Public Document Pack

HALTON
BOROUGH COUNCIL

Please note venue
Audit and Governance Board

Wednesday, 20 March 2024 at 6.30 p.m.
Boardroom - Municipal Building, Widnes

S. Young

Chief Executive

BOARD MEMBERSHIP

Councillor Rob Polhill (Chair)	Labour
Councillor Andrea Wall (Vice-Chair)	Labour
Councillor John Abbott	Labour
Councillor Victoria Begg	Labour
Councillor Laura Bevan	Labour
Councillor John Bradshaw	Conservative
Councillor Eddie Dourley	Labour
Councillor Robert Gilligan	Labour
Councillor Tony McDermott	Labour
Councillor Norman Plumpton Walsh	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 26 June 2024

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

Part I

Item No.	Page No.
1. **MINUTES**	**1 - 4**
2. **DECLARATION OF INTEREST** Members are reminded of their responsibility to declare any Disclosable Pecuniary Interest or Other Disclosable Interest which they have in any item of business on the agenda, no later than when that item is reached or as soon as the interest becomes apparent and, with Disclosable Pecuniary interests, to leave the meeting during any discussion or voting on the item.	
3. **STANDARDS UPDATE**	**5 - 7**
4. **SETTLEMENT AGREEMENT POSITION**	**8 - 10**
5. **INTERNAL AUDIT PLAN – 2024/25**	**11 - 33**
6. **ANNUAL GOVERNANCE STATEMENT 2022/23**	**34 - 70**
7. **2022/23 STATEMENT OF ACCOUNTS, AUDIT FINDINGS REPORT, AND LETTER OF REPRESENTATION**	**71 - 278**
8. **EXTERNAL AUDIT ANNUAL REPORT 2022/23**	**279 - 317**
9. **SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985** **PART II** In this case the Board has a discretion to exclude the press and public and, in view of the nature of the business to be transacted, it is **RECOMMENDED** that under Section 100A(4) of the Local Government Act 1972, having been satisfied that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 of Part 1 of Schedule 12A to the Act.	
10. **INTERNAL AUDIT PROGRESS REPORT**	**318 - 466**

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.

AUDIT AND GOVERNANCE BOARD

At a meeting of the Audit and Governance Board held on Wednesday, 22 November 2023 at the Civic Suite, Town Hall, Runcorn

Present: Councillors Polhill (Chair), Wall (Vice-Chair), Abbott, Begg, Bevan, J. Bradshaw, Dourley, Gilligan, McDermott, N. Plumpton Walsh and Wallace

Apologies for Absence: None

Absence declared on Council business: None

Officers present: E. Dawson, M. Murphy and G. Ferguson

Also in attendance: S. Nixon - Grant Thornton UK LLP

ITEMS DEALT WITH UNDER DUTIES EXERCISABLE BY THE BOARD

Action

AGB15 MINUTES

The Minutes of the meeting held on 27 September 2023 were taken as read and signed as a correct record.

AGB16 2022/23 EXTERNAL AUDIT UPDATE

The Board received a progress update from Grant Thornton UK LLP, the Council's external auditor, regarding their audit of the Council's 2022/23 year-end accounts.

It was anticipated that once the audit was completed, the Auditor's findings would be reported to the next meeting of the Board, alongside the 2022/23 Statement of Accounts prior to their publication.

RESOLVED: That the verbal progress update by the Council's external auditor Grant Thornton UK LLP be received.

AGB17 PROCUREMENT UPDATE REPORT

The Board considered a report of the Operational Director, Finance, which provided an update on:

- procurement activity in 2022/23, with an outline of the key actions taken during the year – Members were referred to Appendix A, which presented a total of 167 contracts awarded with their values;

- the progress achieved in delivering the Council's Procurement Strategy – Appendix B provided updates on progress against the planned actions and demonstrated strong progress against all four themes of the Strategy. The Strategy document had been reviewed and minor changes had been made were necessary to reflect changes in activity and terminology. It was proposed that the refreshed version of the Strategy would be extended to cover the period until 2025. Following the update of the Council's Corporate Plan, the Strategy would be fully updated; and
- the Procurement Bill – received Royal Assent on 26 October 2023, officially making the Bill into an Act of Parliament. Secondary legislation would be presented to Parliament in early 2024, and it was anticipated that the new regulations would come into effect from October 2024. The report outlined some of the key points within Act.

RESOLVED: That

1) the update on procurement activity and progress against the Procurement Strategy action plan be noted; and

2) the Board approves extending the existing Procurement Strategy until 2025 pending the completion of the update of the Corporate Plan and implementation of the Procurement Act 2023.

AGB18 SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

The Board considered:

1) whether members of the press and public should be excluded from the meeting of the Board during consideration of the following items of business in accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972, because it was likely that, in view of the nature of the business to be considered, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972; and

2) whether the disclosure of information was in the public interest, whether any relevant exemptions were applicable and whether, when applying the public interest test and exemptions, the public interest in maintaining the exemption outweighed that in disclosing the information.

RESOLVED: That, as in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, members of the press and public be excluded from the meeting during consideration of the following item of business, in accordance with Sub-Section 4 of Section 100A of the Local Government Act 1972 because it was likely that, in view of the nature of the business, exempt information would be disclosed, being information defined in Section 100 (1) and paragraph 3 of Schedule 12A of the Local Government Act 1972.

AGB19 INTERNAL AUDIT PROGRESS REPORT

The Board received a report from the Divisional Manager – Audit, Procurement and Operational Finance, updating them on the internal audit activity since the last progress report to the Board on 27 September 2023. It also highlighted any matters that were relevant to the Board's responsibilities as the Council's Audit Committee.

Members were referred to Appendix One, which listed all the planned work for the year and its current status. The schedule of audits had been updated to reflect the progress made in completing audits since the last update to the Board. By the end of October 2023, 741 days of audit work had been completed, which represented 60% of the total planned days for the year. As reported previously, due to the new starters in the team requiring additional support with their work, it would be necessary for some planned work to be deferred to 2024/25.

Appended to the report were the executive summaries of the reports issued numbering 2 to 14, as listed in the report.

A Member commented on the Government's Autumn Statement and the requirement for local authorities to process planning applications within a set timescale and the penalties for not doing so. It was agreed that a follow-up audit of the planning team could be considered in 6-9 months time.

RESOLVED: That the Internal Audit Progress Report and comments made be noted.	Operational Director - Finance

Meeting ended at 6.55 p.m.

REPORT TO:	Audit & Governance Board
DATE:	20 March 2024
REPORTING OFFICER:	Operational Director, Legal and Democratic Services/Monitoring Officer
PORTFOLIO:	Leader
SUBJECT:	Standards Update
WARDS:	Borough-Wide

1.0 PURPOSE OF THE REPORT

1.1 To inform Members of Standards issues which have arisen recently.

2.0 RECOMMENDATION: That the report be noted.

3.0 SUPPORTING INFORMATION

3.1 Audit & Governance Board assumed responsibility for the work of the former Standards Committee in 2021.

3.2 In discussions with the Chair, it was agreed that reports on Standards issues would be brought as & when necessary, but that it would be helpful to bring an update to the last meeting of each municipal year in any event, with the intention of giving Members information on any national & local developments of interest, and providing the Monitoring Officer with the opportunity of informing Members verbally of any complaints received in Halton.

3.3 There are no proposed changes to the Code of Conduct for Members for the Board.to consider this year.

3.4 At the Standards Committee each year, a report would be brought to draw to Members' attention any relevant press articles concerning Standards issues in other parts of the UK.

3.5 The intention was to give Members a flavour of matters dealt with by other authorities, and how sanctions have been imposed. Reports have been difficult to come by in recent times, but the link below to an article on interests is worthy of attention.

Councillor pleads guilty to failing to disclose pecuniary interest (localgovernmentlawyer.co.uk)

3.6 It is proposed that the Monitoring Officer will provide a verbal update on Halton cases in the usual way.

3.7 Should Members consider it helpful, they could resolve that this report be forwarded to Council for information along with the minutes in place of the previous Standards Committee annual report.

4.0 POLICY IMPLICATIONS

4.1 It is vital that the highest standards of conduct are maintained.

5.0 OTHER IMPLICATIONS

5.1 None.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

None.

6.2 Employment Learning and Skills in Halton

None

6.3 A Healthy Halton

None.

6.4 A Safer Halton

None.

6.5 Halton's Urban Renewal

None.

7.0 RISK ANALYSIS

7.1 No risks have been identified which require control measures.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 The report itself does not contain any specific equality and diversity issues.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None arising from this report.

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 None under the meaning of the Act.

REPORT TO:	Audit and Governance Committee
DATE:	20 March 2024
REPORTING OFFICER:	Corporate Director, Chief Executive's Delivery Unit
PORTFOLIO:	Corporate Services
SUBJECT:	Settlement Agreement Position
WARD(S):	Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 The Council does not have policy nor a provision in the Constitution covering situations where settlement agreements are used for positions appointed to by the Councils Appointment Committee, or for positions appointed to by service managers under delegated authority.

1.2 This report details the Councils position on settlement agreements when the exceptional circumstance arises where a settlement agreement is used. The report is for information purposes and no proposals are attached to the report.

2.0 RECOMMENDATION: That content of the report is noted.

3.0 SUPPORTING INFORMATION

3.1 Where the need arises to use a settlement agreement within the Council, the legal framework set out in Section.111A of the Employment Rights Act 1996, and the guidance for Best Value authorities on Special Severance Payments as set out in Section 26 of the Local Government Act 1999, would be discharged appropriately.

3.2 In the even that a settlement agreement is considered appropriate for a position appointed to by the Councils Appointment Committee, only following discussions between the Leader, Chief Executive and appropriate Executive Board Portfolio holder, would a decision be made to use a settlement agreement for that position.

3.3 In considering, and if deemed appropriate entering into a settlement agreement, the legal framework outlined above is discharged appropriately. External legal expertise would be used in any case of settlement to protect the interests of the Council.

3.4 The Council is not required to have a policy or provision in the Constitution covering situations where settlement agreements are used. It is generally accepted that the existence of a policy position on settlement agreements could be viewed as a route to an option that employees might attempt to avail themselves of.

3.5 Employment relations practice, as set out by the professional body for Human Resources Management - the Chartered Institute of Personnel and Development, cites that settlement agreements should only be used in exceptional circumstances. This is reflected in the Council’s general approach to people management.

4.0 POLICY IMPLICATIONS

4.1 There are no specific policy implications arising from the publication of this report.

5.0 FINANCIAL IMPLICATIONS

5.1 There are no specific financial implications arising from the publication of this report.

6.0 IMPLICATIONS FOR THE COUNCIL’S PRIORITIES

6.1 Children & Young People in Halton

None

6.2 Employment, Learning & Skills in Halton

None

6.3 A Healthy Halton

None

6.4 A Safer Halton

None

6.5 Halton’s Urban Renewal

None

7.0 RISK ANALYSIS

7.1 There are no specific risks arising from the publication of this report.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no specific equality and diversity implication arising from the publication of this report.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 There are no specific climate change implication arising from the publication of this report.

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

10.1 There are no background papers under the meaning of the Act.

REPORT TO:	Audit and Governance Board
DATE:	20 March 2024
REPORTING OFFICER:	Divisional Manager – Audit, Procurement and Operational Finance
PORTFOLIO:	Corporate Services
SUBJECT:	Internal Audit Plan – 2024/25
WARD(S)	Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 This report seeks the Board's approval for the planned programme of internal audit work for 2024/25.

2.0 **RECOMMENDATION: The Board is requested to review and approve the Annual Internal Audit Plan for 2024/25.**

3.0 SUPPORTING INFORMATION

3.1 The Public Sector Internal Audit Standards state that the Head of Internal Audit must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The standards refer to the need for the plan to reflect the assurance framework, risk management arrangements, and provide for input from management and the Audit Committee. These principles have been followed in the development of the audit plan for 2024/25.

3.2 The underlying principles for the development of the Audit Plan are summarised below:

- The plan is designed to enable Head of Internal Audit to deliver an overall opinion on the Council's risk management, control and governance arrangements.

- It is recognised that it is not practical nor necessary to provide coverage of all the Council's systems, services, and risks each year.

- Internal audit coverage is to be sufficient to provide the Council's s151 officer with confidence that it supports them in discharging their statutory responsibilities.

- Prioritisation of audit work is informed by consultation with senior management across the Council to identify areas of risk, new developments, and other matters that should be considered for inclusion.

- The plan needs to be flexible and will be reviewed and adjusted throughout the year in response to the changing governance, risk and control landscape. Significant changes will be communicated to senior management and the Audit and Governance Board as required.

- Account is taken of the Council's Corporate Risk Register and the need to provide assurance over key risks.

- Planned work for 2023/24 that was not completed has been included where still considered relevant following discussions with senior management.

- Provision is made to ensure capacity to respond to management requests for assistance with special investigations, consultancy, and other forms of advice.

3.3 In developing the scope of individual audit assignments, consideration will be given to the Council's existing assurance framework and Transformation Programme. This helps to ensure that internal audit can direct its resources on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements.

3.4 The draft Audit Plan for 2024/25 is attached as a separate appendix. It provides for planned audit work totalling 1,160 days. This is based on a forecast staffing establishment of 6.8 FTE staff, which remains unchanged from 2023/24.

3.5 Performance against the Audit Plan will be kept under review throughout the year and regular progress reports will be provided to the Audit and Governance Board. Any significant matters that jeopardise the delivery of the plan or require significant changes will also be identified, addressed and reported to the Board.

3.6 Internal Audit will also continue to liaise with the Council's external auditor, Grant Thornton, to minimise duplication and to ensure efficient and effective deployment of the overall audit resource.

4.0 POLICY IMPLICATIONS

4.1 Delivery of the Audit Plan will provide assurance that the policies and procedures established by the Council are implemented and remain appropriate.

4.2 Internal audit work provides one of the key sources of assurance to the Chief Executive and Leader of the Council who are jointly required to sign the Annual Governance Statement (AGS). The purpose of the AGS is to declare the extent to which the Council complies with the principles of good governance.

4.3 There are however no direct policy implications arising from this report.

5.0 FINANCIAL IMPLICATIONS

5.1 The work of Internal Audit assists the Council in maintaining and developing its financial control arrangements and promotes the efficient, effective and economic use of resources.

5.2 There are no additional resource implications arising from this report.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children & Young People in Halton

Internal audit work supports the delivery of all the Council's priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds.

The design of the Audit Plan has also taken account of the need to provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council's priorities.

6.2 Employment, Learning & Skills in Halton

See 6.1

6.3 A Healthy Halton

See 6.1

6.4 A Safer Halton

See 6.1

6.5 Halton's Urban Renewal

See 6.1

7.0 RISK ANALYSIS

7.1 Internal audit work forms a key element of the Council's overall system of internal control. An effective internal audit service also helps to promote and implement best practice and process improvements in the management of risks.

7.2 The Public Sector Internal Audit Standards require the Head of Internal Audit to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems and controls.

7.3 Changes to planned work may therefore become necessary during the year. Minor changes will be agreed with the Operational Director – Finance. Any significant matters that jeopardise completion of the plan or require substantial changes to it will be reported to the Board.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Public Sector Internal Audit Standards

Internal Audit Plan 2024/25

1 INTRODUCTION

1.1 This document summarises the results of Internal Audit's planning work. It sets out details of the:

- Responsibilities and scope of internal audit
- Resourcing and delivery of the Council's internal audit service
- Arrangements for reporting internal audit work
- Proposed programme of work for 2024/25 (the audit plan)

1.2 The audit plan for 2024/25 has been prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS). The PSIAS represent mandatory best practice for all internal audit service providers in the public sector.

1.3 The Council has adopted the PSIAS definition of internal auditing:

> *'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

1.4 In accordance with PSIAS, the mission of internal audit is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

1.5 Internal audit work contributes to ensuring that the Council is a resilient organisation. It also helps to provide assurance that the Council delivers a reliable and effective service to the people it serves. As such, the work of Internal Audit supports the Council in achieving all its corporate aims and objectives.

1.6 The PSIAS require that the internal audit service is delivered and developed in accordance with the Internal Audit Charter. The Council has formally agreed that the provisions relating to internal audit set out in section 6.2 of Finance Standing Orders constitute the Council's Internal Audit Charter.

2 INTERNAL AUDIT – RESPONSIBILITIES & SCOPE

2.1 Responsibilities of internal audit

The internal audit function is responsible for:

- Reviewing and developing the Council's governance processes. Specifically, this includes:
    - Promoting appropriate ethics and values within the Council
    - Supporting effective organisational performance management and accountability
    - Communicating risk and control information to appropriate areas of the organisation
    - Coordinating the activities of, and communicating information among, the Audit and Governance Board, external audit, internal audit and management
- Evaluating the effectiveness of the Council's risk management processes and contributing to their improvement
- Assisting in the maintenance and development of an effective control environment by providing robust independent assurance over its operation.

2.2 Responsibilities of management

The establishment and maintenance of adequate control systems is the responsibility of management. Recommendations made by Internal Audit can reduce risk and improve systems of control. However, the implementation of audit recommendations cannot eliminate risk entirely.

2.3 Responsibilities of the Audit and Governance Board

In regard to internal audit, the Audit and Governance Board is responsible for:

- Approving, but not directing, internal audit's strategy and plan
- Monitoring the performance of internal audit
- Reviewing summary internal audit reports and the main issues arising, and seeking assurance that action has been taken where necessary
- Receiving and considering the Head of Internal Audit's annual report.

2.4 Responsibilities for fraud prevention and detection

The primary responsibility for the prevention and detection of fraud rests with management. Management's responsibilities include creating an environment where fraud is not tolerated, identifying fraud risks, and taking appropriate actions to ensure that controls are in place to prevent and detect fraud.

It is not the role or responsibility of internal audit to detect fraud. However, internal audit will evaluate the potential for the occurrence of fraud in each assignment and review how the Council manages the risk of fraud.

The Council operates a dedicated Investigations Team that works alongside internal audit. The team is responsible for all fraud-related work and HR investigatory work. As such, this work does not form part of the audit plan and the results of this work are reported separately to the Audit and Governance Board.

2.5 Scope of internal audit activities

The scope of internal audit work includes:

- The entire control environment of the Council, comprising financial and non-financial systems.
- Reviewing controls that protect the interests of the Council in its dealings with partnerships in which the Council has an involvement.

Internal audit may also provide assurance services to parties outside the Council with the prior agreement of the Audit and Governance Board.

3 INTERNAL AUDIT – RESOURCING & DELIVERY

3.1 Resource requirements

The level of resource required to deliver an effective internal audit service to the Council has been assessed based on the need to provide adequate audit coverage of the Council's:

- Business critical systems
- Risk management and governance arrangements
- Front line services
- Support services
- Procurement and contract management activity
- Information management arrangements
- Schools

Account has also been taken of the need to be able to resource:

- Unplanned work which may arise during the year
- Follow up work to provide assurance that previously agreed recommendations are implemented
- Provision of advice and consultancy

3.2 Delivery of the internal audit service

The 2024/25 audit plan will be delivered predominantly by an experienced and suitably qualified in-house team of approximately 6.8 FTE auditors. This level of resource is considered sufficient to deliver a robust annual internal audit opinion to the Board. Additional external support may also be sought to assist with the completion of planned audit work if required.

Where opportunity arises, the Internal Audit team will also collaborate with internal audit colleagues from other local authorities in regard to the approach and delivery of particular audit assignments.

3.3 Mitigation of any potential impairment to independence and objectivity

The internal audit team is managed by the Divisional Manager – Audit, Procurement & Operational Finance, who also has management responsibility for the following functions:

- Purchase to Pay
- Procurement
- Income control (collection and reconciliation of income)
- Insurance

- Corporate appointeeships and deputyships
- Direct Payments
- Income & Assessment (Adult social care)
- Income Recovery

The arrangements to mitigate any potential impairment to independence and objectivity regarding the audit of these areas that were previously approved by the Board continue to remain in place.

3.4 Approach to placing reliance on other sources of assurance

When planning specific audit assignments, other sources of assurance may be taken into consideration in order to ensure the best use of the audit resource. Any work that is necessary in order to place reliance on other sources of assurance will be determined as required for each assignment and reference made to it in the resulting audit report.

3.5 Assurance services to other organisations

A small amount of assurance work is to be undertaken for Manchester Port Health Authority (MPHA), which is the governing body for the Manchester Ship Canal and River Weaver. This is a longstanding arrangement governed by a service level agreement. Halton Borough Council is one of the funding authorities of MPHA.

Assurance work will also be undertaken in regard to the Cheshire concessionary travel scheme. This annual work is undertaken on a rotational basis between the four Cheshire local authorities.

4 INTERNAL AUDIT – REPORTING

4.1 Distribution of internal audit reports

At the conclusion of each audit assignment, a draft report is issued to the manager responsible for the area which has been audited. A final report containing management responses to any issues identified is subsequently distributed to:

- The Chief Executive
- The Operational Director – Finance (s151 officer)
- The Executive Director, Operational Director and Divisional Manager responsible for the area reviewed
- The Council's external auditor

4.2 Overall assurance opinion

In each audit report, an overall assurance rating is provided on the area audited. This is based on the information obtained in the course of the audit and represents an assessment of the effectiveness of the risk management, control and governance processes in the area audited.

The range of assurance ratings in internal audit reports is set out in the following table:

🔴	**Limited**	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
🟡	**Adequate**	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
🟢	**Substantial**	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

4 INTERNAL AUDIT – REPORTING (Continued)

4.3 Grading of Recommendations

Recommendations made in individual internal audit assignments are categorised according to the following priorities:

High	The audit finding is essential to the management of risk within the area under review
Medium	The audit finding is important to the management of risk within the area under review
Low	The audit finding relates to an issue of good practice that the auditor considers would deliver better outcomes

4.4 Reporting to elected members

Throughout the year regular internal audit progress reports are presented to the Audit and Governance Board summarising the outcomes of internal audit work and any significant matters identified. Such matters may include risk exposures, governance weaknesses, performance improvement opportunities and value for money issues.

4.5 Annual Audit Opinion

An annual report is presented to the Audit and Governance Board which includes the Head of Internal Audit's overall opinion on the Council's risk management, control and governance processes. This opinion forms one of the sources of assurance in support of the Council's Annual Governance Statement. The opinion is based upon the collective findings from the internal audit work completed during the year.

5 INTERNAL AUDIT – PLANNING METHODOLOGY

5.1 Requirements of the Public Sector Internal Audit Standards

The PSIAS state that the ‘chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.’

5.2 Development of the Audit Plan

In developing the audit plan, account has been taken of:

- Planned work deferred from the 2023/24 audit plan that is still considered important
- Senior management’s views on risk in their areas of responsibility
- The results of previous internal audit work
- The Council’s assurance framework, including the work of external audit
- Emerging risks in the local government and the wider public sector, including discussions with colleagues in the North West Audit Group
- Work being undertaken as part of the reimagine Halton Transformation Programme
- Known changes to the Council’s business, operations, systems, and controls
- Issues identified in the Corporate Risk Register (as at September 2023)
- The requirement to ensure sufficient and wide ranging coverage in order to provide a robust annual audit opinion

5.3 Links to the Council’s Corporate Priorities

The audit plan supports the delivery of all the Council’s priorities by promoting probity, integrity, accountability, efficiency and effective management of public funds. The achievement of corporate priorities is dependent on the Council making efficient and effective use of its resources and in operating robust and transparent governance arrangements.

The audit plan sets out a series of risk-based assignments that will provide assurance over the adequacy of the arrangements established to mitigate risks that may threaten the delivery of the Council’s priorities. Where appropriate, links to risks identified in the Council’s Corporate Risk Register are identified for each piece of planned work. A summary copy of the Corporate Risk Register is attached at Appendix A for information.

5.4 Budgeted time allocations

A budgeted time allocation has been set for each assignment included in the audit plan. It is recognised that the exact resource requirement for each assignment cannot be forecast with certainty, as the time required will be influenced by the scope of the audit agreed with management.

The plan therefore represents the best estimate of the way in which the Council's internal audit resources will be deployed. It may therefore be necessary to adjust the budgeted allocations for specific assignments during the year.

In total, the 2024/25 Audit Plan comprises 1,160 days of audit work.

5.5 Timing and prioritisation of audit work

The intention is to complete all planned work within the year. However, the timing and respective prioritisation of work will take account of:

- The need to finalise any work from 2023/24 that remains incomplete at year-end
- The need to prioritise the reviews deferred from the 2023/24 Audit Plan
- The views of management of the service areas in regard to the timing of work
- Any other factors that may be relevant to the timing of a particular piece of work
- Any urgent unplanned work arising
- Changes in the level of audit resources available

5.6 Significant interim changes to planned work

The audit plan will be kept under review during the year and it may be necessary to make revisions to planned work in order to respond to changes in priorities or changes in the level of internal audit resources. As in previous years, minor changes will be agreed with the Operational Director – Finance. Any significant changes will be reported to the Audit and Governance Board.

6 SUMMARY INTERNAL AUDIT PLAN – 2024/25

A high-level summary of the planned allocation of internal audit resources for 2024/25 is shown in the following table:

Planned allocation of Internal Audit resources	Days
Adults Directorate	140
Chief Executive’s Directorate	225
Children’s Directorate	110
Environment & Regeneration Directorate	145
Public Health Directorate	40
Grants	160
Corporate support	70
Schools	160
Follow up audits	25
Contingency	80
External work	5
Total	**1,160**

The individual assignments to be completed are summarised in more detail in the following section.

