its overview and scrutiny arrangements to provide earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge.	Governance (pages 27 – 35)	Actions: Scrutiny processes are being reviewed via the Members’ Scrutiny Chairs Group, to develop and enhance the Council’s scrutiny arrangements. Policy and Performance Board titles and terms of reference have been amended which reflect the Council’s new priorities in the Corporate Plan. Work will also be carried out with external advisors to further enhance scrutiny. Responsible Officer: Director of Finance Due Date: 31 March 2026
IR4 The Council needs to improve its arrangements for member and officer declarations of interest.	Governance (pages 27 – 35)	Actions: The Council recognises the importance of having an up-to-date declaration of interests and is taking steps to ensure its arrangements are robust. Legislation requires that Members register their interests upon election and then notify any subsequent changes within 28 days of them taking place. Members will now be asked to update their registrations of interest at the start of each municipal year in May. Responsible Officer: Director of Legal & Democratic Services Due Date: 31 March 2026
IR5 The Council should improve its contract management arrangements by putting in place formal contract management review processes and ensuring performance and financial management are included in contract review meetings and are formally documented. It also needs to ensure that the inter authority agreement with MRWA is formally agreed and signed by both parties and the waste contract is amended to enable the Council to fulfil its statutory duties.	Improvement economy, efficiency and effectiveness (pages 36 – 40)	Actions: The Transformation Delivery Unit are currently reviewing council-wide contract management arrangements, with a view to making recommendations to the Transformation Board to put in place more formal contract management review processes and documentation. Steps will be taken to ensure the inter authority agreement with MRWA is formally agreed and signed by both parties and the waste contract is amended to enable the Council to fulfil its statutory duties. Responsible Officer: Director of Transformation and Executive Director Environment & Regeneration Due Date: 31 March 2026

06 Follow up of previous Key and Statutory recommendations

Follow up of 2023/24 Statutory recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
SR1	The Council should improve its short and medium-term financial planning by: • ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address overspending on agency staff • implementing a more robust budget-setting approach, including public budget engagement • ensuring that risks to financial resilience are appropriately highlighted in financial plans, including the section 25 report • ensuring that financial plans are sufficient to bridge all forecast budget gaps and replenish reserves • ensuring that financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan	2023/24	Discussed on pages 22 and 23.	Limited progress made	Statutory recommendation retained

Follow up of 2023/24 Statutory recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
SR2	The Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. This should include: • ensuring it has effective overview and control of its transformation programme which is sufficiently focused on budget savings. • ensuring there is sufficient capacity and skills in the organisation to effectively deliver the required savings, including change management and PMO. • ensuring the reprioritisation of the programme includes a review of both discretionary spending and the levels at which statutory services are provided and is informed by appropriate stakeholder consultation • improving programme management to include officer as well as member assurance boards. • developing robust and transparent monitoring arrangements for benefits realisation and tracking savings as a whole programme. • ensuring the programme has a risk and issues log that the PMO updates and uses regularly.	2023/24	Discussed on pages 24 and 25.	Limited progress made	Statutory recommendation retained

Follow up of 2023/24 Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR1	The Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its SEND services. The Council's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.	2023/24	DBV projections show the Council's DSG deficit rising from £2.9m in 2023 to £33.9m by 2028 and even with mitigations the deficit is expected to be £22.1m. Given the Council's reserves of £5.149m lifting of the statutory override in March 2028 would be very serious for financial sustainability.	Limited progress made	Key recommendation revised.
KR2	The Council needs to significantly improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.	2023/24	The Council drafted a new risk management policy, aligned with the Government's Orange Book, which was agreed by the Executive in July 2025. A new CRR format will now be developed and reported quarterly to the Executive and to Audit and Governance Board.	The Council has progressed our recommendation and we make a revised improvement recommendation.	Yes, improvement recommendation made to improve risk reporting and quantify risk in the budget.
KR3	The Council needs to urgently update its arrangements for business continuity and disaster recovery planning.	2023/24	The Council did make progress to address this weakness, but arrangements remain untested in 2025/26 with some IT systems yet to have their security identified.	Partial progress made	Key recommendation retained.

Follow up of 2023/24 Statutory and Key recommendations

	Prior Recommendation	Raised	Progress	Current status	Further action
KR4	The Council needs to improve its performance management arrangements by: establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public. agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework. improving performance reporting to include benchmarking with ‘nearest neighbours’ data where possible; integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board. ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked.	2023/24	We have found no evidence of a golden thread or any public-facing annual report. However, there is a corporate plan for 2024/29. In 2024/25 there was no quarterly reporting aligned to corporate priorities and directorate reporting was still not being reported consistently each quarter as we identified in 2023/24. We have not seen a new performance framework to join up the corporate plan with directorate and service performance and any evidence of benchmarking to national or nearest neighbours in the directorate reports. In 2024/25 performance risk and finance reporting was still not integrated as we would expect to see.	Limited progress made	Key recommendation retained.

Follow up of 2023/24 Statutory and Key recommendations

Prior Recommendation		Raised	Progress	Current status	Further action
KR5	The Council needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by putting in place, and delivering, an improvement plan to address the wider children's services inspection findings.	2023/24	In February 2025, the Secretary of State was satisfied there was some improvement, but the Council was failing to perform to an adequate standard. On 2 June 2025 Ofsted published a letter to the Council following an Ofsted monitoring visit in April 2025. It found evidence of improvement but identified more improvement is needed. On 15 July 2024, the Children, Young, People's and Families Policy and Performance Board received a report on SEND improvement. The SEND Priority Action Plan mandates the production of 4 new or revised strategies. In June 2025, the first three of these strategies were progressing. We conclude there was a significant weakness in the Council's arrangements for children in 2024/25 which continued in 2025/26.	Partially implemented	Key recommendation retained.