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	Audit	Context	Planned Coverage	Reference to Corporate Risk Register
Adults Directorate	Top up fees	If a person entering residential care chooses a setting that is more expensive than the amount identified for the provision of accommodation in their personal budget then an arrangement has to be made to meet the additional cost (known as a Top-Up). In such cases the local authority must arrange for the person to be placed there, provided a 'third party' (or in certain circumstances, the person in need of 'care and support') is willing and able to meet the additional cost. This audit was originally included in the 2023/24 Audit Plan and work commenced towards the end of the financial year.	The audit will examine the application of the Council's policy relating to Top Up fees and the associated billing and collection arrangements.	Risks 1A, 8B
Adults Directorate	Telecare service	The Council's telecare service is a chargeable service that provides support and assistance to vulnerable persons in their own homes by using information and communication technology. Last audited in 2011.	The audit will focus on assessment, charging and billing for the service.	Risks 1A, 2, 8B
Adults Directorate	Adult Social Care Debt Recovery	There has been a significant recent increase in the level of Adult Social Care debt. Total outstanding debt has increased since March 2023 by £2.343m (18.2%) to £12.875m.	Billing and recovery proceduers relating to Adult Social Care debt.	Risk 8B
Adults Directorate	Travellers' sites	The Council is responsible for the management of the permanent travellers' sites within the borough. Income is received via rental of pitches and utility charges. Last audited in 2018.	The audit will examine income collection and accounting arrangements across all sites.	Risk 6, 8B, 11

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	Audit	Context	Planned Coverage	Reference to Corporate Risk Register
Chief Executive's Directorate	Compliance with Procurement Standing Orders	In May 2022, Procurement Standing Orders were amended to remove the requirement for spending departments to advertise opportunities under £25k in value on The Chest procurement portal. The intention of this change was to streamline lower value procurement activity and to release capacity within the Procurement team to focus on higher value procurements.	The audit will undertake sample testing on procurement activity falling under £25k and seek assurance that spending departments have made appropriate arrangements to ensure that value for money is being obtained.	Risks 8B, 11
Chief Executive's Directorate	Concessionary Travel	The Council is part of the Cheshire concessionary travel scheme and the Cheshire authorities rotate responsibility for auditing the scheme on an annual basis.	The audit will provide assurance that there is an approved scheme in place agreed by all parties that is in accordance with statutory legislation. It will also seek to ensure that the scheme is appropriately administered and that there are appropriate anti-fraud measures in place.	Risks 8B, 12
Chief Executive's Directorate	Grants to Voluntary Organisations	Management Team requested that Internal Audit undertake a review of all grants and services commissioned from the voluntary sector. The results of the review are to feed into the Transformation Programme workstream examining this area. Work on this review commenced towards the end of 2023/24.	Review of grant and services commissioned from the voluntary sector and the related contract management arrangements.	Risk 8B
Chief Executive's Directorate	Payroll	The payroll system provides material disclosures for the financial statements. The value of transactions processed through the system exceeds £100m pa. Last audited in 2019.	High level review evaluating and testing the effectiveness of the key controls within the system	Risk 8B, 12

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	Audit	Context	Planned Coverage	Reference to Corporate Risk Register
Chief Executive's Directorate	Accounting Journals	A journal transfer is used to reallocate an item of expenditure or income from one accounting code to another. Journal transfers should include a description of the item and an explanation as to why the transfer is necessary. Journal transfers should only be completed by authorised personnel and be supported by a clear audit trail. Last audited in 2016.	High level review evaluating and testing the effectiveness of the key controls within the system	Risk 8B, 12
Chief Executive's Directorate	Accounts Payable	The Accounts Payable system is one of the Council's key financial systems that provides material disclosures for the financial statements. Payments are processed through the creditors module of Agresso by the Purchase to Pay team. Daily runs are carried out to make payment to the Council's creditors, with weekly runs being carried out for housing benefit payments. Last audited in 2021.	High level review evaluating and testing the effectiveness of the key controls within the system	Risk 8B, 12
Chief Executive's Directorate	Accounts Receivable	The effective management and collection of debt is an essential contributor to the Council's financial resource and maximises income available to provide services. The Council is responsible for the collection of various monies owed from charges raised and invoices issued. The raising of sundry debt is generally done within departments using self-service on Agresso. The Debtors Team is responsible for the administration and collection of sundry debtor accounts, including the reconciliation of payments and recovery of any outstanding invoices. Last audited in 2019.	High level review evaluating and testing the effectiveness of the key controls within the system	Risk 8B, 12

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	Audit	Context	Planned Coverage	Reference to Corporate Risk Register
Chief Executive's Directorate	Appointeeship and Deputyship Scheme	The Council provides an appointeeship and deputyship scheme to over 300 clients and manages client funds that total in excess of £4.5m. The Council is currently in the process of changing the banking arrangements for the clients supported and setting up individual bank accounts for each client. The audit was originally planned for 2023/24 but not started due to capacity issues.	The audit will examine the transfer from 'virtual accounts' to individual bank accounts for each client and seek to provide assurance that appropriate controls are embedded into the new banking arrangements.	Risks 1A, 2
Chief Executive's Directorate	IT Cyber Security	The risk of adverse business impact as a result of the failure of key business systems brought about by cyber incidents is identified as a key risk in the Council's risk register.	Review of the Council's procedures to prevent, detect, and respond to cyber security threats. This will involve reviewing how the Council monitors identities, endpoints, servers, databases, network applications, websites, and other systems to uncover potential cyberattacks in real time.	Risk 5
Children's Directorate	Education, Health and Care Plans	All Halton children and young people who have significant special educational needs and meet specific criteria may undergo an Education Health and Care (EHC) Assessment, which could lead to an EHC Plan and an offer of a personal budget. The audit was requested following a number of complaints relating to the delays in the completion of EHC assessments.	The audit will review the processes relating to the completion of EHC assessments and compliance with statutory timescales. It will also review processes and data quality within the Synergy management information system.	Risk 3B
Children's Directorate	Children in Care Placements	The Council continues to face significant budget pressures resulting from the number and cost of external placements relating to children in care. The audit was originally planned for 2023/24 but not started due to capacity issues.	The audit will examine the approval, commissioning, procurement and monitoring arrangements for children in residential placements in order to provide assurance that the arrangements balance suitable provision with cost.	Risks 3B, 8B

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	Audit	Context	Planned Coverage	Reference to Corporate Risk Register
Children's Directorate	Foster Care / SGOs	Foster Care and Special Guardianship payments are a significant area of spend for the Council. The process for making the payments is to change in 2024/25 with payments due to be processed through the Eclipse social care management system before being transferred to Agresso via an interface.	The audit will examine the new payment process and provide assurance over the adequacy of the related control environment.	Risks 3B, 8B
Environment and Regeneration Directorate	Runcorn Town Investment Plan	In July 2021, it was announced that £23.6m had been allocated from the Town's Fund to deliver the Runcorn Town Investment Plan – Reconnecting Runcorn. Reconnecting Runcorn is a set of seven projects that are intended to improve the lives and livelihoods of local people and boost the local economy. The audit was originally planned for 2023/24 but not started due to capacity issues.	The audit will examine the arrangements that the Council has established to manage the overall programme focusing on the funding, procurement, contract management, and programme governance arrangements.	Risk 12
Environment and Regeneration Directorate	Highways Inspection and Maintenance	Highways inspections play a vital role in ensuring the safety of the borough's highways and provide a key part in the defence of highways related insurance claims.	The audit will review the effectiveness of the arrangements in place to inspect and maintain the highways network.	Risks 8B, 9A
Environment and Regeneration Directorate	Vehicle Maintenance	Delivery of a number of key Council services is dependent upon the Council's fleet of vehicles. In managing the fleet the Council has statutory responsibilities to ensure that vehicles are suitable for the purpose for which they are used and maintained in good repair.	The audit will review the arrangements in place for the maintenance and repair of Council vehicles. It will also examine the arrangements relating to servicing and maintenance work undertaken for commercial purposes.	Risk 8B, 9A
Environment and Regeneration Directorate	Brindley Extension project	The Brindley extension project is a £5.6m capital scheme designed to allow greater access for the community, creating more space within the building and to relocate the library. It is also a key part of the Runcorn Town Deal project.	A current contract audit approach will be adopted to the audit which will examine the arrangements relating to contract funding, contract management, risk management and interim payments.	Risk 8B

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	Audit	Context	Planned Coverage	Reference to Corporate Risk Register
Public Health Directorate	Commissioned services	Public Health's role is to help people living and working in Halton to live long lives in good health. The team places a particular emphasis on preventative measures and the promotion of wellbeing initiatives. In fulfilling their role, the team commissions a wide range of services from various different providers.	The audit will select a sample of commissioned services and review the adequacy and effectiveness of the contract management arrangements in place.	Risks 4, 8B
Grants	Various grant claims and returns	A general provision is included for a range of grant claims for which the Head of Audit is required to sign a declaration confirming that the amounts claimed are eligible and in accordance with the conditions of grant.	Grant claim assurance and certification work	Risks 8B, 12
Corporate Support	Annual Governance Statement	There is a statutory requirement for the Council to produce an Annual Governance Statement.	Internal Audit will have input to the work of the Corporate Governance Group which develops the Annual Governance Statement.	No specific linkage to the Corporate Risk Register. However, it is a statutory requirement that the Council produces and Annual Governance Statement.
Corporate Support	Corporate Complaints - Stage 2	The Council has a formal corporate complaints procedure to enable individuals to express their dissatisfaction about Council services that they have received and for identified failings to be remedied. Internal Audit is responsible for undertaking Stage Two investigations of complaints that have not been resolved by the service manager at Stage One of the complaint procedure.	Stage Two complaint investigations will be undertaken as required. Internal Audit will undertake an independent internal review of unresolved Stage One complaint issues and of complaints that are of a more serious or complex nature.	No specific linkage to the Corporate Risk Register but effective management of complaints is a key part of the Council's governance arrangements.
Corporate Support	Council Constitution	The Council Constitution is reviewed annually to ensure that it is updated to reflect changes to the Council's governance arrangements, legislative requirements, policies and procedures.	Internal Audit will contribute to a working party that meets each year to review and propose changes to the Council's Constitution.	No specific linkage to the Corporate Risk Register but contributes to the maintenance of the Council's governance arrangements.

7 DETAILED INTERNAL AUDIT PLAN – 2024/25

Area	**Audit**	**Context**	**Planned Coverage**	**Reference to Corporate Risk Register**
Corporate Support	General advice / attendance at working groups etc.	Throughout the year the Internal Audit function receives regular requests from client departments for advice and support	Reactive advisory and consultancy work, and input to working groups as required	No specific link to the Corporate Risk Register; however, advice and guidance from Internal Audit contributes to maintenance of the Council's risk management, control and governance arrangements.
Corporate Support	Reporting to Audit and Governance Board	The Council Constitution requires Internal Audit to report to the Audit & Governance Board.	Attendance at, and preparation of reports for, the Audit & Governance Board on internal audit and governance related matters.	No specific linkage to the Corporate Risk Register but contributes to the maintenance of the Council's risk management, control and governance arrangements.
Schools	Eight schools to be audited during 2024/25	The Council operates an annual programme of school audits. A risk-based approach is adopted to selecting the schools to be audited.	An audit programme has been developed for school audits, which will be tailored to each school as required.	No specific link to Corporate Risk Register. However, the completion of school auidts provides assurance over the risk management, control and governance processes in place across the Council's schools.
Follow up of audit recommendations	Various	Follow up work is completed to provide assurance that previously agreed internal audit recommendations are implemented.	Coverage to be determined on the audit recommendations falling due for implementation.	No specific link to Corporate Risk Register. However, follow up work provides assurance that recommendations made to improve the Council's risk management, control and governance processes are implemented.
Contingency	Not known at this stage	A general contingency is provided to allow Internal Audit to respond to requests for audit work that arise during the year.	Not known at this stage	Not known at this stage
External work	Manchester Port Health Authority	The Council undertakes annual fee earning assurance work as part of an SLA with Manchester Port Health Authority.	To be agreed with Manchester Port Health Authority.	Not applicable

APPENDIX A – CORPORATE RISK REGISTER SUMMARY

Risk Reference	Risk Description
1A	Failure to deliver quality services to vulnerable adults could negatively affect their health and wellbeing
1B	Adult Social Care Charging Reforms, likely to cause a shortfall in funding to meet the full cost of care
2	Failure to support and protect the safeguarding of adults could adversely impact on their health, safety and opportunity to reach their potential
3A	Children's Services – safeguarding
3B	Overspend in Children's Services
4	Reduced capacity of services that prevent harm, protect health and promote positive physical, mental and emotional health and wellbeing across the population of Halton
5	Risk of adverse business Impact as a result of the failure of key business systems brought about by cyber incidents
6	Data Protection: Risk of breach of data caused by mishandling of personal data
7A	Reduced capacity to sustain the delivery of services and respond to emergency situations in line with Council Priorities
7B	Reduced capacity to continue service provision across various services due torecruitment and / or retention difficulties
8A	The Council's funding available from Government grant and/or locally raised business rates / council tax, is not sufficient to meet increasing service demands
8B	Total council spending for the year exceeds available budget provision
9A	A failure to monitor and appropriately manage the risks created by global, national and local events
9B	Depleted staffing resource impacting on ability to provide out of hours on call Emergency Planning Officer role
10	Changes to Government arrangements and other public sector organisations could potentially lead to a deterioration of local services
11	Failure to prevent and detect fraud and / or corruption
12	Failure to maximise and identify funding opportunities in light of government cuts

REPORT TO:	Audit and Governance Board
DATE:	20 March 2024
REPORTING OFFICER:	Operational Director - Finance
SUBJECT:	Annual Governance Statement - 2022/23
PORTFOLIO:	Corporate Services
WARD(S):	Borough-wide

1.0 PURPOSE OF REPORT

This report presents the 2022/23 Annual Governance Statement (AGS) to accompany the 2022/23 statement of accounts. The preparation and publication of an AGS is necessary to meet the statutory requirement set out in regulation 6 of the Accounts and Audit Regulations 2015.

The format of the statement follows the 2016 best practice guidance issued by CIPFA / Society of Local Authority Chief Executives (SOLACE).

2.0 RECOMMENDATIONS: **It is recommended that the Board considers and approves the 2022/23 Annual Governance Statement, subject to any changes or additions that members feel appropriate.**

3.0 SUPPORTING INFORMATION

3.1 The AGS provides a summary of the authority’s governance arrangements during 2022/23 and provides an opinion on whether they were fit for purpose. It also identifies any issues with the Council’s governance arrangements and sets out how such issues will be addressed.

3.2 CIPFA produces guidance for producing the AGS ‘Delivering Good Governance in Local Government Framework’, and the guidance requires the AGS be current at the point of publication, which is concurrent with the Statement of Accounts.

3.3 To ensure the AGS is up to date when the external audit of the financial statements is completed, CIPFA have recommended that authorities review the draft AGS to identify any changes required before the audit is finalised and obtain formal approval for the reviewed version prior to publication.

3.4 CIPFA also suggest that updates would be required for any issues emerging after the year end that would have been pertinent to the old year, but not updating for any issues emerging after 31 March 2023, which would fall to be considered in the year to which they relate. As such, the revised version of the AGS does not reflect issues emerging during the 2023/24 financial year. These issues will be addressed in the 2023/24 AGS.

3.5 The draft 2022/23 AGS was originally presented to the Board in July 2023. The action plan contained within it has since been reviewed and updated to reflect current progress.

3.6 The Council's Constitution delegates the responsibility to review and approve the AGS to the Audit and Governance Board. As such, the document will be updated if necessary to consider any feedback from the Board.

3.7 Once approved by the Audit and Governance Board, the AGS will be signed by the Council Leader and Chief Executive who are responsible for ensuring that any significant actions identified to enhance the Council's governance arrangements are addressed.

3.8 The final signed version of the AGS will be published on the Council's website.

4.0 POLICY, FINANCIAL AND OTHER IMPLICATIONS

4.1 In accordance with the Accounts and Audit Regulations 2015, the Council is required to conduct an annual review of its system of internal control and publish an Annual Governance Statement (AGS) with the annual statement of accounts. The process is a key mechanism for ensuring that the Council has an effective system of internal control and governance, and that any areas for development are identified and addressed.

4.2 The powers and duties of the Audit and Governance Board include responsibility for considering the Council's corporate governance arrangements and agreeing necessary actions to ensure compliance with best practice. The AGS provides a commitment to address the governance challenges identified by the Council.

4.3 There are no direct financial implications arising from this report.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 Children and Young People in Halton

Good governance leads to good management, good performance and good stewardship of public money. It therefore enables the Council to implement its vision in accordance with its values and to engage effectively with its citizens and service users and ensure good outcomes for them.

5.2 Employment, Learning and Skills in Halton

See 5.1 above

5.3 A Healthy Halton

See 5.1 above

5.4 A Safer Halton

See 5.1 above

5.5 Halton's Urban Renewal

See 5.1 above

6.0 RISK ANALYSIS

6.1 The AGS provides assurance that the Council has a sound system of risk management, control and governance. The document provides a public statement of how the Council directs and controls its functions and relates to its community.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 The Council has to have regard to the elimination of unlawful discrimination and harassment and the promotion of equality under the Equalities Act 2010 and related statutes. Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed.

8.0 CLIMATE CHANGE IMPLICATIONS

8.1 None arising directly from this report.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact
CIPFA / SOLACE – Delivering good governance in Local Government: Framework (2016)	Halton Stadium, Widnes	Merv Murphy
CIPFA / SOLACE - Delivering good governance in Local Government: Guidance note for English authorities (2016)		

2022/23

HALTON BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT

Introduction

Governance is about how we ensure that we are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance leads to:

- Effective leadership
- Good management
- Good performance
- Good stewardship of public money
- Good public engagement, and
- Good outcomes for our citizens and service users.

The governance framework comprises the culture, values, systems and processes by which an organisation is directed and controlled. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

Halton Borough Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Local Code forms part of the Council Constitution and can be accessed on the Council's website.

The Council's governance framework aims to ensure that in conducting its business it:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

The system of internal control is a significant part of the Council's governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The Council's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks occurring and the impact should they happen, and to manage them efficiently, effectively and economically.

The Annual Governance Statement

The Council is required by the Accounts & Audit (England) Regulations 2015 to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of governance and explains how the Council has reviewed the effectiveness of its systems of internal control.

In this document the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them

The annual governance statement reports on the governance framework that has been in place at Halton Borough Council for the year ended 31 March 2023 and up to the date of approval of the statement of accounts.

How the Annual Governance Statement is prepared

The initial review of the Council's governance framework was led by a small core group of officers supported by other officers across the Council. The core group comprised:

- The Operational Director – Legal and Democratic Services

  This post is designated as the Council's Monitoring Officer under section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000. The Monitoring Officer is responsible for ensuring that that the Council acts and operates within the law.

- The Operational Director – Finance

  This post is designated as the s151 Officer appointed under the 1972 Local Government Act. The Operational Director – Finance is the Council's Chief Financial Officer and carries overall responsibility for the financial administration of the Council.

- The Divisional Manager – Audit, Procurement & Operational Finance

  This post is responsible for the Council's internal audit arrangements, including the development of the internal audit strategy and annual plan and providing an annual audit opinion on the Council's governance, risk management and control processes.

In preparing the annual governance statement the Council has:

- Reviewed the Council's existing governance arrangements against its Local Code of Corporate Governance
- Considered any areas where the Local Code of Corporate Governance needs to be updated to reflect changes in the Council's governance arrangements and best practice guidance
- Taken account of various sources of assurance over the operation of the Council's governance framework
- Assessed the effectiveness of the Council's governance arrangements and highlighted any planned changes in the coming period

Management Team, which is chaired by the Chief Executive, has also reviewed the annual governance statement and considered the significant governance issues facing the Council.

The Audit and Governance Board provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework and internal control environment. As part of this role the Board reviews and approves the annual governance statement.

The Council’s Governance Framework

The Council aims to achieve good standards of governance by adhering to the following key principles set out in the best practice guidance ‘Delivering Good Governance in Local Government: Framework 2016’:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the Council’s capacity, including capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Within this annual governance statement, the Council has undertaken an assessment of previously identified governance issues and the progress made against these throughout the year. Any areas which have not been resolved will carry forward into 2023/24 and will continue to be monitored.

Any issues that have been resolved during 2022/23 will no longer be monitored through the annual governance statement but will continue to be monitored through appropriate channels.

The Council considers that it is compliant with the ‘CIPFA Delivering Good Governance in Local Government: Framework 2016’. Examples of how the Council complied with the principles contained within the Code during 2022/23 are provided in the following pages.

KEY PRINCIPLE:

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

SUPPORTING PRINCIPLES:

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council has a Constitution that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed and updated in May 2022.

- One of the roles of the Audit and Governance Board is to promote high standards of member conduct. Members of the Board were kept updated during the year of standards issues that had arisen.

- The Operational Director – Legal and Democratic Services provided legal advice to the Council throughout the year as the Council's Monitoring Officer. One of the key functions of that role is to ensure the lawfulness and fairness of decision-making. There are no known instances of the Council failing to comply with relevant laws and regulations during the 2022/23 financial year.

- The Council's Local Code of Corporate Governance, which forms part of the Council Constitution, sets out the processes in place to ensure that officers behave in ways that exemplify high standards of conduct and effective governance. These arrangements are wide ranging and communicated by Management Team to staff in a variety of ways including; induction procedures, the employee code of conduct, Finance Standing Orders, Procurement Standing Orders, registers of interests, staff bulletins, registers of gifts and hospitality, whistle-blowing procedures, HR policies and fraud awareness training. The Local Code of Corporate Governance is subject to annual review.

- A complaints process exists for members of the public to raise concerns about standards exhibited by members which can be accessed through the Council's website.

- All new employees undergoing the corporate induction process during 2022/23 were made aware of the Employees' Code of Conduct. There is an established disciplinary procedure which is invoked when an employee deliberately breaches rules and/or commits acts of misconduct, which are considered sufficiently serious as to warrant formal investigation.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council takes fraud, corruption and maladministration seriously and has established a suite of policies and processes which aim to prevent or deal with such occurrences. On 28 September 2022 the Audit and Governance Board received an annual report summarising the operation of the Council's counter fraud and corruption arrangements

- The Council publishes an annual Modern Slavery Act Transparency Statement that sets out the Council's actions to understand the potential modern slavery risks related to its business. It also explains the steps the Council has taken to ensure that no slavery or human trafficking takes place in its own business or through its supply chains.

- A corporate complaints procedure operated throughout the year to receive and respond to any complaints received. An annual report summarising the complaints received, trends and outcomes is presented each year to the Corporate Policy and Performance Board. The latest report, which covered 2021/22, was presented at the Board's meeting on 24 January 2023. Complaints received are used to inform the development of the Council's services and policies

- Arrangements exist to ensure that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
  - Registers of disclosable pecuniary interests were maintained
  - Registers of gifts and hospitality were maintained
  - Opportunities to declare disclosable pecuniary interests and disclosable other interests were provided at the start of meetings.

- The Council's higher value procurement activity is undertaken in accordance with the Public Contracts Regulations 2015 (PCR 2015). Following the Cabinet Office publishing a Procurement Policy Note in February 2023, the Council has incorporated provisions within its procurement processes which allow for the discretionary exclusion of suppliers that fail to comply with the Modern Slavery Act 2015 and / or breach environmental, social, or labour law obligations.

KEY PRINCIPLE:

Ensuring openness and comprehensive stakeholder engagement

SUPPORTING PRINCIPLES:

- Openness
- Engaging comprehensively with institutional stakeholders
- Engaging with individual citizens and service users effectively

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- Information on the Council's performance, finances and the democratic running of the Council is routinely published on the Council's website. The Council also fully complies with the reporting requirements of the Local Government Transparency Code 2015.

- The Council's Constitution is published on the Council's website. It explains the Council's decision-making processes and delegated authorities. All key decisions taken by the Council are also publically available on the Council's website.

- The Council engages with key partners and institutional stakeholders in various ways. Formal partnerships include the Health and Wellbeing Board, the Safer Halton Partnership, the Halton Children's Trust 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. The Board met on four occasions during 2022/23. Its work included:
  - Receiving updates on the One Halton Place Based Partnership, which included details of the senior leadership team and governance structures of One Halton and the various work streams that had been established
  - Receiving the Public Health Annual Report (2021/22)
  - Receiving the Adult Social Care Annual Report (2021/22)
  - Receiving the Halton Safeguarding Adults Annual Report (2021/22)
  - Being updated on the duty placed on Integrated Care Boards (locally NHS Cheshire and Merseyside) and their partner trusts to prepare a Joint Forward Plan by 30 June 2023

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- During 2022/23, Clinical Commissioning Groups were dissolved as a statutory requirement of the Health and Care Act 2022 and were replaced by Integrated Care Systems (ICS's). An Integrated Care System consists of an Integrated Care Board (ICB) and Integrated Care Partnership (ICP). From 1 July 2022 Halton became part of the ICS and ICB covering the whole of Cheshire & Merseyside, which includes nine local authority areas. Each area is required to establish a Place Based Partnership (PBP). Locally, this is known as 'One Halton,' which brings together Halton stakeholders to work collaboratively on health and care arrangements. One Halton's future role is to:

  - Understand and work with Halton's communities
  - Join up and co-ordinate services around population needs
  - Address social and economic factors that influence health and wellbeing (wider determinants of health)
  - Support quality and sustainability of local services

  One Halton has been developed to be a Joint Committee to the ICS. The ambition is for services to be commissioned as close to residents as possible.

- Engagement with citizens and service users is carried out using a variety of methods, including a range of survey techniques and sampling techniques. During 2022/23 the Council consulted on a range of issues, which included:

  - Electric Vehicle Charging: Consulting with road users about their vehicle ownership and whether they would consider switching to an electric vehicle, as well as their opinions on electric charging points in the Borough.
  - The Brindley Extension: Asking services users of the Brindley and the library if the new extension plans satisfy accessibility requirements.
  - Fit4Life Teens: Asking young people in the borough about healthy lifestyles, including exercise, sleep, how they like to learn and be supported around healthy lifestyles, and any barriers to living a healthy lifestyle.
  - Housing and community businesses: An opportunity for residents of Runcorn Town Centre to give their feedback about housing and business possibilities in the area.
  - Spike Island Play Equipment: Asking parents of children with additional needs to gauge their thoughts on play equipment in Halton's parks and to get their ideas for improvements, specifically to Spike Island if finances allow.
  - Supported Housing: An opportunity for staff, parent carer and tenants to feedback about the service.
  - Reconnecting Runcorn Creative and Digital Skills Centre: Asking residents of Halton about their knowledge of creative and digital community and voluntary organisations, statements about Runcorn Town Centre, access to Runcorn Town Centre and any ideas for the proposed centre.
  - Foster Carer Training: An opportunity for foster carers to feedback about the different types of training offered.

- In setting its budget the Council listens to the views of the public and the experience of elected members through their ward work. Individual consultations took place in respect of specific budget proposals and equality impact assessments were completed where necessary.

KEY PRINCIPLE:

Defining outcomes in terms of sustainable economic, social and environmental benefits

SUPPORTING PRINCIPLES:

- Defining outcomes
- Sustainable economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The long-term vision for Halton is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. It also explains the Council's values and principles. Whilst the priorities contained within the existing plan remain relevant, the plan is due to be updated. During 2022/23, the decision was taken that an extensive consultation exercise would be undertaken with key stakeholders in developing the new Corporate Plan. This is to take place during 2023/24 with the new Corporate Plan being developed for 2024/25.

- The Council's Corporate Planning Framework provides the means by which the Council's activities are developed and monitored. A regular system of reporting to the Council's Management Team, Executive Board and Policy and Performance Boards records progress against key business plan objectives and targets.

- Directorate and Departmental Business Plans were produced for 2022/23 that described key developments and emerging issues relating to each department of the Council. The plans formally set out key objectives, milestones and measures for each business area.

- On 14 April 2022, the Executive Board formally approved a Climate Change Strategy & Action Plan for the Council's operations and activities. The Action Plan is predominantly focused on reducing the Council's own carbon production. However, during the lifetime of the Plan, the Council has committed to broaden the scope and develop proposals to provide a broader Borough-wide Strategy.

- On 16 March 2023, the Council's Executive Board approved the principles set out in the LCR Zero Waste 2040 Strategic Framework to reduce waste related carbon emissions. The Board also approved continued partnership working with Merseyside Recycling and Waste Authority (MRWA) and the other LCR local authorities to deliver action to meet our individual and collective climate targets and objectives.

- During 2022/23 the Council committed to a project to extend the Council's existing Solar Farm and create a micro grid connecting the Municipal Building, Lowerhouse Lane depot and the new leisure centre in Moor Lane. The project will include a battery storage scheme in order to maximise the use of solar PV power overnight and support the use of heat pumps at the new leisure centre. It will also provide an EV electrical charging infrastructure at Lowerhouse Lane Depot to enable electrification of the Council's vehicle fleet.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council routinely publishes information on the Council’s vision, strategy, plans, finances and performance on its website.
- The Council has continued to generate social value through its procurement activity. Details of the Council’s approach to social value in procurement, and examples of outcomes achieved, were shared in the Procurement Update report to the Audit and Governance Board on 28 September 2022.

KEY PRINCIPLE:

Determining the interventions necessary to optimise the achievement of the intended outcomes

SUPPORTING PRINCIPLES:

- Determining interventions
- Planning interventions
- Optimising achievement of intended outcomes economic, social and environmental benefits

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council’s Corporate Planning Framework in operation during the year provided the means by which the Council’s activities were developed and monitored.

- There is a well-established overview and scrutiny framework with six Policy and Performance Boards (PPBs) aligned to the Council’s six corporate plan priorities. They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive. The Lead Member for Scrutiny also meets regularly with the S31 Scrutiny Officer and chairs the Scrutiny Chairs Group, comprising the Chairs of each of the Scrutiny Boards.

- Performance monitoring reports were produced throughout the year recording progress against key business plan objectives and targets. These reports were presented to the Council’s Management Team, to the Executive Board, and to the Policy and Performance Boards.

- The Council operates a corporate complaints procedure and specific complaints procedures for Adult Social Care, Children's Social Care, schools, and complaints relating to elected members. These procedures allow the Council to identify areas where things may have gone wrong and to put them right and prevent them from happening again.

- The Council aims to ensure that the purchase or commissioning of goods, services or works required to deliver services is acquired under Best Value terms. The Council’s procurement activity is undertaken in line with the Council’s Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders, which are reviewed and updated annually.

- The Council’s internal audit team carried out a comprehensive programme of audits during the year reviewing both front line and support services. The implementation of recommendations arising from the work of internal audit assists the Council in identifying and managing risks that may impact on the achievement of intended outcomes. Implementation of agreed actions from internal audit reports is monitored by the Audit and Governance Board through a robust follow up process.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council recognises that it has a responsibility to manage both internal and external risks as a key component of good corporate governance. Risk is defined as being the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. In order to manage risks effectively the Council operates a formal process to identify, evaluate and control risks. The Council's Corporate Risk Register summarises the key strategic risks faced by the Council and includes details of arrangements established to ensure that intended outcomes are achieved.

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

KEY PRINCIPLE:

Developing the Council's capacity, including capability of its leadership and the individuals within it

SUPPORTING PRINCIPLES:

- Developing capacity
- Developing leadership
- Developing the capability of individuals

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council retained the North West Charter for Elected Member Development Exemplar Level status. Elected members were also provided with the opportunity for an annual review to identify their development requirements, which are set out in a Member Action Plan.

- The Council has a Member Development Group that monitors key performance indicators in relation to member development. Its remit also includes raising awareness of learning and development updates. The group also provides a forum for members to raise any other training or support issues to help them in their roles.

- Members of the Audit and Governance Board received training during the year to assist them in their role as the Council's Audit Committee.

- The Council operates ongoing processes to identify the personal development needs of employees. The information gained from these processes is used to inform the design of the corporate training programme and to source specialised professional training.

- The Council operates a Leadership and Management Framework to ensure continuous development of those employees who do not require a recognised leadership qualification. The framework comprises 39 leaders and managers and specific modules include:
  - The Manager's Role in Change Management
  - Developing and Leading High Performing Teams
  - Conflict Resolution
  - Leadership Skills for Effective Partnerships
  - Influencing Skills
  - Problem Solving and Negotiation Skills
  - Working Effectively with Elected Members
  - Understand organisational policies & procedures, which included finance, payroll, ICT and information governance, and procurement.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council's Organisational Development Team offers continuous leadership development through its accreditation with ILM (City & Guilds). Specific qualifications were delivered during 2022/23, such as Level 3 in Leadership and Management. As a result, 23 employees developed specific skills and knowledge regarding leadership and gained recognised qualifications.

- The Council provides performance coaching training to support leaders, managers and employees to maximise potential and enhance performance. During 2022/23, 30 leaders have taken advantage of the training to focus on improving their leadership capabilities.

- The Council offers its employees the opportunity to apply for funding to support their academic development that is linked to the Council's priorities, thereby increasing individual capacity and supporting succession planning. During 2022/23, the Council supported 17 employees to gain a variety of academic qualifications, such as Masters Degrees, BA Degrees and Diplomas.

- The Council is maximising the Apprenticeship Levy by commissioning MSc in Leadership & Management qualifications to seven employees that will support leadership succession planning as identified in the Organisational Development Strategy.

  Further qualifications accessed through the Apprenticeship levy in 2022/23 were:

  - Social Work Degree L6 x 3
  - Finance Assistant L2 x 2
  - Business Administrator L3 x 1
  - Horticulture L2 x 2
  - Quality Practitioner L4 x 1
  - Heavy Vehicle Service & Maintenance Technician L3 x 1

KEY PRINCIPLE:

Managing risks and performance through robust internal control and strong public financial management

SUPPORTING PRINCIPLES:

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council provides decision-makers with full and timely access to relevant information. The executive report template requires information to be provided explaining the policy, financial and risk implications of decisions, as well as implications for each of the corporate priorities and any equality and diversity implications.

- The Council has a well-established Audit Committee (the Audit and Governance Board), which met regularly during 2022/23. The Board has clearly defined responsibilities and provides oversight and challenge in regard to the Council's governance, risk management, audit, efficiency and improvement, accounts, procurement, and counter fraud and corruption arrangements.

- The Council has embedded risk management arrangements. Directorate and corporate risk registers outline the key risks faced by the Council, including their impact and likelihood, along with the relevant mitigating controls and actions. The Corporate Risk Register was reviewed and approved by the Audit and Governance Board at its meetings on 6 July 2022 and 23 November 2022. The Council's risk management processes are also used to inform the work of internal audit. The Council's risk management arrangements were also reviewed during the year by Zurich Resilience Solutions. The purpose of the review was to provide critical friend feedback by highlighting areas of development and to identify strengths to provide assurance.

- The Council has a Head of Internal Audit and a continuous internal audit service, which has been externally assessed as conforming to the Public Sector Internal Audit Standards. Internal audit plays a key role in reviewing and improving the effectiveness of the Council's risk management, governance and control arrangements. No restrictions are put on the role of internal audit and management regularly engages internal audit to examine specific areas which are causing concern.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

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

- The Council has a well-established information governance framework. The Data Protection Officer is supported by the Information Governance Service, which plays a key role in ensuring that the Council remains compliant in data protection and security arrangements. The Information Governance Service is responsible for, and oversees, data management and risk, corporate data security policies, staff training and the production of monitoring reports and annual reports to the Council's Senior Information Risk Owner. The Council had no cause to report any data breaches to the Information Commissioner's Office during 2022/23.

- Ongoing pressures within demand-led services, especially Adults and Children's Social Care, meant that significant overspending against budget was forecast for the year. Spending continued to be closely monitored and tightly controlled with regular reporting to the Chief Officers Management Team and Executive Board. Regular transaction and forecasting reports were shared with service managers and a budget recovery plan was implemented within the Adult Services Directorate to help manage the forecast overspend. Similar recovery plans will be implemented in Children's Services during 2023/24 to help manage the level of net spend within the directorate.

- The Council produces a Medium-Term Financial Strategy (MTFS), which is refreshed each year. The Strategy covering the period 2023/24 – 2025/26 was approved by the Executive Board at its meeting on 17 November 2022. The MTFS represents the "finance guidelines" that form part of the medium term corporate planning process. These guidelines identify the financial constraints which the Council will face in delivering its key objectives over a three-year period, and are an important influence on the development of the Corporate Plan, Service Plans and Strategies.

- Quarterly reports on the Council's overall capital and revenue net spending position together and forecast outturn position were presented to the Executive Board throughout the year.

- The Council produces an annual Capital Strategy which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Strategy is reviewed and approved annually by Executive Board.

- In compliance with the requirements of the CIPFA Prudential Code and the CIPFA Treasury Management Code, the Council produces an annual Treasury Management Strategy Statement. This sets out the Council's strategy for borrowing and also includes an Annual Investment Strategy; which sets out the Council's policies for managing its investments. The strategy enables the Council to maximise its financial yield whilst keeping within the principles of security and liquidity as set out in the Prudential Code. The Treasury Management Strategy Statement is reviewed and approved annually by Executive Board. A half-yearly update report and annual report on treasury management activity is also provided to the Executive Board.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council operates a robust performance management framework with performance monitoring reports being produced each quarter recording progress against key business plan objectives and targets. The reports were presented to the Council's Management Team, to the Executive Board and to the Policy and Performance Boards.

KEY PRINCIPLE:

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

SUPPORTING PRINCIPLES:

- Implementing good practice in transparency
- Implementing good practice in reporting
- Assurance and effective accountability

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Council complies with the Local Government Transparency Code 2015 and publishes a wide range of information on its website. This includes details of meetings, minutes and agendas, policies and plans, the Council Constitution, the Statement of Accounts, details of members' allowances and expenses, details of senior staff pay, contract awards, and details of land and building assets.

- The Council operates clear and effective processes for dealing with Freedom of Information (FOI) requests and Subject Access Requests (SAR).

- All Council meetings are open and can be attended by members of the public with the exception of those where confidential or personal matters may be disclosed.

- On 8 February 2023, the Council's external auditor issued a 2020/21 unqualified audit opinion, Value for Money assessment and National Audit Office (NAO) Assurance Statement enabling the audit of the Council's 2020/21 financial statements to be closed. The VFM assessment provides assurance that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

- On 1 March 2023, the Council's external auditor issued a 2021/22 unqualified audit opinion and NAO Assurance Statement. The VFM assessment was subsequently issued on 11 May 2023. This again confirmed that the Council's external auditor has not identified any significant weaknesses with the Council's governance arrangements or the arrangements in place to improve economy, efficiency and effectiveness.

- The Council has established various ongoing arrangements that provide effective assurance. These include the work of Internal Audit, the Council's risk and performance management arrangements, the work of the Information Governance Group, the work of the Policy and Performance Boards and the work of the Audit and Governance Board.

EXAMPLES OF HOW WE DID THIS IN 2022/23:

- The Adult Social Care Annual Report is an embedded part of the reporting cycle for the Council and, whilst not a mandatory requirement, it is recognised as being good practice by the Association of Directors of Adult Social Services (ADASS). The 2021/22 report, which was presented to Executive Board on 19 January 2023, included information on the successes and achievements across Adult Social Care, details of progress against performance metrics, some of the challenges faced, how the Council responded to community needs, and details of future activities to be further developed. It also served as a review mechanism for Adult Social Care to consider as part of ongoing continuous service improvement measures.

- The Council operates a whistleblowing procedure and has well-publicised arrangements for employees and the wider community to raise any concerns relating to fraud, misconduct or other issues. Five whistleblowing complaints were received during the year and 44 referrals from members of the public. All whistleblowing complaints and referrals received were assessed and investigations undertaken where sufficient information was provided.

The roles of those responsible for developing and maintaining the governance framework

Council	- Approves the Corporate Plan - Approves the Constitution - Approves the policy and budgetary framework
Executive Board	- The main decision-making body of the Council - Comprises ten members who have responsibility for particular portfolios
Audit and Governance Board	- Designated as the Council’s Audit Committee and provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, procurement strategy and internal control environment. - Promotes high standards of member conduct
Policy & Performance Boards	- There are six Policy & Performance Boards aligned to the Council’s six Corporate Plan priorities - They hold the Executive to account, scrutinise performance and develop policy proposals for consideration by the Executive
Management Team	- Implements the policy and budgetary framework set by the Council and provides advice to the Executive Board and the Council on the development of future policy and budgetary issues
Internal Audit	- Provides assurance over the Council’s governance, risk management and control framework - Delivers an annual programme of audits - Makes recommendations for improvements in the management of risk and value for money
Managers	- Responsible for maintaining and developing the Council’s governance and control framework - Contribute to the effective corporate management and governance of the Council

How the Council monitors and evaluates the effectiveness of its governance arrangements

The Council annually reviews the effectiveness of its governance framework including the system of internal control. The key sources of assurance that inform this review are outlined below:

Internal Audit

- Annual opinion report
- Internal audit reports

External Audit

- Financial statements audit
- Value For Money Review

Information Governance

- Senior Information Risk Owner Report

Counter Fraud Arrangements

- Whistleblowing arrangements
- Annual report on Fraud and Corruption

Risk Management

- Corporate Risk Register Progress Reports

Complaints

- Corporate complaints procedure
- Ombudsman investigations

External Reviews

- External reviews from various regulators and inspectorates

Monitoring Officer

- Legal and Regulatory Assurance

Section 151 Officer

- Financial Controls Assurance

Overview & Scrutiny

- Performance monitoring
- Policy development and review

How the Council responded to the governance issues from the 2021/22 Annual Governance Statement

The 2021/22 annual governance statement contained six key governance issues. Details of these issues and how they were addressed are provided below:

Issue:	What we did:
Corporate Plan The long-term vision for the Council is set out in the Council's Corporate Plan, which defines the Council's priorities and how it hopes to achieve them. The current Corporate Plan has expired, and work is underway in developing an updated version of the Corporate Plan during 2022/23.	Following a joint meeting of Executive Board and the Council's Management Team in December 2022 it was agreed that the Council would adopt an interim plan until March 2024 in order to provide adequate opportunity for meaningful consultation on the Council's future priorities to take place. Please also see the following section that summarises the planned actions arising from the 2022/23 review of the Council's governance arrangements.

Issue:	What we did:
Organisational Structure The Council appointed a new Chief Executive who started in his role in April 2022. The role of the Chief Executive, assisted by the senior management team, involves the day-to-day leadership and management of the Council and responsibility for delivering the priorities set out within the Corporate Plan. Since arriving in April 2022, the Chief Executive has taken the opportunity to reflect on the Council's senior management structure. This was to ensure that the Council is in the best position to respond to the changing environment in which it operates. That includes ensuring that the Council has senior oversight of its key priorities and that there is strong corporate support to underpin the functions of the organisation. To achieve this, in consultation and with the agreement of the Council's Leader, the organisation is to move from the existing two directorate model, to a new five directorate structure. The new structure is designed to ensure a clear focus on the delivery of priorities that have and will continue to emerge. It will also enable the Council to build on its successes and take advantage of new opportunities. The five new directorates are: • Adults Directorate • Chief Executive's Directorate • Children's Directorate • Environment & Regeneration Directorate • Public Health Directorate	The new five directorate organisational structure for the Council was implemented with effect from 1 December 2022.

Issue:

Funding

The Council continues to face significant financial challenges over the coming years. Demand for Council services, particularly within social care, continues to rise; costs are increasing rapidly with pay and price inflation and there are income shortfalls across many service areas. Whilst the impact of the Covid-19 pandemic is much reduced, the Council is bearing ongoing costs for which there is no Government funding, which adds pressure to the Council's budget.

Looking forward there remains huge uncertainty regarding the Government's plans for the future funding of local government. A number of proposed changes to the funding regime have been deferred, including the Fair Funding Review and the national roll-out of business rates retention. It is still unclear whether or not Government will return to these proposals.

This makes financial planning extremely difficult at the current time. The Medium Term Financial Strategy forecasts that the Council may need to identify £25m of budget savings in order to set balanced budgets for the three years commencing 2023/24.

To achieve permanent, sustainable, budget reductions of this magnitude will require fundamental changes to how the Council operates and delivers services. Utilising specialist, external support the Council is currently developing a three-year Transformation Programme, in order to bring about such changes via a number of work streams. This work includes supporting the implementation of the Children's OFSTED improvement plan and bringing Children in Care costs under greater control.

In light of these financial pressures, a key challenge for the Council is to maintain sufficient service capacity and robust governance arrangements in order to continue to deliver its corporate objectives and strategic priorities for 2023/24 and beyond.

What we did:

Spending during 2022/23 was closely monitored and reported upon. Continued spending pressures upon demand-led services, especially Adults and Children's Social Care, led to an overall outturn overspend of £4.4m against budget. However, this was significantly less than the £7m forecast at the end of quarter three. The Council's robust governance arrangements were essential in delivering this improved outcome.

The Members' Budget Working Group met regularly during 2022/23 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. Fundamental to their assessment was a desire to protect the borough's most vulnerable residents and the services provided to them. Savings proposals were considered and recommended to Executive Board and Council which covered a three year period to provide additional time for more challenging proposals to be fully developed and implemented.

Given the scale of the financial challenge facing the Council, external support and expertise was commissioned during the year to develop a three year Transformation Programme "Reimagine Halton". This is intended to fundamentally change the way many services are delivered and make them more cost effective.

Despite significant funding constraints and increasing demand for services resulting in the need to make significant budget savings, the Council was able to set a balanced budget for 2023/24.

However, it was necessary to utilise £8.4m of one-off reserves to achieve a balanced budget. This approach was agreed by Council in order to provide time for the Transformation Programme to be developed and implemented, which it is estimated will deliver at least £20m of budget savings over three years. The implementation of the Transformation Plan and approved budget savings proposals, will be monitored regularly by Executive Board and the Budget Working Group.

Issue:

Children's Services

An improvement notice was issued to Halton Borough Council following an OFSTED inspection in October 2021. Two areas were for priority action.

- The assessment and management of risk to children, including the frequency of visits to children, in line with assessed risk and needs
- Management oversight and supervision to provide effective support and challenge

In response, the Council developed a Children and Young People's Improvement Plan. The plan sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better. It includes key actions that focus on what the Council needs to do to ensure that its work makes a difference to the children, young people and families that are supported and safeguarded.

Progress in implementing the Improvement Plan is monitored through the Halton Improvement Board. The Board consists of the Council's key partner agencies and corporate colleagues who have a vital role to help create the environment where good social work can flourish.

The responsibility to implement the Improvement Plan sits with all staff throughout the organisation who have shared accountability for the outcomes achieved for children and families. The accountable lead officers for delivering the plan and driving improvements will, through the Children and Young People Service Improvement Meeting (CYPSIM), ensure tasks are completed, risks assessed, and progress reported to the Improvement Board

What we did:

The Children's Improvement Board meets monthly to oversee progress with responding to the issues raised by the OFSTED inspection. The Board is independently chaired and includes: the Chief Executive, Executive Board Portfolio Holder for Children's, Director of Children's Services, representatives from the DfE, representatives from Children's Services and other Council departments, Schools, Police, Health and other Partner Organisations. A detailed improvement action plan was developed and is being closely monitored and updated on an ongoing basis.

Issue:	What we did:
Central register of gifts, hospitality and interests for Members In the external auditor's Annual Report 2020/21 it was noted that the transparency of the registers of gifts, hospitality and interests for members could be improved if they were more clearly signposted for the public to view on the Council website.	The Council is currently exploring publishing the registers of gifts, hospitality and interests online.

Issue:

CIPFA Financial Management Code

The CIPFA Financial Management Code (The Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code therefore sets the standards of financial management for local authorities.

The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to manage:

- the short, medium and long-term finances of a local authority
- financial resilience to meet foreseen demands on services
- unexpected shocks in their financial circumstances

Each local authority is required to demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team.

The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services.

It is intended that work will be undertaken during 2022/23 to ensure that the Council complies with the CIPFA Financial Management Code. This will take the form of a self-assessment against the key questions included in the Financial Management Code. An action plan will be produced to address any areas requiring further development.

What we did:

Work in completing the self-assessment against the CIPFA Financial Management Code has not yet been completed. This will be completed as soon as possible when resources allow. An action plan will be produced to address any areas for further development.

Issues arising from the 2022/23 review of the Council's governance arrangements

Issue	Lead Officer	Timescale
Corporate Plan The Council`s current Corporate Plan is an expired version. In light of the changes brought about by the COVID-19 pandemic, the shifting national political and economic landscape, and the ever-increasing challenges, facing the organisation it was thought timely to reconsider the Council's priorities and set a new plan for the coming 3 to 5 years. This will also tie in with the emerging transformation work around 'Reimagine Halton'. In order to provide adequate opportunity for meaningful consultation, and ultimately produce a Corporate Plan which is totally unique and meaningful to the people of Halton, it has been decided to adopt an interim plan. During this time consultation will take place with all community groups, voluntary groups, partner agencies etc. and will be deemed 'The Big Conversation'. 'The Big Conversation' is all about engaging with the public so that they understand the challenges that the Council is facing. It is an approach between the Council and everyone who lives or works in Halton to work together in order to create an improved borough in all aspects of everyday life. During this period of transition it is important to point out that Halton Borough Council will continue to deliver its statutory services and work towards achieving its current Corporate Plan priorities, more specifically, looking after Vulnerable People and Children, as well as focusing on Urban Renewal and the Environment. In terms of timescales, an interim Corporate Plan will be in place until the end of March 2024, with a new Corporate Plan taking effect as from April 2024. The Council remains on course to achieve this.	Chief Executive	31 March 2024

Issue	Lead Officer	Timescale
Risk Management During 2022/23, Zurich Resilience Solutions (ZRS) were commissioned to review the Council's Corporate Risk Register. The review provided an objective view on the quality and relevance of the risk information contained within it and assessed the following areas: • Structure • Scope & Content • Risk Descriptions • Controls & Scores The process also involved benchmarking against other comparable public sector organisations. Each of the categories reviewed was given a RAG (red, amber, green) rating in order to articulate strengths and development areas. Observations and recommendations to support the further development of the risk register were also made and will be implemented. ZRS also conducted a review of the Council's Risk Management Policy and Toolkit. The purpose of the review was to provide critical friend feedback by highlighting areas of development and to identify strengths to provide assurance. Although ZRS concluded that the Risk Management Policy was fit for purpose, an opportunity was identified to move away from a traditional document and to develop a more dynamic and relevant document. This will be addressed in a refresh of the policy. Similarly, ZRS concluded that the Risk Management Toolkit was clear and contains best practice information. However, opportunities were identified to modernise the document and to include more infographics to help improve its accessibility.	Corporate Director - Chief Executive's Delivery Unit	31 March 2024

Issue	Lead Officer	Timescale
Transformation Programme The Council designed a transformation programme in the latter half of 2022/23, branded 'Reimagine Halton'. It is a three-year transformation programme focused on achieving a way of working that promotes independence, is affordable and sustainable. It builds on the Council's many strengths; and will make Halton a more resilient place externally and internally. From a governance perspective, the programme was approved for implementation at Full Council in March 2023. It formally commenced on 1 April 2023 and is an addition to the Council's establishment using a mix of seconded employees from other service areas and external expertise. The programme is funded through a capitalisation order of £7m across the period April 2023 to March 2026. The programme is tasked with saving £4m in 2024/25, £8m in 2025/26 and £8m in 2026/27. The Executive Board is the accountable Board for the delivery of the programme, and the Board has received monthly progress update reports since June 2023. Portfolio Holders are involved in the transformation projects that fall within their areas of responsibility. Governance arrangements have been developed and have been applied to each project within the programme to ensure clarity, transparency and accountability. In addition, bi-monthly updates have been provided to all Elected Members since July 2023.	Corporate Director - Chief Executive's Delivery Unit	Ongoing

Issue	Lead Officer	Timescale
<u>Children's Services</u> In response to the Ofsted improvement noticed issued in October 2021, the Council has developed a Children and Young People's Improvement Plan. This sets out how the Council will ensure that children and young people in Halton are safeguarded and achieve the Council's aspiration that all its services for children and young people are good or better. It also details key actions that focus on what the Council needs to do to ensure that its work makes a difference to the children, young people and families that are supported and safeguarded. Progress with implementing the Improvement Plan is monitored through the Halton Improvement Board. The Board consists of the Council's key partner agencies and corporate colleagues who have a vital role to help create the environment where good social work can flourish. Responsibility to implement the agreed actions in the Improvement Plan sits with all staff throughout the organisation who have shared accountability for the outcomes achieved for children and families. The accountable lead officers for delivering the plan and driving improvements will, through the Children and Young People Service Improvement Meeting (CYPSIM), ensure tasks are completed, risks assessed, and progress reported to the Improvement Board. One of the key workstreams within the Transformation Programme also relates to supporting the improvement of Children's Services. It has been recognised that additional capacity was required to provide support and challenge to the service in order to achieve the objectives of the Ofsted Improvement Plan. The workstream provides that capacity, enabling a high challenge / high support scenario to provide resources to explore, design, and implement transformation-related initiatives alongside those being brought about in an operational context by the services themselves. This is designed to provide a level of innovation and pace to the improvement trajectory that could not be achieved in a 'business as usual' environment. The governance of this activity is the same as that applied to other projects within the Transformation Programme.	Executive Director - Children's Services	Ongoing

Issue	Lead Officer	Timescale
CIPFA Financial Management Code The CIPFA Financial Management Code (the Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code therefore sets the standards of financial management for local authorities. The Code is based on a series of principles supported by specific standards and statements of practice which are considered necessary to provide the strong foundation to manage: • the short, medium and long-term finances of a local authority • financial resilience to meet foreseen demands on services • unexpected shocks in their financial circumstances Each local authority is required to demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the Chief Finance Officer and their professional colleagues in the leadership team. The Code applies a principle-based approach. It does not prescribe the financial management processes that local authorities should adopt. Instead, the Code requires that a local authority demonstrate that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is proportionate to the risks to the authority's financial sustainability posed by the twin pressures of scarce resources and the rising demands on services. The self-assessment against the Code has been delayed due to capacity issues. However, it is intended that work on the self-assessment against will be undertaken during 2024/25. An action plan will be produced to address any areas requiring further development.	Operational Director - Finance	31 March 2025

Certification

We have been advised on the implications of the review of the effectiveness of the governance framework by the Audit and Governance Board. The review provides good overall assurance that the Council's arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Specific opportunities to maintain or develop the Council's governance arrangements have been identified through this review. We pledge our commitment to addressing these issues over the coming year and we will monitor their implementation and operation as part of our next annual review.