07 Appendices

Appendix A: Responsibilities of the Council

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

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

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

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

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

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



Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

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

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council needs to enhance its internal audit arrangements by: - putting in place an audit manual which is a core part of the Council’s control process. - making specific linkages between the audit plan and the Council's significant risks and strategic objectives. - retaining planning records to demonstrate these linkages. - adapting the Code of Ethics and Declarations of Interest Statement to include a conflict-of-interest management strategy and manager sign-off.	2023/24	In June 2025, the audit manual was still not complete. Links are made to the CRR in the audit plan for 2025/26. We expect internal audit reports to be reported as part a in a transparent manner. Audit working papers are stored in a database. In March 2025, the Audit and Governance Board received an internal audit progress report. This does not provide members with reasons why some audits are limited and the recommendations being made to address that together with the timescale as we would expect to see. The Annual Governance Statement 2024/25 includes the Head of Internal Audit Opinion for 2023/24 not 2024/25 as we would expect to see. The AGS does not identify the statutory or key recommendations we made in 2023/24 or progress to address these as we would expect to see. We make a revised improvement recommendation relating to internal audit.	Partially implemented	Revised improvement recommendation made
IR2	The Council needs to update its Whistleblowing Policy and ensure its subject to annual reviews. It also needs to ensure it is understood and officers follow the correct processes.	2023/24	The Council’s whistleblowing arrangements are reviewed annually as part of the review of the Constitution, and changes were made to the Whistleblowing Policy during the 2024 review. It is published on the Council’s website and intranet, ensuring it is easily accessible	Recommendation implemented	Improvement recommendation closed

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	The Council needs to review its overview and scrutiny arrangements to provide earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge.	2023/24	In September 2024, the LGA CPC report said the Council needs to support Policy and Performance Boards to have greater impact. The Council has no dedicated scrutiny officers as we would expect to see. In June 2025, the Council was working with the LGA to improve scrutiny and reshape its committees. In June 2025, the Corporate PPB received a spending update for January 2025 which is too late.	Limited progress	Improvement recommendation retained
IR4	The Council should enhance the effectiveness of its Audit and Governance Committee by: appointing independent members to provide expertise in areas like transformation. reviewing its terms of reference to align with the CIPFA 2022 Code of Practice on Audit and Governance Boards. ensuring procurement waivers are reported on an annual basis. and formalising reporting on standards investigations.	2023/24	We note on 16 May 2025 full Council agreed to the Audit and Governance Board having an independent member, but recruitment is yet to take place at the time of this audit. Procurement waivers were taken to Audit and Governance Board in June 2025 for 2024/25.	Partially implemented	Revised improvement recommendation made

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	The Council needs to improve its arrangements for member and officer declarations of interest by updating member and officer declarations annually at the start of each year.	2023/24	The Council still has no single register of member interests as we would expect to see, and a sample of member interests were out of date.	Limited progress made	Improvement recommendation retained
IR6	The Council needs to improve its contract management arrangements by putting in place formal contract management review processes and ensuring performance and financial management are including in contract review meetings and are formally documented.	2023/24	The Council has improved contract management in children’s services. However, no formal contract meetings are held with Merseyside Recycling and Waste Authority (MRWA) and financial performance is not discussed informally. In 2024/25 the MRWA was updating the IAA with Halton to reflect the waste changes. This did not happen by November 2024 as planned and was not agreed by August 2025.	Partially implemented	Revised improvement recommendation made

Appendix D: Glossary of terms

Term	Explanation
AAR	Auditor’s Annual Report
AGS	Annual Governance Statement
AGS	Annual Governance Statement
CIPFA	Chartered Institute of Public Finance and Accountancy, a UK based professional body for accountants who work in the public sector.
CPC	Corporate Peer Challenge
CPC	Corporate Peer Challenge
CQC	Care Quality Commission
CQC	Care Quality Commission
CRR	Corporate risk register
CRR	Corporate risk register
DBV	The Delivering Better Value (DBV) in SEND programme aims to support Councils and their local area partners to improve the delivery of SEND services for children and young people while working towards financial sustainability.
DFE	Government Department for Education

Appendix D: Glossary of terms

Term	Explanation
DSG	Dedicated schools grant is a ring-fenced grant provided by the UK government to local authorities to fund education services. It has four blocks, one of these is high needs and supports children with special educational needs and disabilities.
EFS	Exceptional Financial Support offered by MHCLG for councils needing financial support. It is provided through capitalisation directions, which allow councils to treat revenue costs as capital—enabling them to borrow or use capital receipts to cover costs
IAA	Inter Authority Agreement
IR	Improvement recommendation
KR	Key recommendation
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGA	The Local Government Association is the national membership body for local authorities in England and Wales
MHCLG	Ministry of Housing, Communities and Local Government
MRWA	Merseyside Waste and Recycling Authority

Appendix D: Glossary of terms

Term	Explanation
MTFP/S	Medium-term financial plan/strategy
NAO	National Audit Office
PMO	Programme Management Office
PPB	Policy, Performance Board
S25	Section 25 of the Local Government Act 2003 requires the Council’s Chief Finance / Section 151 officer to report to Full Council about the robustness of estimates and the adequacy of reserves when determining their budget and level of Council Tax.
S151	The Council’s statutory Chief Finance Officer
SEND	Special Educational Needs and Disabilities
SR	Statutory recommendation



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