Signed on behalf of Halton Borough Council:

Stephen Young - Chief Executive

Date -

Mike Wharton - Leader of the Council

Date -

REPORT TO:	**Audit and Governance Board**
DATE:	**20 March 2024**
REPORTING OFFICER:	**Operational Director, Finance**
PORTFOLIO:	**Corporate Services**
SUBJECT:	**2022/23 Statement of Accounts, Audit Findings Report, and Letter of Representation**
WARD(S):	**Borough-wide**

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for the Council's Letter of Representation, to consider the Audit Findings Report of the External Auditor (Grant Thornton), and to approve the Council's 2022/23 Statement of Accounts.

2.0 RECOMMENDED that;

(i) **The draft Letter of Representation in Appendix 1 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in consultation with the Chair of the Audit and Governance Board;**

(ii) **The draft External Auditor's 2022/23 Audit Findings Report in Appendix 2 be approved and any subsequent additions or amendments be approved by Operational Director - Finance, in consultation with the Chair of the Audit and Governance Board;;**

(iii) **The Council's draft 2022/23 Statement of Accounts in Appendix 3 be approved and any subsequent additions or amendments be approved by the Operational Director - Finance, in consultation with the Chair of the Audit and Governance Board.**

3.0 BACKGROUND

3.1 The Statement of Accounts sets out the Council's financial performance for the year in terms of revenue and capital spending and presents the year-end financial position as reflected in the balance sheet.

3.2 The format of the Statement of Accounts is heavily prescribed by the Accounts and Audit Regulations and the Code of Practice on Local Authority Accounting (The Code).

3.3 The Statement of Accounts for 2022/23 has been prepared in full compliance with International Financial Reporting Standards (IFRS).

3.4 Grant Thornton will attend the meeting to present the report of the findings from their audit of the Council’s accounts, the Audit Findings Report, as shown in Appendix 2.

3.5 Section 2 of the Audit Findings Report presents the findings of the External Auditor in respect of matters and risks identified at the planning stage of the audit and additional and significant matters that arose during the course of their work.

3.6 Each year the Council is required to provide the External Auditor with a Letter of Representation relating to the financial statements, as shown in Appendix 1. This provides a number of assurances to the External Auditor in connection with the preparation of the Council’s accounts. The letter is required to be signed by the Chair of the Board on behalf of the Council.

4.0 KEY SECTIONS WITHIN THE STATEMENT OF ACCOUNTS

4.1 The Council’s 2022/23 Statement of Accounts is presented in Appendix 3. The Narrative Report by the Operational Director, Finance summarises the Council’s financial performance for 2022/23, including revenue and capital spending.

4.2 The Comprehensive Income and Expenditure Statement (CIES) presents gross expenditure, gross income and net expenditure for 2022/23 along with the previous year’s comparison. The Net Cost of Continuing Operations is adjusted by a number of appropriations to give the Total Comprehensive Income and Expenditure (CIES). The CIES reports on how the Council performed during the year and whether its operations resulted in a surplus or deficit.

4.3 The Council’s Balance Sheet sets out the Council’s financial position as at 31 March 2023, along with a comparison to the position as at 31 March 2022. The balance sheet is a snapshot of the Council’s financial position at a specific point in time, showing what it owns and owes at 31 March.

4.4 The Movement in Reserves Statement presents a summary of the changes in the Council’s main reserves during the year. Reserves represent the Council’s net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.

4.5 The Cashflow Statement provides an overall analysis of the movements in cash and cash equivalents during the year.

4.6 Detailed notes relating to items within the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement are shown under Notes to the Core Financial Statements.

4.7 The Collection Fund and associated notes summarise the transactions in respect of the collection of Non-Domestic Rates and Council Tax, along with the distribution to the Council's own General Fund and to the Precepting Authorities (Fire, Police, LCR Combined Authority and Parishes).

4.8 The Statement of Responsibilities outlines the basis upon which the Statement of Accounts has been prepared and is followed by a statement of the Council's Accounting Policies.

4.9 The External Auditor has used the Statement of Accounts as the basis for undertaking the annual audit of accounts, for which their Audit Report and Certificate is included within the final Statement of Accounts.

5.0 ACTION PLAN

5.1 Appendix A of the Audit Findings Report presents an action plan of recommendations for future improvements to the Statement of Accounts. Two recommendations have been made by the External Auditor and agreed with Officers.

6.0 PRIOR YEAR RECOMMENDATIONS

6.1 The 2021/22 Audit Findings Report identified a number of recommendations to improve the process and presentation of the Council's Statement of Accounts. These recommendations were approved by the Audit and Governance Board on 23 November 2022. All the recommendations have been implemented with the exception of one lower priority issue which the Council chose not to implement. Appendix A and B of the Audit Findings Report provides further details.

7.0 NEXT STEPS

7.1 Following the Board's meeting and subject to any additional amendments or additions being approved, the Letter of Representation will be signed and the External Auditor will provide their Audit Opinion. The Statement of Accounts will then be published and made available to the public via the Council's website.

8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

8.1 Children and Young People in Halton

There are no specific implications for any of the Council's priorities.

8.2 Employment, Learning and Skills in Halton

See 9.1

8.3 A Healthy Halton

See 9.1

8.4 **A Safer Halton**
See 9.1

8.5 **Halton's Urban Renewal**
See 9.1

9.0 RISK ANALYSIS

The Accounts and Audit Regulations require that the Statement of Accounts is certified by the External Auditor and published by 30 September 2022. The council had published a Public Notice giving reasons for the delay.

10.0 EQUALITY AND DIVERSITY ISSUES

There are no equality and diversity issues arising from this report.

11.0 CLIMATE CHANGE IMPLICATIONS

There are no climate change implications as a result of this report.

12.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

Document	Place of Inspection	Contact Officer
Accounts and Audit Regulations 2015	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management
Code of Practice on Local Authority Accounting in the UK 2022/23	Halton Stadium	Steve Baker Divisional Manager, Revenues and Financial Management

APPENDIX 1

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Date: TO BE DATED SAME DATE AS DATE OF AUDIT OPINION

Dear Sirs

Halton Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council’s financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

   a. the nature of the Council means that, notwithstanding any intention to liquidate the Council or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council’s system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council’s financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  a. management;
  b. employees who have significant roles in internal control; or
  c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council’s financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Governance Board at its meeting on 23 March 2023.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

HALTON
BOROUGH COUNCIL

STATEMENT OF ACCOUNTS

2022/23

Page

Contents

Narrative Report by Operational Director - Finance

Introduction

The aim of this narrative is to provide an understandable guide to the Council's year-end financial position and future outlook which are relevant to the performance of the Council.

The Statement of Accounts sets out the Council's income and expenditure for the year and also provides a snapshot of the financial position as at 31 March 2023. Included are core financial statements supported by supplementary statements, which will help provide an analysis of the financial performance of the Council over the financial year 2022/23.

Whilst the publication of the Statement of Accounts is a statutory requirement, the purpose is to provide stakeholders with clear information regarding the Council's financial performance over the past year. The Council continues to review the style and content of information within the Statement of Accounts to ensure the content included is relevant and material from both a quantitative and qualitative viewpoint.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting 2022/23 (known as The Code), which in turn is underpinned by International Financial Reporting Standards.

The Core Statements are:

- **Comprehensive Income and Expenditure Statement** – this statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount which is funded from taxation. The end result is a very different position to how net outturn spend compared to budget is reported. A reconciliation between the two is provided as part of this narrative statement and also the Expenditure and Funding Analysis Statement, included within Note 1.

- **Balance Sheet** – The Balance Sheet shows the value as at 31 March 2023 of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

- **Movement in Reserves Statement** – this statement shows the movement in the year on the different reserves held by the Council, analysed into "Usable Reserves" i.e. those that can be applied to fund expenditure (both capital and revenue) or reduce local taxation, and "Unusable Reserves", reserves which highlight changes to unrealisable gains or losses.

- **Cash Flow Statement** – this statement shows the changes in cash and cash equivalents (cash invested for 3 months or under) of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

- **Notes to the above Statements** – extensive notes to support the core statements are set out in accordance with the requirements of the Code. The notes shall:
    1. Present information about the basis of preparation of the financial statements and the specific accounting policies used.
    2. Disclose the information required by the Code that is not presented elsewhere in the core financial statements.

The Supplementary Financial Statements are:

- **Collection Fund Account** – this is a statement that reflects the statutory obligation for the Council as a billing authority to maintain a separate Collection Fund. The statements show the transactions of the Council in relation to the collection from taxpayers and distribution to major and local preceptors of council tax and non-domestic rates.
-

Other Statements / Financial Reports are:

- **Statement of Responsibilities for the Statement of Accounts** – this statement sets out the responsibilities of the Council and the Chief Financial Officer (Section 151 Officer).
- **Statement of Accounting Policies** – this statement explains the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.
- **Independent Auditor’s Report to Members** – this is the report and certificate following the external audit of the Council’s accounts, carried out by Grant Thornton UK LLP.

Organisational Overview

The Council is structured with an Executive Board comprising nine portfolio holders (as at May 2023 this reverted to ten portfolio holders), whose areas of responsibility reflect the Council’s corporate priorities. There are six Policy and Performance Boards and an Audit & Governance Board, which also reflect the corporate priorities and undertake an overview and scrutiny role, along with a number of regulatory and other boards. Financial and non-financial key performance indicator data is reported to Policy and Performance Boards on a quarterly basis and is published on the Council’s website. Council-wide revenue and capital financial performance is also reported to Executive Board on a quarterly basis.

Council Operational Structure

The Council appointed a new Chief Executive who started in his role in April 2022. The role of the Chief Executive, assisted by the senior management team, involves the day to day leadership and management of the Council and responsibility for delivering the priorities set out within the Corporate Plan.

Since arriving in April 2022, the Chief Executive has taken the opportunity to reflect on the Council's senior management structure. This was to ensure that the Council is in the best position to respond to the changing environment in which it operates. That includes ensuring that the Council has senior oversight of its key priorities and that there is strong corporate support to underpin the functions of the organisation.

To achieve this, in consultation and with the agreement of the Council's Leader, the organisation has moved from the existing two directorate model, to a new five directorate structure. The new structure is designed to ensure a clear focus on the delivery of priorities that have and will continue to emerge. It will also enable the Council to build on its successes and take advantage of new opportunities.

The five new directorates are:
- Adults Directorate
- Chief Executive's Directorate
- Children's Directorate
- Environment & Regeneration Directorate
- Public Health Directorate

Governance

Further details regarding the effectiveness of the Council's governance arrangements can be found in the Annual Governance Statement which is reviewed, reported and published annually alongside the Statement of Accounts.

Partnership Working

The Health and Care Bill received Royal Assent on 28th April 2022 with a target date of 1st July 2022 to implement Integrated Care Systems (ICS), at which point all Clinical Commissioning Groups (CCG's) were dissolved. For Halton, the ICS footprint is within Cheshire & Merseyside.

The Council's Health and Wellbeing Board receives regular reports setting out the requirements for the formation of Integrated Care Systems. This consists of an Integrated Care Board (ICB) and an Integrated Care Partnership (ICP) along with at Place level, a Place Based Partnership (PBP). Locally this is the One Halton Place Based Partnership. These changes are the most significant to health arrangements in a decade which aim to improve outcomes and reduce inequalities.

The ICS consists of an Integrated Care Board (ICB) and Integrated Care Partnership (ICP). The ICP will bring together a wider range of partners, not just the NHS, to develop a plan to address the broader health, public health, and social care needs of the population. The ICP will retain the existing Cheshire and Merseyside Health and Care Partnership brand.

The Section 75 arrangements (an agreement which allows partners (NHS bodies and councils) to contribute to a common fund which can be used to commission health or social care related services) and Joint Working Agreement (JWA) was in place between the Council and Halton CCG. The JWA is in place until 31st March 2023, for the remainder of the term this has been transferred to the ICB and with a new agreement set out from April 2023.

The Council is a member of the Liverpool City Region (LCR) Combined Authority and works closely with the other five member councils in respect of a number of key service areas, including economic regeneration, highways and transport services. In addition, the Council is part of the LCR Business Rates Retention pilot scheme, designed to incentivise councils to develop their local economy by permitting them to retain any resulting growth in business rates. The pilot scheme will continue to operate through 2023/24, however participation in the scheme beyond March 2024 is uncertain.

Corporate Plan

The Council`s current Corporate Plan is an expired version. In light of the changes brought about by the COVID-19 pandemic, the shifting national political and economic landscape, and the ever increasing challenges, facing the organisation it was thought timely to reconsider the Council’s priorities and set a new plan for the coming 3 to 5 years.

In order to provide adequate opportunity for meaningful consultation, and ultimately produce a Corporate Plan which is totally unique and meaningful to the people of Halton, it has been decided to adopt an interim plan. During this time consultation will take place with all community groups, voluntary groups, partner agencies etc. and will be deemed ‘The Big Conversation’.

In terms of timescales, an interim Corporate Plan will be in place until the end of March 2024, with a new Corporate Plan taking effect as from April 2024.

Transformation Programme

The past decade of public austerity continues to have a significant impact on the Council. Using the Government’s own interpretation of Spending Power, since 2010/11 Halton has had its spending power reduced in real terms by £52.6m (29%), the equivalent of £899 per dwelling. This compares to an average reduction for all English councils of 20.4%, the equivalent of £581 per dwelling. This continues to bring exceptional challenges for the Council in setting a robust, balanced budget each year whilst continuing to deliver high quality, essential public services. During the same period, demand and costs for adults and children’s social care services has increased steadily, adding further challenges and pressures on the budget.

During the past year the Council has approved a three year approach to setting a balanced budget, on the basis that:

- All of the “easier” savings had been taken in previous years
- Reducing expenditure to the levels necessary to balance the budget would require substantial changes to the way services are delivered
- Children’s Services need time and support to improve
- The Council had removed much of the corporate capacity to change the organisation in a sufficient timescale to deliver a balanced budget
- Change on this scale would require significant investigation, consultation, culture change and organisation change in order to be deliverable and sustainable - this could only be achieved in the medium term.

On 01 February 2023 Council approved the three year transformation programme and funding arrangements. The programme formally commenced on 1 April 2023, and is an addition to the Council’s establishment using a mix of seconded employees from other service areas and external expertise. The programme is funded through a capitalisation order of £7m across the period April 2023 to March 2026. The programme is tasked with identifying efficiency savings of £2m in 2023/24, £8m in 2024/25 and £10m in 2025/26.

Children Services

An improvement notice was issued to Halton Borough Council following an OFSTED inspection in October 2021. Two areas were for priority action:

- The assessment and management of risk to children, including the frequency of visits to children, in line with assessed risk and needs
- Management oversight and supervision to provide effective support and challenge

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

This Improvement Plan sets out key actions that focus on what the Council needs to do to ensure that its work makes a difference to the children, young people and families that are supported and safeguarded.

Progress in implementing the Improvement Plan is being monitored through the Halton Improvement Board. The Board is independently chaired and consists of the Council’s key partner agencies, DfE representatives, Children’s and corporate colleagues, who all have a vital role to help create the environment where good social work can flourish.

Financial Performance 2022/23

The Council incurs both revenue and capital expenditure. Revenue expenditure is generally on items which are used in the year and net expenditure is generally financed by council tax, retained business rates and top-up funding. Capital expenditure generally has a life beyond one year and increases the value of an asset. The financing of capital expenditure is charged to revenue over a number of years in accordance with statutory requirements.

The Council operates a pilot scheme for the retention of 99% business rates (the remaining 1% going to Cheshire Fire and Rescue Service). The pilot is part of a scheme with all six member authorities of the Liverpool City Region. Government gave a guarantee that as a result of the pilot the Council would be no worse off than had it continued with business rate retention of 49%.

The impact of the pilot scheme for the Council is that both Revenue Support Grant and Improved Better Care Fund are no longer paid as separate grants but instead replaced by the additional retained business rates and an increased element of top-up funding.

On 02 March 2022 Council set a 2022/23 revenue budget of £113.9m, revised during the year to £111.7m. At the same time Council approved a council tax requirement for the year of £57.2m, setting the Band D rate at £1,595.67 (excluding preceptors). This was inclusive of a 1.99% increase to basic council tax and 1% increase to the Adult Social Care precept levy.

For 2022/23 the Council's total Government Settlement Funding Allocation was £52.9m. This is made up of £46.8m Business Rates Baseline Funding and Top-Up Grant of £6.1m. The increase to the Settlement Funding Assessment from 2021/22 was marginal at 0.9%. Government also provided a grant of £7.0m, ring-fenced specifically for social care. Whilst this represented an increase of £1.8m (35%) on the previous year, it was insufficient to keep pace with increasing demand and costs for both children social care and adult social care.

The Council received additional funding (£2.5m) at the start of 2022/23 in the form of a Services Grant. This is proposed to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. This was inclusive of funding to pay for the proposed 1% increase to National Insurance to fund the Fair Cost of Care Programme.

Funding of the Council's budget position continues to be driven by locally raised taxes (i.e.. council tax and business rates) as opposed to support from Central Government. In 2010/11 local taxes accounted for 60% of the Council's net budget compared to over 95% for 2022/23.

Financial performance and outturn forecasts of the Council's annual net spend are reported on a quarterly basis to both the Executive Board and Policy & Performance Boards.

A budget risk register is maintained on a quarterly basis, key risks are evaluated and control measures put in place.

Going back to the start of austerity measures in 2010/11 the Council’s budget has consistently been under financial pressure. Starting with large decreases in Government funding from 2010/11 followed by notable increases in demand pressures (predominantly within social care), has created a challenge each year in setting a balanced budget.

Overall the Council reported net spend for the year of £116.9m, £5.2m over the revised budget of £111.7m. The final position was an improvement on the forecast outturn of £7.6m estimated at the end of December 2022 but still represents a major concern for the Council given the value of the overspend. Further details on day to day operational spending are included further on in this report.

The final overspend against budget was funded through a review of Council earmarked reserves. This had the impact of the Council’s General Fund balance of £5.1m remaining consistent from the reported position as at 31 March 2022.

The Council holds earmarked reserves which have been set aside to cover known future one-off costs. These reserves are reviewed on a quarterly basis and released for general fund purposes where and when possible. The value of earmarked reserves as at 31 March 2023 total £109.1m, a decrease of £22.8m from £131.9m at the same point in 2022.

Included within Earmarked Reserves is grant provided by Department for Transport to assist in the running costs of Mersey Gateway, this reserve at 31 March 2023 totalled £73.5m, a slight increase from the figure of £73.4m reported at 31 March 2022. Note that this grant income is ring-fenced for spend on Mersey Gateway only and cannot be utilised by the Council for any other purpose.

Therefore, excluding Mersey Gateway the Council’s earmarked reserves as at 31 March 2023 total £35.6m.

Details of the earmarked reserves are shown in Note 36.

The table below shows the movement on the Council’s General Fund position compared to budget.

	2022/23 Original Budget £000	2022/23 Actual £000
Net Expenditure	113,891	116,880
Parish Precepts	161	161
Total	**114,052**	**117,041**
Financed by Local Taxpayers – Council Tax	(57,335)	(57,335)
Financed by Local Taxpayers – Business Rates*	(49,463)	(47,291)
Financed by Local Taxpayers – Council Tax Surplus	(1,187)	(1,187)
Financed by Top-Up Funding	(6,067)	(6,067)
(Surplus)/Deficit for Year	**-**	**5,161**
Use of Earmarked Reserves	**-**	**(5,161)**
General Fund Balance Brought Forward	**(5,147)**	**(5,147)**
General Fund Balance Carried Forward	**(5,147)**	**(5,147)**

*Note – Actual level of business rates receipt in 2022/23 of £47.291m was £2.172m lower than forecast when the 2022/23 budget was set due to the 2021/22 brought forward deficit on the business rate account.

Financial Performance 2022/23 – Operational Spending

In overall terms the outturn position for the year shows that operational net spending is over the approved budget by £5.2m. This was a significant improvement on the forecast overspend of £7.6m reported at the end of quarter 3.

As in the previous financial year, the greatest pressure on the Council's budget was felt within the Children & Families department.

Out of Borough Residential Care continues to be the main budget pressure for the Children and Families Department, costs of residential care have continued to rise year-on-year. Costs for residential care over the past year totalled £15.9m, resulting in this area being £4.6m over budget at the end of the financial year. This compared with 2021/22 where residential care costs totalled £13.3m, therefore an increase of £2.6m or 20% over the past year. High cost residential packages are reviewed on a weekly basis with further initiatives being put in place to reduce demand and cost within this area.

In setting the 2023/24 budget, Council have taken account of the high cost base overall for the Children & Families department and growth has been included to the budget which allows for the increased demand and costs, this will be aided by high cost placement reviews with the aim that actual spend in the new financial year will be much closer to the approved budget provision.

Recruitment and retention of staff has been difficult for the Council over the past year which has pushed up the cost associated with agency staff. This has been most notable for children's social workers and staffing within the Council's care home provision. Overall costs for agency staff have increased by 61%. In order to bring this cost under control a number of measures have been put in place. This includes a rolling recruitment programme for care home staff which aims to reduce the time it takes from an application being received to an employee starting in post and a children social work workforce recruitment and retention package. This was agreed by the Council's Executive Board in November 2022 with the aim for implementation of the scheme in July 2023.

Severance costs incurred during the year totalled £0.4m (2021/22 - £0.7m). These were met from the Transformation Fund Reserve which the Council established to meet the costs associated with structural changes. Where possible, posts vacated from staff electing to take up voluntary redundancy terms have been deleted from the Council's staffing structure to provide on-going savings. Further details on exit packages can be found in supporting Note 11 to the financial statements.

Schools

Expenditure incurred in relation to the Schools budget, both by individual schools and the Council totalled £83.9m and is shown in more detail in Note 8.

School balances at 31 March 2023 total £7.2m (£7.4m 31 March 2022).

At 31 March 2023 there was a deficit of £2.9m (£1.9m 31 March 2022) of schools related central spend compared to the available funding. This balance will be carried forward into 2023/24. The Council are currently working with the Department for Education as part of the Delivering Better Value in SEND programme, aiming to support local authorities and their local area partners to improve the delivery of SEND services for children and young people whilst working towards financial sustainability.

Comprehensive Income & Expenditure Statement

As previously mentioned the Council's overspend position of £5.2m against budget was funded from earmarked reserves which helped to protect the General Fund position. Therefore whilst there was no movement to the General Fund balance, the accounting position presented in the Comprehensive Income & Expenditure Statement (CIES) shows a surplus for the year of £185.225m. The CIES takes a wider view of financial performance than that shown in the General Fund and shows the true accounting position for the year. This surplus represents the total amount by which the Council's equity has increased over the year as shown in the Balance Sheet.

Supporting the CIES is the Expenditure and Funding Analysis included in Note 1 to the accounts. It shows the movement by Council directorate from the year-end outturn position reported to the Council's Executive Board to what is included in the surplus position on the provision of services, included as part of the CIES.

The table below reconciles the General Fund overspend, via the deficit position on the provision of services, to the total surplus for 2022/23 on the Comprehensive Income & Expenditure Statement. Included below the table are supporting notes to the amounts within the table.

	2022/23 £000
General Fund Overspend	-
Accounting Adjustments Provision of Services:	
Adjustment for Capital Purposes	
- Depreciation, Impairment and Revaluation Losses of Non-Current Assets	26,169
- Capital Grant Income	(20,419)
- Revenue Expenditure Funded from Capital	7,936
- Gain on De-Recognition of Non-Current Assets	(2,345)
- Minimum Revenue Provision	(9,904)
- Other Capital Adjustments	(8,510)
Pension Adjustments	19,737
Movement in Reserves	22,725
Other Differences	(3,930)
Deficit on the Provision of Services	**31,459**
Accounting Adjustments Other:	
Surplus on Revaluation of Non-Current Assets	(5,796)
Loss on Pension Assets	86,610
Gain on Pension Assumptions (Demographic, Financial and Other)	(192,809)
Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income	233
Total Comprehensive Income & Expenditure	**(80,303)**

Adjustment for Capital Purposes

- Depreciation and Revaluation Loss of Non-Current Assets – Reflects the annual cost of assets consumed during the year
- Capital Grant Income – Used to help fund the capital programme, recognised in the CIES in line with proper accounting practice.

  - Revenue Expenditure Funded from Capital – Capital funded expenditure charged to the CIES under statute.
  - Gain on De-Recognition of Non-Current Assets and Financial Instruments – Largely net capital receipt gains over the year.
  - Minimum Revenue Position – Amount set aside in the General Fund to recognise the repayment of debt. In line with proper accounting practice this is not required to be included in the CIES.
- **Pension Adjustments** - Denotes the difference between the accounting cost of pensions (included in the CIES) and the actual employer contributions to the pension fund. More information on pensions is included elsewhere within the narrative report.
- **Movement in Reserves** - As per proper accounting practice, changes to reserves are not required to be included in the CIES.
- **Other Differences** – Includes the Collection Fund adjustment, difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to council tax and business rates.
- **Surplus on Revaluation of Non-Current Assets** - Increase in the value of those non-current assets that have been revalued during the year.
- **Gain on Pension Assets / Loss on Pension Adjustments** – Information on these adjustments is included within the Pension Liability heading as part of the narrative report.
- **Revaluation of Financial Assets Measured at Fair Value Through Other Comprehensive Income.** – Increase in the value of financial instruments held. This has no impact on the General Fund.

Capital Planning

The Council prepares and reports a rolling capital programme to forecast the probable level of capital spend over the next three years, along with the likely sources of funding. The Council also maintains a capital reserve, which has been generated from revenue contributions in order to support funding the capital programme. The forecast shows that there are sufficient resources over the medium term to cover the current capital programme, funded from borrowings, grants, revenue contributions, capital receipts and use of reserves.

At 31 March 2023 unused capital receipts were £2.7m, and the balance on the revenue backed capital reserve was £1.2m. The forecast level of receipts as at 31 March 2026 is £8.2m, this is inclusive of meeting the costs of the Transformation programme over the next three years.

The Council considers any new additions to the capital programme in light of the resources available.

On 08 March 2023, Council approved the 2023/24 Capital Strategy. This helps provide a high level, long term overview of how capital expenditure, capital financing and treasury management will contribute to the provision of services. It also provides an overview of how associated risks are managed and implications for future financial sustainability. The Council's Asset Management Working Group meet on a quarterly basis to plan and develop the Council's Asset Management Plan.

Capital Expenditure

The Council spent £27.5m on capital schemes in 2022/23 compared with planned expenditure of £29.5m (which historically assumes 20% slippage in the £36.9m capital programme). The shortfall of spending is linked mainly to delays on Bridge and Highway Maintenance, Fleet Replacement and Runcorn Town Centre Fund projects. Major elements of spend on the 2022/23 capital programme include £3.2m on Halton Leisure Centre, £3.6m on Foundary Lane Residential Area and £3.1m on Local Cycling and Walking Infrastructure Plan.

The approved budget and capital outturn position, together with the various sources of funding is as follows:

	2022/23 Budget £000	**2022/23 Actual £000**	**2022/23 Variance £000**
Expenditure:			
Children Directorate inc Schools	2,111	1,433	678
Adult Directorate	1,950	1,592	358
Chief Executive Directorate	1,744	642	1,102
Environment & Regeneration Directorate	31,066	23,882	7,184
Total Expenditure	**36,871**	**27,549**	**9,322**
Funded By:			
Borrowing	(12,517)	(182)	(12,335)
Capital Receipts	(1,188)	(1,470)	282
Revenue	(121)	(145)	24
Grants and Other Contributions	(23,045)	(25,752)	2,707
Total Funding	**(36,871)**	**(27,549)**	**(9,322)**

Analysis of capital expenditure is included as part of the notes to the financial statements in Note 16.

Pension Liability

Under International Accounting Standard 19, the Council is required to restate its accounts to reflect the activities of the two major pension providers, the Cheshire Pension Fund and the Teachers' Pension Agency.

As at 31 March 2023 the Council has defined pension net liabilities of £4.74m. This is a decrease of £187.9m to the net liabilities of £91.2m from 31 March 2022. Scheme obligations have decreased by £261.0m over the course of the past year, linked to the remeasurement of financial assumptions. There has been a decrease of £73.1m linked to the scheme assets attributable to the return on plan assets. Due to accounting regulations the pension asset value has been reduced by £101.4m due to the asset ceiling calculation. Please see Note 32 for further details.

Funding levels of the pension fund are monitored on an annual basis. Following the triennial review in 2022, Council contribution rates to the pension fund have remained static at 20.5% for 2023/24 and will then fall to 20% in each of the following two years. These future contribution rates reflect the relatively good performance of the pension fund over the last number of years.

Treasury Management

The Council operates within a Treasury Management framework, which requires that each year a strategy is prepared including setting prudential indicators to form a framework for the Council's borrowing and lending activities. The Council has adopted the CIPFA Code of Practice on Treasury Management. Performance is regularly monitored throughout the year with reports presented to the Council's Executive Board at the halfway point of the year and a report on the final outturn position.

Over the past year there has been an upwards surge in the Bank of England interest rate, increasing from 0.75% in March 2022 to 4.25% in March 2023. At the time of writing the report, the rate had increased to 5% reflecting the Bank of England aim to control high inflation rates. The increase in rates has enabled the Council to take advantage and increase the level of interest generated from cash reserves.

The Council's Treasury Management Strategy for 2023/24 was approved by Council on 08 March 2023. The aim of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments, with security being prioritised over yield.

As at 31 March 2023 long term borrowing totalled £172m, well within the authorised borrowing limit. Borrowing comprises loans from the Public Works Loan Board of £162m and a Lenders Option Borrowers Option (LOBO) loan with Commerzbank for £10m.

Of the £172m, total borrowing of £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. This borrowing has been taken with a maturity period of between 26-30 years and will be repaid fully using toll income from the Mersey Gateway Crossing.

The Council's cash flow position continues to be well managed. Cash held (and deposits payable within 3 months) totals £12.2m (£13.3m in 2021/22), and short term deposits (up to 1 year) total £65.6m (£100.1m in 2021/22). Deposits over 12 months total £16.7m (£10.7m in 2021/22) and £8.9m (£10.6m in 2021/22) is held as a longer term investment in a property fund

The Council has a prompt payment discount scheme, whereby in agreement with suppliers it will arrange early payment of invoices in return for a percentage discount on the invoice total, a scheme that is equally beneficial to both parties.

All transactions relating to investments and borrowings complied with the approved guidelines for the year. Treasury management risk is evaluated within the Treasury Management Strategy and reviewed by the Council's Internal Audit function.

Collection Fund

The transactions on this fund record the collection of council tax and non-domestic rates.

The Business Rate Retention Scheme was implemented on 01 April 2013 with the Liverpool City Region pilot scheme introduced on 01 April 2017. As part of the pilot scheme the Council collects non-domestic rates on behalf of Cheshire Fire & Rescue Service, and itself.

For the period to 31 March 2023 the Council as the Billing Authority collects council tax on behalf of Cheshire Fire & Rescue Service, Cheshire Police & Crime Commissioner, Liverpool City Region Combined Authority, and itself.

As at 31 March 2023 the council tax position showed the Council had a gross surplus position of £1.7m (to be shared with major preceptors). In setting the 2023/24 budget the Council approved the use of £1.2m of the Collection Fund surplus in balancing the overall budget.

As at 31 March 2023 the Business Rates position showed the Council had a gross surplus position of £1.6m. This is slightly less than the £1.9m which was forecast in January 2023 to be used towards balancing the 2023/24 budget.

Further details on the Collection Fund can be found within the supplementary financial statements.

Performance Measures 2022/23

The vision of the Council and its partners is "Halton will be a thriving and vibrant borough where people can learn and develop their skills; enjoy a good quality of life with good health;

a high quality, modern urban environment; the opportunity for all to fulfil their potential; greater wealth and equality; sustained by a thriving business community; and safer, stronger and more attractive neighbourhoods.”

The Council’s Interim Corporate Plan identifies the Council’s vision, values and principles and six strategic themes which underpin the work of the various departments and service areas across the Council. They are:

- Halton’s Children & Young People
- Employment, Learning & Skills in Halton
- Environment & Regeneration in Halton
- Healthy Halton
- Safer Halton
- Corporate Effectiveness and Efficiency

These strategic themes provide the basis for the development of key actions and activities, and performance measures, which are reported on a quarterly basis to the Policy and Performance Board with responsibility for scrutiny in each of these strategic areas. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting.

These reports are placed on public deposit and are available on the Council’s website via the relevant Policy and Performance Board agenda packs. The reports identify what progress is being made throughout the year in relation to the delivery of predetermined actions and the progress of a range of measures including direction of travel and achievement of targets.

The reports provide financial statements identifying variation in planned spend during the quarter and providing an explanatory comment.

Policy and Performance Boards also receive a mid-year update concerning the implementation of mitigation measures for those risks contained within the Directorate Risk Registers which have been assessed as high.

This approach allows the opportunity for the effective scrutiny of the Council’s performance during the course of the year in order that any underperformance can be addressed in a timely manner and/or resources can be realigned in response to prevailing conditions or pressures.

Listed below are a number of key performance indicators used in assessing the Council putting in place economy, efficiency and effectiveness in its use of resources:

- The average number of working days lost during the year due to sickness absence has, increased from 12.94 in 2021/22 to 12.98 in 2022/23.

- Council tax collection for 2022/23 is 93.9%, down by 0.23% on 2021/22. Cash collection for the year is £70.6m, this includes £2.0m collected in relation to previous year debt.
- Business rates collection 2022/23 is 97.6%, up by 0.25% on 2021/22. Cash collected for the year to date is £54.4m, this includes £1.7m collected in relation to previous year debt.

Financial Planning

The Medium Term Financial Strategy (MTFS) is a major element of the Council's corporate planning process. It brings together resources and spending plans and identifies financial constraints over the medium term. Its purpose is to ensure that resources are properly targeted towards Council priorities, to avoid excessive council tax rises, to deliver a balanced and sustainable budget, and to continue to identify efficiencies.

The public spending austerity programme has had, and will continue to have, a significant impact upon the Council's finances over the medium term and this has been reflected in the MTFS.

Via the Transformation Programme the Council is continuing to review its services, changing the way in which services are delivered in order to realise efficiencies. In addition, the Council has continued to seek improved procurement, better utilisation of assets, changes to staff terms and conditions, collaborative working with other Councils and partner agencies, and increased income from external sources in order to manage costs within the funding constraints imposed by Government.

The most recent MTFS was reported to the Council's Executive Board in November 2022 and subsequently updated as part of the budget report in March 2023. The latest report identified potential shortfalls in funding for the Council over the following three years of approximately £15.7m (2024/25), £5.7m (2025/26) and £2.7m (2026/27).

The 2023/24 net budget requirement of £140.9m was approved by Council on 08 March 2023. The budget will be funded from £60.7m of council tax (increase of 4.99% on the 2022/23 Band D level), business rates of £57.3m, top-up funding of £3.3m, share of the collection fund surplus of £3.1m and Government Grant to fund business rate reliefs of £16.5m.

Beyond 2023/24 there is great uncertainty regarding the funding of Local Government, due to the potential impact of a number of changes to the local government funding regime, lack of certainty of future funding settlements and deferrals of the Fair Funding Review, Business Rates Retention Review and Fair Cost of Care Programme. Alongside the funding issue the high cost of inflation is placing further pressure on local government finances. At the time of writing the CPI inflation rate is 8.7% and whilst it is forecast to steadily fall over the next year, expectation is that it will remain above the Government target of 2%.

Conclusion

These continue to be difficult times for the Council from setting a balanced budget to ensuring spend is controlled as tightly possible. Whilst at the same there is high demand and associated costs for services alongside high inflation rates not experienced by the Country for a long time.

Forecasting identified early in the financial year the significant financial risk of net spend for the year being significantly over the available budget. The hard work of members and officers helped to control and reduce the overspend position to £5.2m, which was significantly lower than the £7.6m forecast at the end of December 2022.

Despite the outturn overspend being lower than forecast, the £5.1m overspend against budget is a considerable concern, especially set against the backdrop of depleted reserves and ongoing service demand pressures. This makes expediting the work of the Transformation Programme even more important, to bring forward fundamental changes in service delivery which will help to control and reduce future costs. This will be essential to provide the Council with a long-term, sustainable financial position.

The Council's financial base position remains sound, this has been evidenced through the work undertaken by the External Auditor who concluded in their 2021/22 Auditor's Annual Report that they had identified no significant weaknesses under the criteria for financial sustainability and arrangements in improving economy, efficiency and effectiveness.

Provision balances continue to be set at prudent levels, but the impact of utilising reserves to help provide a balanced budget position cannot be sustained. The Council will therefore look to replenish reserves over the medium term.

Continued commitment to capital expenditure allows the borough to develop and grow. The collection fund function funds over 95% of the Council's net budget, supported by treasury management and the prompt collection of external charges allows the Council to be more self-sufficient through funding from local resources, albeit with an increased level of risk.

I would like to thank all Members and Officers that have assisted greatly over the past year, which has helped contribute to and shape this set of financial statements.

Ed Dawson

Operational Director – Finance

Core Financial Statements

Comprehensive Income & Expenditure Statement as at 31st March 2023

Services	Note	Gross Expenditure 2022/23 £000	Gross Income 2022/23 £000	Net Expenditure 2022/23 £000
CONTINUING OPERATIONS				
Chief Executive's		43,379	(39,719)	3,660
Environment & Regeneration		75,313	(21,622)	53,691
Public Health		13,156	(12,200)	956
Adults Social Care		106,379	(44,295)	62,084
Childrens Services		84,208	(34,327)	49,881
Schools		87,008	(79,539)	7,469
Corporate & Democracy		3,472	(1,004)	2,468
Mersey Gateway		39,233	(69,386)	(30,153)
Net Expenditure of Continuing Operations		**452,148**	**(302,092)**	**150,056**
Other Operating Expenditure	**3**			1,289
Financing and Investment Income & Expenditure	**4**			35,694
Taxation and Non-Specific Grant Income	**5**			(155,580)
(Surplus) or Deficit on the Provision of Services				**31,459**
(Surplus) or Deficit on revaluation of Non-Current Assets	**37**			(5,796)
(Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income	**37**			233
Remeasurement of net defined benefit liability	**32**			(106,199)
Other Comprehensive Income & Expenditure				**(111,762)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(80,303)**

Comprehensive Income & Expenditure Statement as at 31st March 2022

Services	**Note**	**Gross Expenditure 2021/22 Restated £000**	**Gross Income 2021/22 Restated £000**	**Net Expenditure 2021/22 Restated £000**
CONTINUING OPERATIONS				
Chief Executive's		41,369	(38,181)	3,188
Environment & Regeneration		77,933	(26,228)	51,705
Public Health		16,123	(16,648)	(525)
Adults Social Care		96,103	(39,753)	56,350
Childrens Services		70,732	(29,845)	40,887
Schools		83,078	(77,390)	5,688
Corporate & Democracy		2,534	(1,770)	764
Mersey Gateway		33,843	(73,260)	(39,417)
Net Expenditure of Continuing Operations		**421,715**	**(303,075)**	**118,640**
Other Operating Expenditure	**3**			2,220
Financing and Investment Income & Expenditure	**4**			34,646
Taxation and Non-Specific Grant Income	**5**			(140,735)
(Surplus) or Deficit on the Provision of Services				**14,771**
(Surplus) or Deficit on revaluation of Non-Current Assets	**37**			(9,686)
(Surplus) or Deficit on revaluation of financial assets measured at fair value through other comprehensive income	**37**			(2,189)
Remeasurement of net defined benefit liability	**32**			(100,834)
Other Comprehensive Income & Expenditure				**(112,709)**
TOTAL COMPREHENSIVE INCOME & EXPENDITURE				**(97,938)**

The 2021/22 Comprehensive Income and Expenditure Statement has been restated in line with the new structure which was introduced in December 2022. Further details can be found on page 3 of the Narrative Report.

Balance Sheet as at 31st March 2023

31/03/2022 £000		Note	31/03/2023 £000
845,010	Non-Current Assets – Property Plant & Equipment	**17**	842,660
1,410	Heritage Assets	**18**	1,425
1,344	Investment Properties	**19**	1,344
632	Intangible Assets	**20**	726
5,102	Investments in Associates and Joint Ventures	**22**	4,869
21,329	Long Term Investments	**22**	25,579
13,550	Long Term Debtors	**23**	13,012
888,377	**Total Long Term Assets**		**889,615**
	Current Assets		
396	Inventories		407
12,946	Assets Held for Sale < 12 months	**21**	12,229
33,198	Short Term Debtors	**23**	45,501
100,121	Short Term Investments	**22**	65,845
13,327	Cash/Cash Equivalents	**24**	12,161
159,988	**Total Current Assets**		**136,143**
	Current Liabilities		
(618)	Short Term Borrowing	**26**	(15,760)
(71,905)	Short Term Creditors	**25**	(61,002)
(9,400)	Short Term Grants Receipts in Advance	**7**	(15,617)
(3,673)	Provisions < 1 year	**27**	(2,592)
(85,596)	**Total Current Liabilities**		**(94,971)**
74,392	**Net Current Assets/(Liabilities)**		**41,172**
962,769	**Total Net Assets**		**930,787**
	Long Term Liabilities		
(172,000)	Long Term Borrowing	**26**	(172,000)
(4,867)	Provisions > 1 year	**27**	(990)
(14,004)	Long Term Grants Receipts in Advance	**7**	-
(444,590)	Other Long Term Liabilities	**29**	(350,186)
(635,461)	**Total Long Term Liabilities**		**(523,176)**
327,308	**Total Assets Less Liabilities**		**407,611**
(162,640)	Usable Reserves	**35**	(146,021)
(164,668)	Unusable Reserves	**37**	(261,590)
(327,308)	**Total Equity**		**(407,611)**

PE Dawson

Signed by:
Ed Dawson – Operational Director Finance Date: 8 March 2024

Movement in Reserves Statement

	General Fund £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**TOTAL USABLE RESERVES (Note 35)** **£000**	**TOTAL UNUSABLE RESERVES (Note 37)** **£000**	**TOTAL COUNCIL RESOURCES** **£000**
Balance as at 31st March 2021	**(134,964)**	**(2,082)**	**(17,003)**	**(154,049)**	**(75,321)**	**(229,370)**
Movement in Reserves during 2021/22						
Total Comprehensive Income and Expenditure	14,771	-	-	**14,771**	(112,709)	**(97,938)**
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34b**)	(16,825)	1,021	(7,557)	**(23,361)**	23,361	-
Other Adjustments	(1)	-	-	**(1)**	1	-
(Increase)/Decrease in the year	**(2,055)**	**1,021**	**(7,557)**	**(8,591)**	**(89,347)**	**(97,938)**
Balance at 31st March 2022 carried forward	**(137,019)**	**(1,061)**	**(24,560)**	**(162,640)**	**(164,668)**	**(327,308)**
Balance as at 31st March 2022	**(137,019)**	**(1,061)**	**(24,560)**	**(162,640)**	**(164,668)**	**(327,308)**
Movement in Reserves during 2022/23						
Total Comprehensive Income and Expenditure	31,459	-	-	**31,459**	(111,762)	**(80,303)**
Adjustments between Accounting Basis and Funding Basis under Regulations (**note 34a**)	(8,733)	(1,729)	(4,377)	**(14,839)**	14,839	-
Other Movements	(1)	-	-	**(1)**	1	-
(Increase)/Decrease in the year	**22,725**	**(1,729)**	**(4,377)**	**16,619**	**(96,922)**	**(80,303)**
Balance at 31st March 2023 carried forward	**(114,294)**	**(2,790)**	**(28,937)**	**(146,021)**	**(261,590)**	**(407,611)**

Please note that the General Fund Balance includes Earmarked Reserves and School Reserves. See Notes 1 and 36 for further details.

Cash Flow Statement

2021/22 £000		Note	2022/23 £000
14,771	**Net (surplus) or deficit on the provision of services**		**31,459**
(70,768)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	**38**	(26,027)
14,189	Adjust for items in the net (surplus) or deficit on the provision of services	**38**	27,958
(41,808)	**Net cash flows from Operating Activities**		**33,390**
41,121	Net cash flows from Investing Activities	**39**	(28,550)
8,853	Net cash flows from Financing Activities	**40**	(3,674)
8,166	**Net (increase)/decrease in cash and cash equivalents**		**1,166**
(21,493)	Cash and Cash Equivalents at the beginning of the reporting period	**24**	(13,327)
(13,327)	**Cash and Cash Equivalents at the end of the reporting period**	**24**	**(12,161)**

Notes to the Core Financial Statements

Please note the Accounting Policies are shown on page 112.

1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council for the year (including government grants, council tax and business rates) has been used to provide services in comparison with those resources consumed or earned under generally accepted accounting practices. This also shows how this expenditure is allocated for decision making purposes between the Council's Directorates.

Expenditure and Funding Analysis 2022/23

	Outturn Reported to Management 2022/23 £000	Movement in Earmarked Reserves 2022/23 £000	Net Expenditure Chargeable to the General Fund Balances 2022/23 £000	Adjustments Between the Funding and Accounts Basis 2022/23 £000	Net Expenditure in the Comprehensive Income and Expenditure Statement 2022/23 £000
Chief Executive's	1,930	1,310	3,240	420	3,660
Environment & Regeneration	47,823	1,186	49,009	4,682	53,691
Public Health	96	400	496	460	956
Adult Social Care	54,916	3,014	57,930	4,154	62,084
Childrens Services	47,294	2,243	49,537	344	49,881
Schools	-	421	421	7,048	7,469
Corporate & Democracy	(43,208)	9,011	(34,197)	36,665	2,468
Mersey Gateway	8,028	(108)	7,920	(38,073)	(30,153)
Net Cost of Services	**116,879**	**17,477**	**134,356**	**15,700**	**150,056**
Other Income and Expenditure	(111,718)	87	(111,631)	(6,966)	(118,597)
(Surplus) or Deficit	**5,161**	**17,564**	**22,725**	**8,734**	**31,459**
Opening General Fund Balance	**(5,147)**	**(131,872)**	**(137,019)**		
Transfer to / from Earmarked Reserves to General Fund	(5,161)	5,161	-		
(Surplus) or Deficit in year	5,161	17,564	22,725		
Closing General Fund Balance at 31st March	**(5,147)**	**(109,147)**	**(114,294)**		

Note to Expenditure and Funding Analysis 2022/23

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Other Income and Expenditure £000**	**Adjustments for Capital Purposes £000**	**Net change for the Pension Adjustments £000**	**Other Adjustments £000**	**Total Adjustments £000**
Chief Executive's	(2,577)	(4)	3,119	(118)	**420**
Environment & Regeneration	(620)	1,333	4,007	(38)	**4,682**
Public Health	(21)	-	474	7	**460**
Adult Social Care	-	493	3,658	3	**4,154**
Childrens Services	(2,321)	115	2,599	(49)	**344**
Schools	2,323	149	3,457	1,119	**7,048**
Corporate & Democracy	6,029	17,418	(268)	13,486	**36,665**
Mersey Gateway	(38,073)	-	-	-	**(38,073)**
Net Cost of Services	**(35,260)**	**19,504**	**17,046**	**14,410**	**15,700**
Other Income and Expenditure from the Expenditure and Funding Analysis	35,258	(26,577)	2,691	(18,338)	**(6,966)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(2)**	**(7,073)**	**19,737**	**(3,928)**	**8,734**

Expenditure and Funding Analysis 2021/22

	Outturn reported to Management	Movement in Earmarked Reserves	Net Expenditure Chargeable to the General Fund Balances	Adjustments between the Funding and Accounts Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	2021/22 Restated £000	**2021/22 Restated £000**	**2021/22 Restated £000**	**2021/22 Restated £000**	**2021/22 Restated £000**
Chief Executive's	2,056	(63)	1,993	1,195	3,188
Environment & Regeneration	45,167	(842)	44,325	7,380	51,705
Public Health	39	(1,110)	(1,071)	546	(525)
Adult Social Care	50,542	1,373	51,915	4,435	56,350
Childrens Services	38,733	1,332	40,065	822	40,887
Schools	-	(1,206)	(1,206)	6,894	5,688
Corporate & Democracy	(31,902)	6,950	(24,952)	25,716	764
Mersey Gateway	8,026	(9,233)	(1,207)	(38,210)	(39,417)
Net Cost of Services	**112,661**	**(2,799)**	**109,862**	**8,778**	**118,640**
Other Income and Expenditure	(111,466)	(451)	(111,917)	8,048	(103,869)
(Surplus) or Deficit	**1,195**	**(3,250)**	**(2,055)**	**16,826**	**14,771**
Opening General Fund Balance	**(6,342)**	**(128,622)**	**(134,964)**		
Transfer to from Earmarked Reserves to General Fund	-	-	-		
(Surplus) or Deficit in year	1,195	(3,250)	(2,055)		
Closing General Fund Balance at 31st March	**(5,147)**	**(131,872)**	**(137,019)**		

The 2021/22 Expenditure and Funding Analysis, and following note have been restated in line with the new structure which was introduced in December 2022. Further details can be found on page 3 of the Narrative Report.

Note to Expenditure and Funding Analysis 2021/22

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Other Income and Expenditure Restated £000**	**Adjustments for Capital Purposes Restated £000**	**Net change for the Pension Adjustments Restated £000**	**Other Adjustments Restated £000**	**Total Adjustments Restated £000**
Chief Executive's	(2,241)	(48)	3,561	(77)	**1,195**
Environment & Regeneration	(375)	3,363	4,674	(282)	**7,380**
Public Health	(20)	-	590	(24)	**546**
Adult Social Care	-	306	4,215	(86)	**4,435**
Childrens Services	(2,093)	(54)	3,045	(76)	**822**
Schools	2,093	217	3,701	883	**6,894**
Corporate & Democracy	(9,579)	17,927	(429)	17,797	**25,716**
Mersey Gateway	(38,209)	(2)	-	1	**(38,210)**
Net Cost of Services	**(50,424)**	**21,709**	**19,357**	**18,136**	**8,778**
Other Income and Expenditure from the Expenditure and Funding Analysis	50,424	(13,418)	3,575	(32,533)	**8,048**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**-**	**8,291**	**22,932**	**(14,397)**	**16,826**

Other Income and Expenditure

This column moves all items that are shown within the directorate spend reported to management but are shown below the Net Cost of Services in the Comprehensive Income and Expenditure Statement. These include:

- Interest Payable and Receivable
- Levy Payments

Adjustments for Capital Purposes

This column adjusts for any capital transactions that are not included in the directorate spend reported to management but are shown in the Comprehensive Income and Expenditure Statement. These include:

- Capital funding
- Revaluation gains and losses
- Revenue Expenditure Funded by Capital Under Statute

This column also includes items that are included in the spend reported to management but are not shown in the Comprehensive Income and Expenditure Statement. This includes:

- Minimum Revenue Provision
- The reversal of depreciation transactions shown in Corporate and Democracy

Net Charge for Pension Adjustments

This column includes the net change for the removal of pension contributions and the addition of IAS 19 employee benefits pension related income and expenditure:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs
- For financing and investment income and expenditure, the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Other adjustments

This column includes:

- The difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

This is a timing difference, as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

- Adjustments to show Schools income and expenditure separately on the Comprehensive Income and Expenditure Statement. This is reported under the Childrens Services Directorate when reported to management.

Segmental Income and Expenditure

Income and expenditure received on a segmental basis is analysed below:

2022/23	**Revenues from External Customers £000**	**Interest Revenue £000**	**Interest Expense £000**	**Depreciation and Amortisation £000**
Chief Executive's	(1,998)	-	-	748
Environment & Regeneration	(13,668)	-	-	14,815
Public Health	(239)	-	-	-
Adult Social Care	(12,579)	-	-	512
Childrens Services	(580)	-	-	144
Schools	(198)	-	-	2,322
Corporate & Democracy	(238)	(2,590)	2,758	(26,569)
Mersey Gateway	(55,396)	-	31,307	8,028
Net Cost of Services	**(84,896)**	**(2,590)**	**34,065**	**-**

2021/22	**Revenues from External Customers Restated £000**	**Interest Revenue £000**	**Interest Expense £000**	**Depreciation and Amortisation Restated £000**
Chief Executive's	(1,850)	-	-	834
Environment & Regeneration	(12,533)	-	-	15,028
Public Health	(81)	-	-	-
Adult Social Care	(11,172)	-	-	776
Childrens Services	(458)	-	-	386
Schools	(179)	-	-	2,252
Corporate & Democracy	(80)	(1,621)	2,661	(27,302)
Mersey Gateway	(49,539)	-	31,691	8,026
Net Cost of Services	**(75,892)**	**(1,621)**	**34,352**	**-**

2. Expenditure and Income Analysed by Nature

2021/22 £000		2022/23 £000
	Expenditure	
162,924	Employee Benefits	171,768
233,514	Other service expenses	257,952
27,954	Depreciation, amortisation and impairment	27,514
34,352	Interest Payments	34,065
3,575	Precepts and levies	3,634
462,319	**Total Expenditure**	**494,933**
	Income	
(114,730)	Fees and charges and other service income	(123,385)
(1,355)	Gain on disposal of non-current assets	(2,345)
(105,757)	Income from Council Tax and Business Rates	(111,819)
(224,085)	Government grants income	(223,335)
(1,621)	Interest and investment income	(2,590)
(447,548)	**Total Income**	**(463,474)**
14,771	**(Surplus) or Deficit on the Provision of Services**	**31,459**

3. Other Operating Expenditure

2021/22 £000		2022/23 £000
147	Parish Council Precepts	161
3,428	Levies	3,473
-	Movement in value of Assets Held for Sale	-
(1,355)	(Gains)/Losses on the Disposal of Non-Current Assets	(2,345)
2,220	**Total**	**1,289**

4. Financing and Investment Income and Expenditure

2021/22 £000		2022/23 £000
34,352	Interest payable and similar charges	34,065
3,575	Net interest on the net defined benefit liability	2,690
(1,621)	Interest receivable and similar charges	(2,590)
24	Income & Expenditure in relation to Investment Properties and changes in their fair value	(23)
(908)	Movement in fair value of financial instruments	1,751
124	Loss on transfer of academies	-
(900)	Other investment income and expenditure	(199)
34,646	**Total**	**35,694**

5. Taxation and Non-Specific Grant Income

2021/22 £000		2022/23 £000
(55,814)	Council Tax income	(57,581)
(49,943)	Non-domestic rates	(54,238)
(17,545)	Non-ringfenced government grants	(13,461)
(5,567)	NNDR Top Up Grant	(6,067)
(11,866)	Capital grants and contributions	(24,233)
(140,735)	**Total**	**(155,580)**

6. Material Items of Income and Expenditure

There are no individually material items of income and expenditure to report beyond those disclosed on the face of the Comprehensive Income and Expenditure Statement and supporting notes.

7. Grant Income

The Council has received a number of grants and contributions that have yet to be recognised as income. At the balance sheet date, conditions existed which remain to be satisfied. The balances at year-end are as follows:

	31/03/2022 £000	31/03/2023 £000
Long Term Receipts in Advance		
Capital		
Department for Levelling Up, Housing and Communities	(12,059)	-
Other Grants	(1,945)	-
Total	**(14,004)**	**-**

	31/03/2022			31/03/2023		
	Revenue £000	**Capital £000**	**Total £000**	**Revenue £000**	**Capital £000**	**Total £000**
Short Term Receipts in Advance						
Department for Levelling Up, Housing and Communities	(941)	-	**(941)**	(905)	(7,406)	**(8,311)**
Department for Business, Energy & Industrial Strategy	(3,087)	-	**(3,087)**	-	-	**-**
Department for Education	-	(409)	**(409)**	(546)	(657)	**(1,203)**
Department of Health & Social Care	(560)	(2,468)	**(3,028)**	(3,606)	-	**(3,606)**
Other Grants	(970)	-	**(970)**	(1,523)	(13)	**(1,536)**
Contributions	(965)	-	**(965)**	(961)	-	**(961)**
	(6,523)	**(2,877)**	**(9,400)**	**(7,541)**	**(8,076)**	**(15,617)**

The Council credited the following grants to the Comprehensive Income and Expenditure Statement in 2022/23.

	2021/22 £000	2022/23 £000
Revenue Grants Credited to Services		
Department for Levelling Up, Housing and Communities	(8,877)	(11,555)
Dedicated Schools Grant	(82,777)	(82,656)
Department for Business, Energy & Industrial Strategy	(2,187)	-
Department for Education	(14,695)	(17,148)
Department for Environment, Food & Rural Affairs	(37)	(80)
Department for Transport	(24,007)	(14,003)
Department for Works & Pensions	(3,002)	(3,482)
Department of Health & Social Care	(19,041)	(13,031)
Home Office	(804)	(2,932)
Rent Allowance Subsidy	(29,080)	(30,355)
Other Grants	(5,254)	(4,332)
Total	**(189,761)**	**(179,574)**

During 2022/23, the Council administered several grant schemes to support local residents where the eligibility criteria and the amount of the grant award was determined by Central Government. Under accounting practice, the Council has therefore acted as an agent in delivering these grant schemes.

Where the Council has acted as an agent, the associated income and expenditure is not included in the Comprehensive Income and Expenditure Statement and the balance of any funding remaining at 31st March 2023 is included in the Balance Sheet as a Creditor. These grant schemes are summarised in the following table:

	2022/23		
Grant - Authority as Agent	**Grant Expenditure £000**	**Grant Income Received in 2022/23 £000**	**Debtor / (Creditor) Held on Balance Sheet £000**
Energy Bills Rebate	7,781	(7,825)	(44)
Energy Bills Support Scheme Alternative Funding	85	(330)	(245)
Alternative Fuel Payment Alternative Fund	-	(42)	(42)
Total	**7,866**	**(8,197)**	**(331)**

8. Disclosure of Deployment of Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2019. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are shown below:

Total 2021/22 £000		Central Expenditure 2022/23 £000	Individual Schools Budget 2022/23 £000	Total 2022/23 £000
(131,114)	Final DSG before academy recoupment			(135,993)
48,191	Academy figure recouped in year			53,316
(82,923)	**Total DSG after academy recoupment**			**(82,677)**
-	Plus brought forward			-
293	Less carry forward agreed in advance			-
(82,630)	**Agreed budgeted distribution**	**(15,421)**	**(67,256)**	**(82,677)**
340	In Year Adjustments	(146)	-	(146)
(82,290)	**Final Budget Distribution**	**(15,567)**	**(67,256)**	**(82,823)**
20,773	Less actual central expenditure	16,603		16,603
62,671	Less actual ISB deployed to schools		67,256	67,256
-	Plus Council Contribution			-
1,154	**Carry Forward**	**1,036**	**-**	**1,036**
(294)	Plus carry forward agreed in advance			
860	**Carry Forward to following year**			**1,036**
996	DSG Unusable Reserve broguht forward			1,856
860	Addition to DSG Unusable Reserve in year			1,036
1,856	**Total DSG Unusable Reserve at end of year**			**2,892**
1,856	**Net DSG Position at end of year**			**2,892**

9. Pooled Budgets

Better Care Fund

In 2015 the Government introduced a £3.8 billion Better Care Fund, a pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services for older and disabled people. The pooled budget, hosted by the council, continues to provide an integrated system enabling resources to be used efficiently and effectively in the delivery of personalised, responsive and holistic care to those who are most in need within the community. This results in the alignment of systems, improved pathways, speeding up the discharge processes, transforming patient/care satisfaction and ensuring the future sustainability of meeting the needs of people with complex needs.

The Additional Better Care Fund (ABCF) was announced in the 2017 Spring Budget, with a condition that it is pooled into the local BCF plan. The grant determination enables the funding to be spent on three purposes:

- Meeting adult social care needs.
- Reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready.
- Ensuring that the local social care provider market is supported.

In addition to BCF and ABCF allocations, the Council and Health each contributed additional funds equal to 53% and 47% respectively (excluding the BCF allocation) for 2022/23.

It should be noted that Clinical commissioning groups (CCGs) were established as part of the Health and Social Care Act in 2012, and replaced primary care trusts on 1 April 2013. On 1 July 2022, integrated care systems (ICSs) became legally established through the Health and Care Act 2022, and CCGs were closed down. ICSs are partnerships of organisations that come together to plan and pay for health and care services to improve the lives of people who live and work in their area.

Each integrated care system has two statutory elements, an integrated care partnership (ICP) and integrated care board (ICB). Across England, local partnerships made up of all the public services that provide health and care (NHS, GPs, local councils and the community and voluntary sector) and plan how best to deliver high quality, affordable services that meet the needs of local people. Although partnership working has taken place nationally for some years, these changes make it easier for people to get better access to better, more efficient and joined-up care, and to enjoy better health.

		2021/22 £000		2022/23 £000
Balance Brought Forward		**(40)**		**(205)**
Funding provided to the pooled budget:				
- Halton Borough Council		(3,732)		(3,696)
- Halton Place		(3,196)		(2,831)
- Better Care Fund		(10,792)		(12,078)
- Winter Pressures		(639)		-
- Adult Social Care Discharge Grant		-		(1,628)
- Other Grants		-		(962)
- Reserves		-		(700)
		(18,359)		**(21,895)**
Income raised through the pooled budget:				
- Halton Borough Council		(621)		(609)
		(621)		**(609)**
Expenditure met from the pooled budget:				
- Halton Borough Council		4,257		5,568
- Halton Place		3,127		4,915
- Better Care Fund		10,792		12,078
- Winter Pressures		639		-
		18,815		**22,561**
Net (surplus)/deficit arising on the pooled budget during the year		**(165)**		**57**
Share of the (surplus)/deficit for the year:				
- Halton Borough Council	58%	(96)	53%	30
- Halton Place	42%	(69)	47%	27
		(165)		**57**
Balance Carried Forward		**(205)**		**(148)**

10. Officers Remuneration

The number of employees whose remuneration, inclusive of redundancy payments and car benefit but excluding pension contributions, was £50,000 or more, grouped in rising bands of £5,000 is shown below. This list is inclusive of officers reported in the senior officers disclosure note.

		2021/22		**2022/23**	
		Number of Employees		**Number of Employees**	
Remuneration Band		**Teaching**	**Non-Teaching**	**Teaching**	**Non - Teaching**
£50,000	£54,999	10	14	16	51
£55,000	£59,999	15	7	13	9
£60,000	£64,999	11	7	8	9
£65,000	£69,999	10	10	9	5
£70,000	£74,999	6	6	6	9
£75,000	£79,999	1	6	4	5
£80,000	£84,999	1	2	1	5
£85,000	£89,999	-	2	-	2
£90,000	£94,999	-	4	-	4
£95,000	£99,999	-	1	-	5
£100,000	£104,999	-	2	-	1
£105,000	£109,999	-	1	-	-
£110,000	£114,999	-	-	-	1
£115,000	£119,999	-	-	-	-
£120,000	£124,999	-	-	-	-
£125,000	£129,999	-	-	-	-
£130,000	£134,999	-	2	-	-
£135,000	£139,999	-	-	-	1
£140,000	£144,999	-	-	-	-
£145,000	£149,999	-	-	-	-
£150,000	£154,999	-	-	-	-
£155,000	£159,999	-	-	-	1
£160,000	£164,999	-	-	-	-
£165,000	£169,999	-	-	-	-
£170,000	£174,999	-	-	-	-
£175,000	£179,999	-	-	-	-
£180,000	£184,999	-	-	-	-
£185,000	£189,999	-	-	-	-
£190,000	£194,999	-	-	-	-
£195,000	£199,999	-	1	-	-
£200,000	£204,999	-	-	-	-
£205,000	£209,999	-	-	-	-
£210,000	£214,999	-	-	-	-
£215,000	£219,999	-	-	-	-
£220,000	£224,999	-	-	-	-
£225,000	£229,999	-	-	-	-
£230,000	£234,999	-	-	-	-
£240,000	£244,999	-	-	-	-
£245,000	£249,999	-	-	-	-
£250,000	£254,999	-	-	-	-
£255,000	£259,999	-	-	-	1
		54	**65**	**57**	**109**

The note excludes salaries for staff at Voluntary Aided Schools who are employed directly by the school's governing body. 50 staff with a total salary value of £3,048,584 have been excluded from the 2021/22 figures. In 2022/23, 58 staff members of Voluntary Aided Schools with a total salary value of £3,479,665 were excluded from Note 10.

The number of Council employees disclosed in the £50,000 - £54,999 band has increased significantly from 2021/22 due to the inflationary impact of the 2022/23 local government pay award.

Halton Borough Council is required to disclose to local taxpayers the total remuneration package for the senior officers charged with the stewardship of the organisation.

A senior employee has a significant level of responsibility for contributing to the strategic decision making of the Council. Senior officers will include those that have a statutory duty under legislation.

Senior employees whose salary is between £50,000 and £150,000 are disclosed by job title. Senior employees whose salary is more than £150,000 are disclosed by job title and name.

These notes refer to the detailed table below:

Note 1: The Chief Executive joined the authority on 01/04/2022.

Note 2: The Strategic Director - Enterprise, Community & Resources left the authority on 31/05/2022. This role was subsequently carried out by an agency member of staff who was not an employee of the Council.

Note 3: The post of Strategic Director - People was deleted on 28/11/2022. The postholder moved into the newly created role of Statutory Executive Director - Children on 29/11/2022 and subsequently left the authority on 10/03/2023. The role was covered by the Statutory Executive Director - Adults between 11/03/2023 and 26/03/2023 (£657.24 of remuneration included in the table above relates to this role), and then by an agency member of staff who was not an employee of the Council.

Note 4: The new post of Statutory Executive Director - Adults was created on 29/11/2022. The existing Statutory Operational Director - Adult Social Care moved into this role on 29/11/2022. The Statutory Operational Director - Adult Social Care post was subsequently deleted and two new Operational Director - Adult Social Care roles were created. Interim appointments were made to these roles on 29/11/2022.

Note 5: The post of Operational Director - Public Health was deleted on 31/05/2022. The postholder moved into the newly created role of the Director of Public Health on 01/06/2022.

Note 6: The post of Operational Director - Policy, People, Performance & Efficiency was deleted on 28/02/2023. The postholder moved into the newly created role of Director of Chief Executive's Delivery Unit on 01/03/2023.

Note 7: The Statutory Operational Director - Children & Families' Service left the authority on 26/05/2022. This role was covered on an interim basis by an agency member of staff who was not an employee of the Council. This agency member of staff was appointed on a permanent basis as the Operational Director - Children's Social Care on 09/01/2023 and is included in the above table from this date.

Note 8: The Interim Statutory Operational Director - Education, Inclusion & Provision was replaced by another Interim Director on 01/05/2022, who subsequently became the permanent Statutory Operational Director - Education, Inclusion & Provision on 01/12/2022.

Note 9: The post of Operational Director - Community & Environment was renamed to Operational Director - Community & Greenspace on 29/11/2022. There were no other changes to the role.

Note 10: The Director of Public Health received an additional £10,414 for work done on behalf of NIHR Clinical Research Network, and an additional £5,036 from the Clinical Excellence Awards. These amounts are included in the above table but have been fully reimbursed to the Council.

Post Title		Salary (including fees & allowances)		Compensation for loss of employment		Benefits in kind		Total remuneration excluding pension contributions		Employers pension contributions		Total remuneration including pension contributions	
		2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
		£	£	£	£	£	£	£	£	£	£	£	£
Chief Executive – Stephen Young	1	-	158,925	-	-	-	-	-	158,925	-	32,533	-	191,458
Strategic Director - Enterprise, Communities & Resources	2	130,484	32,173	-	-	-	-	130,484	32,173	-	-	130,484	32,173
Strategic Director - People - Milorad Vasic	3	130,484	89,889	-	-	-	-	130,484	89,889	27,950	18,325	158,434	108,213
Executive Director - Children - Milorad Vasic	3	-	77,310	-	99,999	-	-	-	177,309	-	6,890	-	184,199
Executive Director - Adults	3, 4	-	39,857	-	-	-	-	-	39,857	-	8,142	-	47,998
Director of Public Health	5, 10	-	117,519	-	-	-	-	-	117,519	-	16,055	-	133,574
Interim Operational Director - Public Health	5, 10	60,896	17,732	-	-	-	-	60,896	17,732	8,806	2,526	69,701	20,258
Director of Chief Executive's Delivery Unit	6	-	8,250	-	-	-	-	-	8,250	-	1,682	-	9,932
Operational Director - Adult Social Care	4	103,508	71,357	-	-	-	-	103,508	71,357	22,142	14,562	125,650	85,919
Interim Operational Director - Adult Social Care	4	-	27,776	-	-	-	-	-	27,776	-	5,653	-	33,429
Interim Operational Director - Adult Social Care	4	-	27,776	-	-	-	-	-	27,776	-	5,653	-	33,429
Operational Director - Children & Family Services	7	103,508	41,263	-	65,000	-	-	103,508	106,263	22,142	3,286	125,650	109,549
Operational Director - Children's Social Care	7	-	21,768	-	-	-	-	-	21,768	-	4,437	-	26,205
Interim Operational Director - Education, Inclusion & Provision	8	42,945	7,182	-	-	-	-	42,945	7,182	9,168	1,692	52,113	8,874
Interim Operational Director - Education, Inclusion & Provision	8	-	50,272	-	-	-	-	-	50,272	-	9,895	-	60,167
Statutory Operational Director - Education, Inclusion & Provision	8	-	32,878	-	-	-	-	-	32,878	-	6,695	-	39,573
Operational Director - Community & Greenspace	9	47,285	85,713	-	-	-	-	47,285	85,713	10,088	17,662	57,373	103,375
Operational Director - Economy, Enterprise & Property		91,921	95,267	-	-	-	-	91,921	95,267	19,896	19,673	111,818	114,940
Operational Director - Policy, Planning & Transportation		87,218	92,876	-	-	-	-	87,218	92,876	18,816	19,123	106,034	111,999
Operational Director - Finance		91,921	95,267	-	-	-	-	91,921	95,267	19,639	19,419	111,560	114,686
Operational Director - ICT & Support Services		99,326	102,767	-	-	-	-	99,326	102,767	21,238	20,964	120,564	123,731
Operational Director - Legal & Democratic Services		91,921	95,267	-	-	-	-	91,921	95,267	19,639	19,419	111,560	114,686
Operational Director - Policy, People, Performance & Efficiency	6	89,567	87,328	-	-		-	89,567	87,328	19,131	17,801	108,698	105,129
		1,170,984	**1,476,409**	**-**	**164,999**	**-**	**-**	**1,170,984**	**1,641,408**	**218,655**	**272,087**	**1,389,639**	**1,913,495**

11. Exit Packages and Termination Benefits

The number of exit packages with total cost per band and total cost of compulsory and voluntary redundancies and early retirements are set out in the table below:

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Number of early retirements		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
									£000	£000
£0 - £20,000	4	3	19	11	-	-	23	14	167	77
£20,001 - £40,000	-	-	7	5	-	-	7	5	179	147
£40,001 - £60,000	-	-	1	-	-	-	1	-	46	-
£60,001 - £80,000	-	-	2	1	-	-	2	1	134	65
£80,001 - £100,000	-	-	-	1	-	-	-	1	-	100
£100,001 - £150,000	-	-	-	-	-	-	-	-	-	-
£150,001 - £200,000	-	-	1	-	-	-	1	-	163	-
£200,001 - £250,000	-	-	-	-	-	-	-	-	-	-
£250,001 - £300,000	-	-	-	-	-	-	-	-	-	-
Total	**4**	**3**	**30**	**18**	**-**	**-**	**34**	**21**	**689**	**389**

The total cost of exit packages in 2022/23 is £0.389m (2021/22 - £0.689m) charged to the authority's Comprehensive Income and Expenditure Statement (CIES). Costs associated with redundancies include officers aged 55 or over being able to access their pensions immediately. There were no early retirements taken in 2022/23 (2021/22 - £0.000m).

Termination Benefits

The Council incurred no liabilities relating to past early retirements charged to the Comprehensive Income and Expenditure Statement.

12. Members Allowances

During the year £842,015.70 (2021/22 - £811,549.68) was paid to Members, including Mayoral and Deputy Mayoral allowances.

13. Related Party Transactions

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council.

Once these relationships are brought to the attention of users, transactions are disclosed so that readers can assess for themselves whether these relationships might have had an effect or could have an effect in the future.

Materiality

Materiality has been assessed with regards to the Council and the related party.

Central Government

UK Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides significant funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits).

Grants received from government departments are set out in Note 7.

Members and Officers

Members of the Council have direct control over the Council's financial and operating policies. The Council operates a system of self-regulation which requires each Executive Director and Member to complete a declaration highlighting whether they or any members of their family have been involved in any material financial transactions between the Council and any external bodies they are affiliated to during the financial year.

The total of members allowances paid in 2022/23 is shown in Note 12. The total of senior officers' remuneration paid in 2022/23 is shown in Note 10.

In 2022/23, 7 Members had interests in various organisations and voluntary sector bodies involving payments worth £2.022m and receipts worth £0.053m for various works and services.

In 2022/23, no senior officers had interests in organisations which were party to transactions with the Council.

Payments/receipts from organisations where Members or their spouse hold an interest	**2022/23**		**31/03/2023**	
	Expenditure £000	**Income £000**	**Creditor £000**	**Debtor £000**
Creative Health Initiatives CIC	48	(8)	-	-
Halton Play Council	125	(4)	-	-
Mersey Gateway Crossings Board	1,849	(41)	198	-
Total	**2,022**	**(53)**	**198**	**-**

Other Public Bodies

The Council is a member of Liverpool City Region Combined Authority, from which it received £8.288m of income in 2022/23, plus outstanding debtors of £5.770m. This related to highways grant funding of £8.164m from Merseytravel, funding for regeneration projects of £3.439m, funding for skills and apprenticeship programmes of £2.089m, £0.054m for cross-boundary bus charges, £0.050m for IT hosting services, and £0.262m for other services. £0.113m of expenditure was incurred in 2022/23.

The Council had one pooled budget arrangement with NHS Cheshire and Merseyside Integrated Care Board during 2022/23 under s75 of the Health Act 2006. Transactions and balances are highlighted in Note 9. In addition to the pooled budget arrangement there were further payments of £0.181m made in relation to the infection control team, and £0.030m of expenditure relating to other services. There was additional income received of £10.486m for contributions to care packages, a £0.522m contribution towards the Joint Speech and Language Therapy Service, a £0.206m contribution towards the Positive Behaviour Support Service, a £0.182m contribution towards the Transforming Care Project, a £0.085m contribution towards the benefits advice scheme, a £0.071m contribution towards Health Engagement Officer salaries, £0.060m for projects within the Council's care homes, £0.053m of funding for the Halton Children and Young People's Safeguarding Partnership, £0.050m funding for the Women's Centre, £0.41m for commissioned public health services, a £0.016m contribution towards the Direct Payments Service, £0.011m for rent at Council buildings, and £0.008m for other services. There were debtors outstanding at year end of £1.895m for joint funded care packages.

£1.009m of expenditure was paid to Warrington and Halton Hospitals NHS Trust from the pooled budget, comprising £0.664m for reablement services, £0.176m for the Halton Community Team Project, and £0.169m for supported hospital discharge. One member of the Council is a Governor of the Trust.

The Council incurred £0.992m of expenditure with Bridgewater Community Healthcare NHS Trust in 2022/23 from the pooled budget, the majority of which (£0.987m) related to the Intermediate Care and Frailty Service. Outside of the pooled budget, the Council incurred £4.498m of expenditure for the 0-19 public health service (£3.547m), for the Adult Social Care Joint Equipment Service (£0.815m), for children's therapy equipment (£0.110m), and for vision and deafness support services (£0.048m). There were £0.008m of creditors outstanding at the end of the 2022/23 financial year.

£0.076m of expenditure to Cheshire Police was incurred in 2022/23, including £0.063m to staffing costs. There were additional creditors of £0.088m outstanding at 31st March 2023. £0.108m of income was received relating to the Domestic Abuse Prevention Service.

The Council has contracted with Merseyside Recycling and Waste Authority (MRWA) to manage the disposal of household waste, the processing of recyclables, and to run the Household Waste and Recycling Centres within Halton. Expenditure of £6.755m was incurred during 2022/23, with additional creditors of £1.238m outstanding at 31st March 2023. One member of the Council represents Halton as a member of MRWA.

Full details of the Council's pension fund transactions can be found in Note 32, Pension Schemes.

Entities Controlled or Significantly Influenced by the Council

Halton Borough Council are joint venture partners in Daresbury SIC (Pub Sec) LLP, which has significant influence over Daresbury SIC LLP. Total payments of £0.431m were received in 2022/23, including interest income of £0.263m. The total debtor outstanding is £6.414m and further details of the lease are provided in Note 30, Finance Leases – Authority as a Lessor. The Council also received £0.414m (including interest income of £0.282m) from the Enterprise Zone Rates in relation to the repayment of a contribution towards the construction of Project Violet.

Details of the Council's interests in companies are disclosed in Note 41, Interest in Companies and Other Entities.

14. External Audit Fees

The Council paid the following amounts to Grant Thornton in 2022/23 for fees relating to external audit, inspection and additional services.

	2021/22 £000	2022/23 £000
Fees payable for:		
- Audit	135	135
- Additional fees for prior year audit	53	39
- Grants and returns	27	45
Total	**215**	**219**

Due to the timing of the audit of grant claims, the audit fee for Grants and Returns is based on an estimate and may include amounts relating to previous years.

15. Events after the Balance Sheet Date

These accounts have been authorised for issue by the Operational Director Finance, on the 4 July 2023 and reflect all known events for the financial year. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31st March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

16. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2021/22 £000	2022/23 £000
Opening Capital Financing Requirement	**615,219**	**614,327**
Capital Investment:		
Property, Plant & Equipment	13,189	19,325
Investment Properties	-	-
Intangible Assets	191	288
Revenue Expenditure Funded from Capital under Statute	7,938	7,936
Source of Finance:		
Capital Receipts	(3,344)	(1,996)
Government Grants & Other Contributions	(9,339)	(25,752)
Direct Revenue Contributions	(124)	(145)
Minimum Revenue Provision	(9,403)	(9,904)
Closing Capital Financing Requirement	**614,327**	**604,079**
Explanation of movement in year:		
Increase in underlying need to borrow	9,022	182
Minimum Revenue Provision statutory set aside	(9,403)	(9,904)
Use of Capital Reserves to reduce MRP liability	(511)	(526)
Increase/(Decrease) in Capital Financing Requirement	**(892)**	**(10,248)**

The table above shows the Council spent £27.6m on capital during 2022/23.

Disposal of Assets/Capital Receipts

Land/Dwellings/Recovered Advances – the Council received £2.905m from the sale of land, vehicles and various properties.

Under residual arrangements, the Council received £0.323m (£0.387m in 2021/22) from Halton Housing Trust for the sale of homes during the year, and a further £0.002m (£0.143m in 2021/22) under VAT Shelter arrangements.

17. Non-Current Assets, Property, Plant and Equipment

Movements during 2022/23

	Land and Buildings £000	Community Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2022/23 £000
Cost or Valuation						
As at 1st April 2022	**207,388**	**5,109**	**26,762**	**6,741**	**2,049**	**248,049**
Additions and Enhancements	542	477	1,396	861	4,264	**7,540**
Revaluations Recognised in the Revaluations Reserve	1,000	-	-	(24)	-	**976**
Revaluations Recognised in the Provision of Services	1,154	-	-	(701)	-	**453**
Derecognition – Disposals	(375)	-	(581)	(38)	-	**(994)**
Derecognition – Others	-	-	-	-	-	**-**
Assets Reclassified (to)/from held for sale	208	-	-	-	-	**208**
Other Movements	2	-	-	-	-	**2**
As at 31st March 2023	**209,919**	**5,586**	**27,577**	**6,839**	**6,313**	**256,234**
Depreciation						
As at 1st April 2022	**(5,378)**	**(2,548)**	**(21,360)**	**(113)**	**-**	**(29,399)**
Depreciation for the year	(6,698)	(191)	(1,479)	(109)	-	**(8,477)**
Depreciation written out to revaluation reserve	3,343	-	-	132	-	**3,475**
Depreciation written out to Surplus/Deficit on the Provision of Services	83	-	-	2	-	**85**
Derecognition – Disposals	75	-	574	-	-	**649**
Derecognition – Other	-	-	-	-	-	**-**
Other movements in depreciation	-	-	-	-	-	**-**
As at 31st March 2023	**(8,575)**	**(2,739)**	**(22,265)**	**(88)**	**-**	**(33,667)**
Balance Sheet Amount as at 31st March 23	**201,344**	**2,847**	**5,312**	**6,751**	**6,313**	**222,567**
Balance Sheet Amount as at 1st April 22	**202,010**	**2,561**	**5,402**	**6,628**	**2,049**	**218,650**

Movements during 2021/22

	Land and Buildings £000	Community Assets £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Under Construction / Development £000	Total 2021/22 £000
Cost or Valuation						
As at 1st April 2021	**205,064**	**4,869**	**26,001**	**6,687**	**2,011**	**244,632**
Additions and Enhancements	1,168	226	1,118	-	626	**3,138**
Revaluations Recognised in the Revaluations Reserve	1,668	14	-	1,394	-	**3,076**
Revaluations Recognised in the Provision of Services	(784)	-	-	(95)	-	**(879)**
Derecognition – Disposals	(124)	-	(357)	(453)	-	**(934)**
Derecognition – Others	-	-	-	-	-	**-**
Assets Reclassified (to)/from held for sale	-	-	-	(1,437)	-	**(1,437)**
Other Movements	396	-	-	645	(588)	**453**
As at 31st March 2022	**207,388**	**5,109**	**26,762**	**6,741**	**2,049**	**248,049**
Depreciation						
As at 1st April 2021	**(5,267)**	**(2,356)**	**(19,645)**	**(70)**	**-**	**(27,338)**
Depreciation for the year	(7,017)	(192)	(2,068)	(65)	-	**(9,342)**
Depreciation written out to revaluation reserve	6,588	-	-	22	-	**6,610**
Depreciation written out to Surplus/Deficit on the Provision of Services	318	-	-	-	-	**318**
Derecognition – Disposals	-	-	353	-	-	**353**
Derecognition – Other	-	-	-	-	-	**-**
Other movements in depreciation	-	-	-	-	-	**-**
As at 31st March 2022	**(5,378)**	**(2,548)**	**(21,360)**	**(113)**	**-**	**(29,399)**
Balance Sheet Amount as at 31st March 22	**202,010**	**2,561**	**5,402**	**6,628**	**2,049**	**218,650**
Balance Sheet Amount as at 1st April 21	**199,797**	**2,513**	**6,356**	**6,617**	**2,011**	**217,294**

Highways Infrastructure Assets

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2021/22	**2022/23**
	£000	**£000**
Infrastructure Assets		
Net book value (modified historical cost)		
At 1st April	**640,649**	**626,360**
Additions	9,934	11,769
Derecognition	-	-
Depreciation	(17,730)	(18,036)
Impairment	-	-
Other movements in cost	(6,493)	-
At 31st March	**626,360**	**620,093**
Service Concession Assets		
(included in Infrastructure Assets)		
Net book value		
At 1st April	**446,540**	**439,243**
Additions	-	-
Derecognition	-	-
Depreciation	(7,297)	(7,297)
Impairment	-	-
Other movements in cost	-	-
At 31st March	**439,243**	**431,946**

	2021/22 Restated £000	2022/23 £000
Infrastructure Assets	626,360	620,093
Other PPE Assets	218,650	222,567
Total PPE Assets	**845,010**	**842,660**

Due to an error in the 2021/22 financial statements, the above table has been restated to correctly balance to the Property Plant & Equipment total on the Balance Sheet

The authority has determined in accordance with Regulation 30M England of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

Depreciation

Depreciation is calculated on a straight-line basis and the following useful lives and depreciation rates have been used:

Buildings and Other Operational Properties	10-60 years
Community Assets	15 years
Infrastructure Assets	15-120 years
Vehicles, Plant and Equipment	3-10 years
Intangible Assets	5 years

Capital Commitments

At 31st March 2023, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment.

The major commitments are:

Widnes Leisure Centre	£26.22m
Runcorn Busway	£5.46m
Fleet Vehicles	£1.52m
East Runcorn Connectivity pre-development	£0.78m
Green Cycle / Walk Corridors	£0.11m
Open Spaces Schemes	£0.11m

At 31st March 2023 the capital commitments totalled £34.05m (£4.12m at 31 March 2022).

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every 5 years, moving to revaluations every 3 years over the next year. A mixture of revaluations from each of the below categories are valued each year. Valuations were carried out by Sanderson Weatherall LLP and by the Council's in-house valuer Louise Risk MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.

- Corporate Properties
- Children's centres, Children's homes and miscellaneous properties, land and open spaces
- Day care centres, homes, leisure centres, sports fields and changing rooms, allotments, community centres, libraries and cemeteries
- Nursery, infant, junior, primary, secondary, special and PRU schools.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Assets which were subject to a revaluation in 2022/23 are dated the 31 March 2023. The valuation report which is used in the preparation of the Council's Statement of Accounts takes account of all known events throughout 2022/23 which could subsequently affect the asset's value and is therefore dated the 31 March 2023.

The assets shown by year of valuation are shown in the table below:

	Other Land & Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant & Equipment	Surplus	Under Construction / Development	Total
	£000	£000	£000	£000	£000	£000	£000
Valued at current value as at:							
31 March 2023	46,835				789		**47,624**
31 March 2022	93,359				5,040		**98,399**
31 March 2021	26,539				491		**27,030**
31 March 2020	33,549				188		**33,737**
31 March 2019	1,062				243		**1,305**
Valued at Historic Cost		2,847	620,093	5,312		6,313	**634,565**
Total	**201,344**	**2,847**	**620,093**	**5,312**	**6,751**	**6,313**	**842,660**

Land & Buildings

Non-specialised property is valued at Fair Value – Existing Use Value. Specialised Property is valued on the basis of Depreciated Replacement Costs.

Community Assets

This group includes parks, cemetery land and other identifiable assets held in perpetuity, usually at Depreciated Historical Cost.

Infrastructure

These are included on the balance sheet at Depreciated Historical Cost in accordance with the guidelines contained in the RICS Appraisal and Valuation Standards.

Vehicles, Plant and Equipment

The majority of the Council's plant and equipment is included in the valuation of the buildings. The vehicles and other equipment are valued at Depreciated Historical Cost.

Intangible Assets

This group consists mainly of software licences for computer systems held at Depreciated Historical Cost.

Surplus Assets

Assets held for sale have strict criteria to be met before any assets can be included under this heading. Where assets are not in use but do not meet the criteria, they are accommodated within surplus assets. They are held at highest and best use value.

Assets under Construction/Development

These schemes are held temporarily on the balance sheet at Historic Cost until the asset is completed, when it is replaced with a formal valuation.

Fair Value Hierarchy for Investment Properties, Surplus Assets and Assets Held for Sale

Investment Properties, Surplus Assets and Assets Held for Sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (see Statement of Accounting Policies 9 – Fair Value)

Valuation Techniques Used to Determine Level 2 Fair Values.

The fair value of Investment Properties, Surplus Assets and Assets Held for Sale have been measured using a market approach, which takes into account quoted prices for the existing or similar assets in active markets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants, and data and market knowledge gained in managing the Council's Asset portfolio. This information is contained within the Valuation Assumptions and Evidence note agreed between the authority's Asset Manager and professional staff. Market conditions are such that similar properties are actively purchased and sold and the level of observable inputs are significant, leading to the properties being categorised as Level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for Investment Properties, Surplus Assets or Assets Held for Sale.

Highest and Best Use

In estimating the fair value of the Council’s Investment Properties, the highest and best use is their current use, though Assets Held for Sale have been valued taking their development potential into account.

De-minimis Assets

At 31st March 2023, the Council had 63 assets with a total value of £0.627m that were not recorded on the Balance Sheet as they fell below its de-minimis level of £35,000.

18. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council:

	2021/22			2022/23		
	Civic Regalia £000	Outdoor Sculpture £000	Total £000	Civic Regalia £000	Outdoor Sculpture £000	Total £000
Cost or Valuation						
1st April	**858**	**433**	**1,291**	**858**	**552**	**1,410**
Additions	-	119	**119**		15	**15**
Disposals	-	-	-			
Revaluations	-	-	-			
Impairment Losses/(Reversals) Recognised in the Revaluation Reserve	-	-	-			
Impairment Losses/(Reversals) Recognised in the Surplus or Deficit on the Provision of Services	-	-	-			
31st March	**858**	**552**	**1,410**	**858**	**567**	**1,425**

Other Heritage Assets

For the following Heritage Assets, no valuation is held as the records for the cost of acquisition / construction are no longer available, and they are not insured as individual items so are not recorded on the Council's balance sheet. Although these assets have a cultural significance to the local community, they are not considered to have a material financial value.

War Memorials
The Council has two war memorials, one in Runcorn on Moughland Lane and the other in Widnes in Victoria Park.

Duck Decoy (Hale Village)
The Duck Decoy in Hale Village has been restored for use as a nature reserve with assistance from the Heritage Lottery Fund

Outdoor Works of Art
A metal sculpture called Spire in Church Street, Runcorn and works of art on Runcorn Promenade and within sets of railings and panels around Halton Castle.

Halton Castle
One of only two Norman Castles remaining in Cheshire, managed on behalf of the Council by Norton Priory Museum Trust.

19. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2021/22 £000		2022/23 £000
(44)	Rental Income from Investment Property	(44)
16	Direct Operating Expenses from Investment Property	21
(28)		**(23)**

Investment Properties are not directly involved in the delivery of a service and are valued annually.

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no obligations to purchase, construct or develop investment property or undertake repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2021/22 £000	2022/23 £000
Balance at the start of the year	**806**	**1,344**
Additions:		
- Purchases	-	-
- Construction	-	-
- Subsequent expenditure	-	-
Disposals	-	-
Net gain/(losses) from fair value adjustments	(52)	-
Transfers:	-	-
- (To)/from Inventories	-	-
- (To)/from Property, Plant and Equipment	590	-
Other changes	-	-
	1,344	**1,344**

For details of the fair value valuations used for Investment Properties, see Note 17.

20. Intangible Assets

The Council accounts for its software as intangible assets, with the exception of software which is an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All software is given a finite life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 5 years.

The carrying amounts of intangible assets are amortised on a straight-line basis. The amortisation of £0.194m charged to revenue in 2022/23 was charged to various cost centres and then absorbed as an overhead across all service headings in the Net Expenditure of Continuing Operations.

The movement on Intangible Asset balances during the year is as follows:

	2021/22 **£000**	**2022/23** **£000**
Balance at start of year:		
Gross carrying amounts	9,668	9,859
Accumulated amortisation	(8,906)	(9,227)
Net carrying amount at start of year	**762**	**632**
Additions:		
Purchases	191	288
Amortisation for the period	(321)	(194)
Net carrying amount at end of year	**632**	**726**
Comprising:		
Gross carrying amounts	9,859	10,147
Accumulated amortisation	(9,227)	(9,421)
	632	**726**

21. Assets Held for Sale

	2021/22 £000	2022/23 £000
Balance outstanding at start of Year	**6,060**	**12,946**
Assets newly classified as held for sale:		
- Property, Plant and Equipment	6,886	-
- Intangible Assets	-	-
Revaluation Losses	-	-
Revaluation Gains	-	-
Impairment Losses	-	-
Assets declassified as held for sale:	-	-
- Property, Plant and Equipment	-	(208)
- Intangible Assets	-	-
Assets Sold	-	(510)
Transfers from non-current to current	-	-
Other Movements	-	1
Balance outstanding at year-end	**12,946**	**12,229**

For details of the fair value valuations used for Assets Held for Sale, see Note 17.

Please note all Assets Held for Sale are due to be sold within a year and are shown as Current Assets on the Balance Sheet.

22. Investments

Investments in Associates and Joint Ventures are shown below:

	31/03/2022 £000	31/03/2023 £000
Associates and Joint Ventures		
Daresbury SIC LLP (25% equity shares)	5,102	4,869
	5,102	**4,869**

Copies of the accounts for Daresbury SIC LLP are available from Companies House (gov.uk/get-information-about-a-company)

Long-Term Investments consist of:

Subsidiaries	**31/03/2022 £000**	**31/03/2023 £000**
Mersey Gateway Share Capital - de minimis	-	-
	-	**-**
Other Long Term Investments		
Municipal Bonds Agency	10	10
CCLA Property Fund	10,619	8,869
Long Term Deposits	10,700	16,700
	21,329	**25,579**
Total Long Term Investments	**21,329**	**25,579**

Short-term investments consist of:

	31/03/2022 £000	**31/03/2023 £000**
UK Banks & Building Societies		
Santander	20,000	20,000
Goldman Sachs	15,000	5,000
Non-UK Banks		
Australia and New Zealand Banking Group	5,000	-
Toronto Dominion Bank	10,000	10,000
Landesbank Hessen-Thüringen	5,000	-
Bank of Montreal	-	10,000
Local Authorities		
Thurrock Council	30,000	-
Cambridgeshire County Council	-	5,000
Slough Borough Council	10,000	10,000
Warrington Borough Council	5,000	-
Gloucester City Council	-	5,000
Interest accrued on investments 31st March	121	845
	100,121	**65,845**

23. Debtors

	Gross Debtors	Impairment	Net Debtors	Gross Debtors	Impairment	Net Debtors
	31/03/2022			31/03/2023		
Short Term	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Mersey Gateway						
- Toll and registration fees	1,331	(1,070)	**261**	1,870	(1,702)	**168**
- Public charge notices	14,933	(12,431)	**2,502**	23,425	(21,758)	**1,667**
VAT	4,886	-	**4,886**	3,280	-	**3,280**
Other receivable amounts	23,229	(4,145)	**19,084**	38,273	(5,294)	**32,979**
Prepayments	2,148	-	**2,148**	2,663	-	**2,663**
Local Taxation	18,241	(13,924)	**4,317**	19,427	(14,683)	**4,744**
	64,768	**(31,570)**	**33,198**	**88,938**	**(43,437)**	**45,501**
Long Term						
Other receivable amounts	13,550	-	**13,550**	13,012	-	**13,012**
	13,550	**-**	**13,550**	**13,012**	**-**	**13,012**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	31/03/2022	31/03/2023
	£000	**£000**
Less than one year	2,211	2,363
one to two years	803	991
two to three years	524	542
three to four years	320	364
four to five years	218	243
five years and above	241	241
	4,317	**4,744**

24. Cash and Cash Equivalents

	31/03/2022	31/03/2023
	£000	**£000**
Cash held by the Council	60	53
Bank current accounts	1,818	2,290
Short-term deposits	11,449	9,818
	13,327	**12,161**

25. Creditors

	31/03/2022	31/03/2023
	£000	**£000**
Mersey Gateway		
- Payment to toll collection company	(1,751)	(2,203)
- Payment of unitary charge	(6,694)	(6,378)
- Construction costs	(27)	(10)
Short term element of long term liabilities	(7,324)	(7,941)
Other payable amounts	(56,109)	(44,470)
	(71,905)	**(61,002)**

26. Borrowings

Short-term borrowings consist of:

	31/03/2022 £000	31/03/2023 £000
Source of loans:		
Lancaster City Council	-	(5,000)
Ashfield District Council	-	(5,000)
West Midlands Combined Authority	-	(5,000)
Interest accrued on borrowing	(618)	(760)
	(618)	**(15,760)**

Long-term borrowings consist of:

	31/03/2022 £000	31/03/2023 £000
Source of loans:		
Public Works Loan Board	(162,000)	(162,000)
Commerzbank	(10,000)	(10,000)
	(172,000)	**(172,000)**
Analysis of loans by maturity:		
Maturing in 1-2 years	-	-
Maturing in 2-5 years	-	-
Maturing in 5-10 years	-	-
Maturing in more than 10 years	(172,000)	(172,000)
	(172,000)	**(172,000)**

27. Provisions

	Short Term				Long Term
	NNDR Appeals £000	Insurance Provision £000	Other Provisions £000	Total £000	NNDR Appeals £000
Balance at 1st April 2022	**(1,787)**	**(1,532)**	**(354)**	**(3,673)**	**(4,867)**
Movement in use of provision in year	800	281	-	**1,081**	3,877
Amounts reclassified as <12 months				-	
Amounts reclassified from >12 months				-	
Balance at 31st March 2023	**(987)**	**(1,251)**	**(354)**	**(2,592)**	**(990)**

NNDR Appeals

The Council is required to make a provision for NNDR valuation appeal claims. It is assumed that appeals outstanding on the 2010 list will be settled in 2023/24.

Insurance Provision

The Council have a number of insurance claims outstanding in relation to employers' liability and public liability claims. The provision shown above reflects the expected cost to the Council, up to the value of the excess for each claim. It is assumed that all claims will be settled during 2023/24.

28. Contingent Liabilities

At 31st March 2023, the Council had two categories of material Contingent Liabilities:

Mersey Gateway

The Mersey Gateway project is a major capital scheme which saw the completion of the new six lane toll bridge over the river Mersey. The bridge opened in October 2017. The new bridge provides a multitude of economic and regional benefits whilst relieving the congested and ageing Silver Jubilee Bridge.

Under Part 1 of the Land Compensation Act 1973 the Council has received claims from a number of residential properties in the proximity of the Mersey Gateway and relevant project roads. The obligation cannot be measured with sufficient reliability although the Council are estimating a potential cost of between £2m and £3.5m for dealing with such claims.

Town and Country Planning Act 1990

Under the Town and Country Planning Act 1990, participants in planning appeals can apply for costs against other parties. The Council have received two applications for the award of costs. The Council are defending the claims and a final decision is yet to be made. No details have been provided on the actual costs participants are claiming but based on historical cases it is estimated these costs will be in the region of £650,000.

29. Other Long-Term Liabilities

	31/03/2022 £000	31/03/2023 £000
Defined Benefit Pension liability	(91,204)	-
Finance PFI Lease liability due more than 12 months	(17,169)	(16,551)
Mersey Gateway unitary charge due more than 12 months	(336,188)	(328,862)
Deferred liabilities	(29)	(29)
	(444,590)	**(345,442)**

30. Leases

Operating Leases – Authority as Lessee

The Council has acquired a number of properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31/03/2022 £000	31/03/2023 £000
Not later than one year	205	169
Later than one year and not later than five years	589	584
Later than five years	9,815	9,670
	10,609	**10,423**

Operating Leases - Authority as a Lessor

The Council leases out property under operating leases to supplement the Council's income, to allow short-term use of assets being retained for longer term asset strategy and to allow the use of the Council assets by the third sector.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31/03/2022 £000	31/03/2023 £000
Not later than one year	1,612	1,495
Later than one year and not later than five years	1,957	1,707
Later than five years	7,991	8,854
	11,560	**12,056**

Finance Leases - Authority as a Lessor

The authority leases buildings in Venture Fields and Daresbury SciTech. The authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years while the debtor remains outstanding. The gross investment is made up of the following amounts:

	31/03/2022 £000	31/03/2023 £000
Finance lease debtor (net present value of minimum lease payments)		
- Current	526	539
- Non Current	10,858	10,319
Unearned Finance income	2,837	2,552
Gross investment in the lease	**14,221**	**13,410**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the lease		Minimum Lease Payments	
	31/03/2022 £000	31/03/2023 £000	31/03/2022 £000	31/03/2023 £000
Not later than one year	810	810	810	810
Later than one year and not later than five years	3,238	3,238	3,238	3,238
Later than five years	10,173	9,363	10,173	9,363
	14,221	**13,411**	**14,221**	**13,411**

As the Council is unaware of any financial circumstances that might result in lease payments not being made, there has been no provision set aside for uncollectable amounts. This will be reviewed on an annual basis.

31. Private Finance Initiatives and Similar Schemes

Halton Grange School PFI Scheme

On 20th June 2011 the Council entered into a 25-year Private Finance Initiative (PFI) arrangement with HTP Grange Ltd for the provision of 1 new high school. There is a 25-year PFI contract for the construction, maintenance, and facilities management of Grange School. The new school building was handed over to the Council on 15th April 2013 and on 1st January 2018 the school converted to an academy.

The Grange PFI School was removed from the Council's Property Plant and Equipment during 2017/18 at a cost of £21.4m. As the Council is party to the contract with the PFI Operator, the PFI liability is retained on the Council's Balance Sheet and the income from the Academy school is recognised to reduce the overall charge in the year.

The contract specifies minimum standards for the services provided by the contractor to the school. The contractor took on the obligation to construct the school and maintain it in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the school. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council only has rights to terminate the contract if it compensates the contractor in full for the costs incurred and future profits that would have been generated over the remaining term of the contract.

Payments

The Council makes an agreed payment each year which is increased annually by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year, but which is otherwise fixed.

Payments remaining to be made under the PFI contract at 31st March 2023 (excluding any estimation of inflation and availability/performance deductions) are as follows:

	Payment for Services £000	**Reimbursements of Capital Expenditure £000**	**Interest £000**	**Total £000**
Payment in 2023/24	2,047	616	1,473	4,136
Payable within 2-5 years	8,139	3,081	5,324	16,544
Payable within 6-10 years	10,346	5,435	4,899	20,680
Payable within 11-15 years	10,447	8,030	2,203	20,680
Total	**30,979**	**17,162**	**13,899**	**62,040**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value for the services they provide, the capital expenditure incurred and interest payable. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2021/22 £000	2022/23 £000
Balance outstanding at 1st April	**18,205**	**17,720**
Payments during the year	(485)	(558)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31st March	**17,720**	**17,162**

The carrying value of the PFI liability is the present value of the payments due using the interest rate implicit in the contract.

Mersey Gateway – Unitary Payments

On 13th October 2017 the Mersey Gateway Bridge opened. The project was funded through a mixture of capital payments from Halton Borough Council and monthly unitary charge payments to Merseylink paid using the toll income raised. Unitary Charge payments cover the costs of construction and ongoing maintenance of the bridge for a period of 27 years.

The Mersey Gateway Bridge is recognised in Infrastructure Assets on the Council's Balance Sheet. Movements in the value of the Mersey Gateway over the year are detailed in the analysis of the movement on the property, plant and equipment balance in Note 17.

The Project Company took on the obligation to construct the bridge and associated roads and maintain them in a minimum acceptable condition. At the end of the contract the assets will be handed back to the Council for nil consideration. Full details of the requirement to achieve acceptable handback condition are in the Project Agreement. The Council has rights to terminate the contract if it compensates the contractor in full as detailed in the Project Agreement. There are also provisions for termination by either party for certain breaches of performance.

Payments

The Council makes an agreed payment each month to Merseylink which is increased annually by inflation and can be reduced if traffic flows fall below an agreed level.

Payments remaining to be made under the scheme at 31st March 2023 (excluding any deductions) are as follows:

	Payment for Services £000	Reimbursements of Capital Expenditure £000	Interest £000	Total £000
Payment in 2023/24	8,796	7,326	25,566	41,688
Payable within 2-5 years	33,666	37,581	95,505	166,752
Payable within 6-10 years	48,667	58,214	101,558	208,439
Payable within 11-15 years	50,866	81,892	75,683	208,441
Payable within 16-20 years	48,830	121,301	38,309	208,440
Payable within 21-25 years	10,082	29,874	1,732	41,688
Total	**200,907**	**336,188**	**338,353**	**875,448**

Please note the services element of the contract is calculated using the estimated costs over the life of the agreement.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred, and interest payable. The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2021/22 £000	2022/23 £000
Balance outstanding at 1st April	**349,472**	**342,955**
Payments during the year	(6,517)	(6,767)
Capital expenditure incurred in the year	-	-
Balance outstanding at 31st March	**342,955**	**336,188**

32. Pension Schemes

Disclosure of Net Pensions Asset/Liability

Participation in pension schemes

As part of the terms and conditions of employment of its officers and other employees, the Council makes contributions towards the cost of post-employment retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their entitlement.

The Council participates in three pension schemes, all of which offer defined benefit schemes:

The Local Government Pension Scheme administered by Cheshire West and Chester Council - this is a funded career average revalued earnings (CARE) defined benefit scheme, meaning that the Council and its employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The principal risks to the authority of the scheme are the longevity assumptions, changes to inflation, bond yields, the performance of the equity investments held, and any significant statutory or structural changes to the scheme. The risks are, in part, mitigated by the annual process of charging to the General Fund any increase/decrease in the net asset or liability, as identified in the actuarial valuation.

The Teachers' Pension Scheme – this is a centralised scheme administered by Teachers' Pensions Agency. Although the scheme is unfunded, the Agency uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities.

The NHS Pension Scheme relates to 24 employees. The scheme operates on a similar basis to the Teachers' pension scheme.

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

In 2022/23, the Council paid an employer's contribution to the Cheshire Pension Fund of £14.214m (£13.250m in 2021/22).

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the General Fund Balance via the Movement in Reserves Statement during the year.

Following the revaluation by our actuary it was determined that the fair value of the pension plan asset outweighed the present value of the plan obligations as at 31st March 2023, which resulted in a plan asset. IAS19 Employee Benefits requires that, where a pension asset exists, it is measured at the lower of the surplus in the defined benefit plan, and the asset ceiling. The calculation was completed by the actuaries and it was determined that the asset ceiling is nil. An adjustment has been added to notes below to reflect this.

	2021/22	2022/23
Comprehensive Income & Expenditure Statement		
Cost of Services	**£000**	**£000**
Current service costs	33,177	31,669
Past service costs/(gain)	246	-
Losses/(gains) from settlements	(396)	-
Finance & Investment Income & Expenditure		
Net interest expense	3,575	2,690
Total Post-Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**36,602**	**34,359**
Other Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Return on plan assets (excluding the amount included in the net interest expense)	(36,314)	86,611
Actuarial (gains) and losses arising on changes in demographic assumptions	(5,202)	(10,438)
Actuarial (gains) and losses arising on changes in financial assumptions	(60,932)	(302,110)
Other experience	1,614	18,341
Asset ceiling adjustment	-	101,397
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**(100,834)**	**(106,199)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	**(36,601)**	**(34,359)**
Actual amount charged against the General Fund Balance for pensions in the year:		
Contributions in respect of unfunded benefits	**420**	**408**
Employers' contributions payable to scheme	**13,250**	**14,214**

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	2021/22	2022/23
	£000	**£000**
Present value of funded liabilities	(829,364)	(569,402)
Present value of unfunded liabilities	(5,763)	(4,741)
Fair value of plan assets	743,923	569,399
Sub Total	**(91,204)**	**(4,744)**
Other movement in the asset / liability	-	-
Net asset / (liability) arising from defined benefit obligation	**(91,204)**	**(4,744)**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	2021/22	2022/23
	£000	**£000**
Opening fair value of scheme assets	696,761	743,923
Interest income	13,903	20,061
Remeasurement gain / (loss)	-	(5,782)
The return on plan assets, excluding the amount included in the net interest expense	36,314	(86,611)
Contributions from employer	13,250	14,214
Contributions from employees into the scheme	4,192	4,496
Benefits Paid	(19,572)	(19,505)
Effect of Settlements	(925)	-
Asset ceiling adjustment	-	(101,397)
Closing fair value of scheme assets	**743,923**	**569,399**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation).

	2021/22 £000	2022/23 £000
Opening balance at 1 April	**(865,870)**	**(835,127)**
Current service cost	(33,177)	(31,669)
Interest cost	(17,478)	(22,751)
Contribution from scheme participants	(4,192)	(4,496)
Remeasurement (gains) and losses:		
- Actuarial gains / losses arising from changes in demographic assumptions	5,202	10,438
- Actuarial gains / losses arising from changes in financial assumptions	60,932	302,110
- Other	(1,614)	(12,561)
Past service cost	(246)	-
Benefits paid	19,995	19,913
Liabilities extinguished on settlements	1,321	-
Closing balance at 31 March	**(835,127)**	**(574,143)**

Local Government Pension Scheme assets comprised:

	Fair value of scheme assets 2021/22			Fair value of scheme assets 2022/23		
	Quoted prices in active markets £000	Unquoted prices not in active markets £000	Total £000	Quoted prices in active markets £000	Unquoted prices not in active markets £000	Total £000
Cash and cash equivalents	**-**	**44,131**	**44,131**	**-**	**29,557**	**29,557**
Equity securities						
- Consumer	11,128	-	11,128	3,037	-	3,037
- Manufacturing	9,295	-	9,295	3,101	-	3,101
- Energy & utilities	537	-	537	-	-	-
- Financial institutions	4,967	-	4,967	-	-	-
- Health & care	4,398	-	4,398	1,052	-	1,052
- Information technology	40,124	-	40,124	17,252	-	17,252
- Other	5,912	-	5,912	2,184	-	2,184
Sub-total equity	**76,361**	**-**	**76,361**	**26,626**	**-**	**26,626**
Debt securities						
- Corporate bonds	-	-	-	-	-	-
- Government bonds	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Sub-total bonds	**-**	**-**	**-**	**-**	**-**	**-**
Property						
- UK property	-	51,716	51,716	-	55,887	55,887
- Overseas property	-	860	860	-	888	888
Sub-total property	**-**	**52,576**	**52,576**	**-**	**56,775**	**56,775**
Private Equity	**-**	**36,962**	**36,962**	**-**	**46,753**	**46,753**
Other investment funds						
- Equities	153,371	-	153,371	198,251	-	198,251
- Bonds	228,992	79,787	308,779	160,005	75,776	235,781
- Hedge funds	-	43,523	43,523	-	44,548	44,548
- Infrastructure	-	90	90	-	4,431	4,431
- Other	-	28,130	28,130	-	28,074	28,074
Sub-total investment funds	**382,363**	**151,530**	**533,893**	**358,256**	**152,829**	**511,085**
Total Assets	**458,724**	**285,199**	**743,923**	**384,882**	**285,914**	**670,796**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries.

The principal assumptions used by the actuary are shown below:

	2021/22	**2022/23**
Mortality Assumptions		
Longevity at 65 for current pensioners:		
- Men	21.2 years	21.3 years
- Women	23.8 years	23.7 years
Longevity at 65 for future pensioners:		
- Men	22.1 years	22.3 years
- Women	25.5 years	25.5 years
Rate of inflation	3.2%	3.0%
Rate of increase in salaries	3.9%	3.7%
Rate of increase in pensions	3.2%	3.0%
Rate for discounting scheme liabilities	2.7%	4.8%
Take-up of option to convert annual pension into retirement lump sum		
- Service to April 2008	50%	65%
- Service from April 2008	75%	65%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis overleaf did not change from those used in the previous period.

Change in assumptions at 31 March 2023	Approximate % increase to Defined Benefits Obligation	Approximate monetary amount £000
0.1% decrease in Real Discount Rate	2%	9,989
1 year increase in Member Life Expectancy	4%	22,859
0.1% increase in the Salary Increase Rate	0%	1,189
0.1% increase in the Pension Increase Rate	2%	8,945

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 20 years following the last valuation. Funding levels are monitored on an annual basis and the next triennial valuation is due to be completed on 31st March 2025.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31st March 2014 (or service after 31st March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The authority is anticipated to pay contributions of £14.556m to the scheme in 2023/24.

The weighted average duration of the defined benefit obligation for scheme members is 18 years in 2022/23 (19 years in 2021/22).

Further information can be found in Cheshire West and Chester Council's Pension Funds Annual Report, which is available from Cheshire Pension Fund, Cheshire West and Chester Council, 4 Civic Way, Ellesmere Port, CH65 0BE.

Teachers' Pension Scheme

Defined Contribution Scheme

In 2022/23, the Council paid an employers' contribution to the Teachers' Pension Agency of £6.106m (£6.347m in 2021/22) in respect of teachers' pension costs. The contribution rate for 2022/23 was 23.7% (23.7% in 2021/22) of teachers' pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by Local Education Authorities. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the statement of accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The Council is responsible for any additional benefits granted upon early retirement, outside the standard terms of the scheme. For the year 2022/23 the cost was £0.431m (£0.476m in 2021/22).

NHS Pension Scheme

Defined Contribution Scheme

In 2022/23 the Council paid an employers' contribution to the National Health Service Pension Scheme in respect of 24 employees, the amount paid was £0.153m (£0.146m in 2021/22) in respect of these former NHS employees' pension costs. The contribution rate was 14.4% (14.4% in 2021/22) of pensionable pay.

The scheme is a defined benefit scheme. Although the scheme is unfunded, the NHS use a notional fund as the basis for calculating the employers' contribution rate paid by local authorities.

It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

33. Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Long Term 31/03/2022 Restated £000	Current 31/03/2022 Restated £000	Long Term 31/03/2023 £000	Current 31/03/2023 £000
Fair value through profit and loss	10,619	-	8,868	-
Amortised cost				
- Investments	10,700	100,121	16,701	65,845
- Debtors	13,550	22,254	13,012	34,673
- Cash & Cash Equivalents	-	13,327	-	12,161
Fair value through other comprehensive income				
- Designated equity instruments	10	-	10	-
- Other	5,102	-	4,869	-
Total financial assets	**39,981**	**135,702**	**43,460**	**112,679**
Assets not defined as financial instrruments	848,396	24,286	942,808	23,464
Total assets	**888,377**	**159,988**	**986,268**	**136,143**

Please note that the prior year figures in the table above have been restated to include a reconciliation to the asset totals on the Balance Sheet as at 31 March 2022.

Financial Liabilities

	Long Term 31/03/2022 Restated £000	Current 31/03/2022 Restated £000	Long Term 31/03/2023 £000	Current 31/03/2023 £000
Financial Liabilities at amortised cost				
- Borrowings	(172,000)	(618)	(172,000)	(15,760)
- Finance lease liabilities and PFI	(17,167)	(558)	(16,551)	(616)
- Mersey Gateway Unitary Charge	(336,188)	(6,766)	(328,862)	(7,326)
- Creditors	-	(57,093)	-	(48,056)
Fair Value through profit or loss	-	-		
Total financial liabilities	**(525,355)**	**(65,035)**	**(517,413)**	**(71,758)**
Liabilities not defined as financial instruments	(110,106)	(20,561)	(1,019)	(23,213)
Total liabilities	**(635,461)**	**(85,596)**	**(518,432)**	**(94,971)**

Please note that the prior year figures in the table above have been restated to include a reconciliation to the liabilities totals on the Balance Sheet as at 31 March 2022.

Financial Instruments Designated at Fair Value through Profit or Loss

The Council's investment in the CCLA Property Fund has been disclosed at Fair Value through Profit or Loss and is valued at £8.869m at 31st March 2023 (£10.619m at 31st March 2022).

The valuation is based on the net asset value provided by CCLA at 31st March 2023.

As the property fund has been designated at Fair Value through Profit or Loss, the changes in the valuation would have a direct impact on the General Fund Balance, but to comply with the IFRS statutory override from 2022/23 any unrealised gains or losses since the acquisition of the fund units has been moved to the Pooled Investment Fund Adjustment Account. Further details can be found in Note 37.

Investments in Equity Instruments Designated at Fair Value through Other Comprehensive Income

The Council holds a 25% equity holding in Daresbury SIC LLP, valued at a net asset value of £4.869m at 31st March 2023 (£5.102m at 31st March 2022).

The Council also holds a £0.010m shareholding in the Municipal Bonds Agency, which is valued at cost based on materiality.

Income, Expense, Gains and Losses

	2021/22		2022/23	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net (gains)/losses on:				
Financial assets measured at fair value through profit or loss	(907)	-	1,750	-
Financial assets measured at fair value through other comprehensive income	-	(2,189)	-	233
Interest revenue				
Financial assets measured at amortised cost	(1,459)	-	(2,221)	-
Financial assets measured at fair value through profit or loss	(162)	-	(369)	-
Interest expense	34,352	-	34,065	-
Net Gain/(Loss)	**31,824**	**(2,189)**	**33,225**	**233**

Fair Values of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring fair value measurements	Input level in fair value hierarchy £000	Valuation technique used to measure fair value £000	31/03/2022 £000	31/03/2023 £000
Fair Value through Profit or Loss: CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	10,619	8,869
Fair Value through Other Comprehensive Income & Expenditure:				
Daresbury SIC LLP	Level 2	Net Asset Valuation	5,102	4,869
Municipal Bonds Agency	Level 3	At Cost	10	10

There have been no transfers between input levels during the year, and no change in the valuation technique used.

The Fair Values of Financial Assets and Financial Liabilities that are not Measured at Fair Value (but for which Fair Value disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- Estimated ranges of interest rates at 31st March 2023 for loans from PWLB and other loans receivable and payable, based on new lending rates for equivalent loans at that date.
- No early repayment or impairment is recognised for loans or investments.
- Short Term Investments, Cash and Cash Equivalents are held at carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount less a provision for impairment.
- Short-term creditors are carried at cost.

The fair values are shown below:

	2021/22		2022/23	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets - short-term	**£000**	**£000**	**£000**	**£000**
Investments - loans and receivables	100,121	100,084	65,845	65,808
Cash and Cash Equivalents	13,327	13,327	12,161	12,161
Debtors	22,254	22,254	34,673	34,673
Financial Assets - long-term				
Investments	10,700	10,550	16,701	16,347
Debtors	13,550	13,641	13,012	13,012
Fair Value through profit and loss	10,619	10,619	8,868	8,868
Fair Value through other comprehensive income	5,112	5,112	4,879	4,879

Where the fair value of assets is higher than the carrying amount, this is because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at the 31st March 2023) attributable to the commitment to receive interest above current market rates.

Where the fair value is lower than the carrying amount, this is because the Council's portfolio of investments includes a number of fixed rate investments where the interest receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at the 31st March 2023) attributable to the commitment to receive interest below current market rates.

	2021/22		2022/23	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities - short-term	**£000**	**£000**	**£000**	**£000**
Borrowings	(618)	(618)	(15,760)	(15,760)
Finance lease liabilities & PFI	(558)	(558)	(616)	(616)
Mersey Gateway unitary charge	(6,766)	(6,766)	(7,326)	(7,326)
Creditors	(57,093)	(57,093)	(48,056)	(48,056)
Financial Liabilities - long-term				
Borrowings	(172,000)	(205,168)	(172,000)	(147,285)
Finance lease liabilities & PFI	(17,167)	(26,691)	(16,551)	(21,992)
Mersey Gateway unitary charge	(336,188)	(544,135)	(328,862)	(436,565)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31st March 2023) arising from a commitment to pay interest to lenders above current market rates.

Nature and Extent of Risks from Financial Instruments

The Council's activities expose it to a variety of financial risks:

Credit Risk – the possibility that other parties might fail to pay amounts due to the Council

Liquidity Risk – the possibility that the Council might not have enough funds available to meet its commitments to make payments

Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the treasury management section, under policies approved by the Council in the Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest risk, credit risk and the investment of surplus cash.

Fair Value

The Code requires that each class of financial asset and liability should disclose the "fair value" in a way that permits it to be compared with its carrying amount, as well as the method used in determining such fair values. The Council has used Link Asset Services, its treasury management advisors, to calculate these values and they have based the calculation on the appropriate PWLB rate for new loans as at 31st March 2023.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures from the Council's customers.

Risks are minimised through the Annual Investment Strategy by ensuring that cash deposits are only placed with financial institutions identified on the Council's Approved List of Counterparties that meet identified minimum credit criteria and imposes a maximum sum to be invested with a financial institution located within each category. This list was established as one of the series of controls recommended by the CIPFA Code of Practice on Treasury Management (the Code) which the Council has adopted. The Annual Investment Strategy is regularly reviewed, as is the approved counterparty list, to help minimise the Council's exposure to risk.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments held in banks and building societies of £54.818m cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all Council deposits, but there was no evidence at 31st March 2023 that this was likely to crystallise.

During the year the Council complied fully with the requirements laid out in the Code and no counterparty indicated any problem with repaying any deposit placed by the Council.

The counterparties on the Councils' list are grouped and ranked by a mixture of credit ratings and size, and are set out below:

Maximum Deposit per institution £000	**Counterparties**	**Exposure at 31/03/2023 £000**
40,000	UK Government	-
	UK Banks and Building Societies	
30,000	- Minimum Rating AAA	-
25,000	- Minimum Rating AA	9,550
20,000	- Minimum Rating A	25,268
10,000	- Minimum Rating BBB	-
	Foreign Banks (with Sovereign Rating of AAA)	
25,000	- Minimum Rating AAA	-
20,000	- Minimum Rating AA	20,000
10,000	- Minimum Rating A	-
	Money Market Funds	
20,000	- Minimum Rating AAA	-
10,000	Property Funds	8,869
40,000	Local Authorities	36,700
		100,387

The amount invested in the CCLA Property Fund is £10m, the value of which was £8.869m at 31st March 2023 (£10.619 at 31st March 2022).

The counterparties on the list are under constant assessment using a variety of sources including rating agencies and professional advice.

The following table analyses the Council's potential maximum exposure to credit risk on financial assets. The historical experience of default has been provided by Link Asset Services based on the rating of each institution.

	Amount outstanding at 31/03/2023 £000	Historical experience of default %	Estimated maximum exposure to default and non-collection at 31/03/2023 £000
Deposits with AA rated banks and building societies			
- 1 year and over	-	0.02	-
- under 1 year	29,550	0.00	-
Deposits with A rated banks and building societies			
- 1 year and over	-	0.05	-
- under 1 year	25,268	0.00	-
Deposits with other Local Authorities	36,700	0.00	-
Deposits with MMF	-	0.00	-
Deposits with property funds	8,869	0.00	-
	100,387		**-**

None of the Council's counterparties had any difficulty in repaying their liabilities during 2022/23. There has been no impairment of any financial assets during the course of the year. The Council does not anticipate any losses due to non-performance of its counterparties.

An analysis of the customer/client debt is shown below. As at 31st March 2023, £42.141m of this debt is overdue:

	31/03/2022 £000	**31/03/2023 £000**
Less than 3 months	10,194	9,004
3 to 6 months	3,238	6,557
6 months to 1 year	4,451	7,942
More than 1 year	11,137	18,835
	29,020	**42,338**
Provision for non-payment	(17,646)	(28,754)

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board (PWLB). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Council sets limits on the proportion of its fixed rate borrowing during specified periods.

The maturity analysis of financial liabilities is as follows.

	31/03/2022 **£000**	**31/03/2023** **£000**
Less than 1 year	65,035	71,758
Between 1 and 2 years	7,942	9,144
Between 2 and 5 years	29,894	31,524
More than 5 years	487,519	476,745
	590,390	**589,171**

Market Risk

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates can have a complex impact on the Council. For example, a rise in interest rates would have the following effects:

Borrowing at variable rates – the interest expense charged to the Comprehensive Income & Expenditure Statement will rise

Borrowing at fixed rates – the fair value of liabilities will fall (with no impact on revenue balances)

Investment at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

Investment at fixed rates – the fair value of assets will fall (with no impact on revenue balances)

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes to interest payable and receivable on variable rate borrowings and investments are posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, the treasury management section monitors interest rates within the year and adjusts exposures accordingly. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and fixed rate investments may be taken for longer periods to secure better long-term results. Similarly, the drawing of longer-term fixed rate borrowing would be postponed.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31/03/2023 **£000**
Increase in interest payable on short-term borrowings	43
Increase in interest receivable on short-term investments	(1,161)
	(1,118)

The impact of a 1% fall in interest rates would be as shown previously but with movements being reversed.

Price Risk

The Council has invested £10m in the CCLA property fund as at 31st March 2023. The price of the investment is subject to potential gains and losses based on market volatility. The investment is shown in the accounts at its value as at 31st March 2023 and any gains or losses relating to this investment are shown in the Comprehensive Income and Expenditure Statement but due to the IFRS statutory override there is no impact on the General Fund.

The Council has no other holdings that are subject to market volatility, an example of which would be shares traded on the equity market.

Foreign Exchange Risk

Other than £5k held in petty cash, the Council has no financial assets or liabilities, denominated in foreign currencies and thus has no exposure to loss or movement in exchange rates.

34. Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

(a) 2022/23

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(26,513)	-	-	**(26,513)**	**26,513**
Revaluation losses on Property, Plant and Equipment	(807)	-	-	**(807)**	**807**
Movements in the Market Value of Investment Properties	-	-	-	**-**	**-**
Amortisation of Intangible Assets	(194)	-	-	**(194)**	**194**
Capital Grants and Contributions applied	20,420		5,332	**25,752**	**(25,752)**
Revenue Expenditure Funded by Capital Under Statute	(7,936)	-	-	**(7,936)**	**7,936**
Amounts written off on disposal of Academies to CIES	-	-	-	**-**	**-**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	2,345	(3,725)	-	**(1,380)**	**1,380**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	9,904	-	-	**9,904**	**(9,904)**
Capital expenditure charged against the General Fund Balance	145	-	-	**145**	**(145)**
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	9,709	-	(9,709)	**-**	**-**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital Receipts Reserve					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	1,470	-	**1,470**	**(1,470)**
Use of Capital Receipts to reduce MRP liability	-	526	-	**526**	**(526)**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(34,359)	-	-	**(34,359)**	**34,359**
Employers pension contributions and direct payments to pensioners	14,622	-	-	**14,622**	**(14,622)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	6,007	-	-	**6,007**	**(6,007)**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration in accordance with statutory requirements	91	-	-	**91**	**(91)**
Pooled Investment Fund Adjustment Account					
Reversing the impact of CCLG Property Fund valuation on the General Fund	(1,131)	-	-	**(1,131)**	**1,131**
Dedicated Schools Grant Adjustment Account					
Reversing impact of overspent Dedicated Schools Grant on General Fund	(1,036)	-	-	**(1,036)**	**1,036**
TOTAL ADJUSTMENTS	**(8,733)**	**(1,729)**	**(4,377)**	**(14,839)**	**14,839**

(b) 2021/22

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves £000**	**Movement in Unusable Reserves £000**
Capital adjustment account reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment on non-current assets	(27,072)	-	-	**(27,072)**	**27,072**
Revaluation losses on Property, Plant and Equipment	(561)	-	-	**(561)**	**561**
Movements in the Market Value of Investment Properties	(52)	-	-	**(52)**	**52**
Amortisation of Intangible Assets	(321)	-	-	**(321)**	**321**
Capital Grants and Contributions applied	7,519	-	1,820	**9,339**	**(9,339)**
Revenue Expenditure Funded by Capital Under Statute	(7,938)	-	-	**(7,938)**	**7,938**
Amounts written off on disposal of Academies to CIES	(124)	-	-	**(124)**	**124**
Amounts of non-current assets written off on disposal or sale as gain/loss on disposal to the CIES	1,356	(2,323)	-	**(967)**	**967**
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of Capital investment	9,403	-	-	**9,403**	**(9,403)**
Capital expenditure charged against the General Fund Balance	124	-	-	**124**	**(124)**
Capital Grants Unapplied Account					
Capital Grants and Contributions unapplied credited to the CIES	9,377	-	(9,377)	**-**	**-**

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	**Movement in Usable Reserves** **£000**	**Movement in Unusable Reserves** **£000**
Capital Receipts Reserve					
Use of Capital Receipts Reserve to Finance new Capital Expenditure	-	2,833	-	**2,833**	**(2,833)**
Use of Capital Receipts to reduce MRP liability	-	511	-	**511**	**(511)**
Pensions Reserve					
Reversal of items relating to retirement benefits debited/credited to the CIES	(36,601)	-	-	**(36,601)**	**36,601**
Employers pension contributions and direct payments to pensioners	13,670	-	-	**13,670**	**(13,670)**
Collection Fund Adjustment					
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	14,990	-	-	**14,990**	**(14,990)**
Accumulated Absences Account					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration in accordance with statutory requirements	265	-	-	**265**	**(265)**
Dedicated Schools Grant Adjustment Account					
Reversing impact of overspent Dedicated Schools Grant on General Fund	(860)	-	-	**(860)**	**860**
TOTAL ADJUSTMENTS	**(16,825)**	**1,021**	**(7,557)**	**(23,361)**	**23,361**

35. Usable Reserves

Usable reserves are those reserves that contain resources that the Council can apply to the provision of services, either by incurring expenses or undertaking capital investment. Usable reserves include the General Fund Balance, any earmarked reserves under the General Fund umbrella, the Capital Receipts Reserve and any Capital Grants Unapplied.

General Fund Balance

The General Fund Balance records the Council's accumulated income over expenditure for each financial year. The fund manages the reversal of a number of transactions that are required to be included in the preparation of the financial statements, but which are subsequently removed under statutory mitigation.

Earmarked Reserves

These reserves help to meet specific known or predicted future requirements and are legally part of the General Fund Reserve. The earmarked reserves also include unspent school balances of budgets delegated to individual schools.

The movements in earmarked reserves are analysed in Note 36.

Capital Receipts Reserve

This reserve holds the proceeds from the sale of assets and can only be used for funding capital investment or the repayment of borrowing.

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

Capital Grants Unapplied

This reserve holds Capital Grants income for which all conditions have been met, but the funding has yet to be used to finance capital expenditure.

2021/22 **£000**		**2022/23** **£000**
	General Fund	
(5,147)	- Excluding Earmarked Reserves	(5,149)
(131,872)	- Earmarked Reserves	(109,145)
	Capital Reserves	
(1,061)	- Capital Receipts Reserve	(2,790)
(24,560)	- Capital Grants Unapplied	(28,937)
(162,640)	**Total Usable Reserves**	**(146,021)**

36. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23.

General Fund	Balance at 31st March 2021 £000	Movement (to)/from Reserve £000	Balance at 31st March 2022 £000	Movement (to)/from Reserve £000	Balance at 31st March 2023 £000
Schools Reserves	**(7,099)**	(334)	**(7,433)**	226	**(7,207)**
Balances held by schools under the scheme of delegation					
Capital	**(2,047)**	261	**(1,786)**	613	**(1,173)**
To support the Council's Capital Programme					
Insurance General Fund	**(1,629)**	(445)	**(2,074)**	719	**(1,355)**
To self-fund possible insurance claims					
Building Schools for the Future Capital	**(5,651)**	(553)	**(6,204)**	(713)	**(6,917)**
To fund future capital costs					
Enterprise and Employment	**(1,247)**	(16)	**(1,263)**	686	**(577)**
To fund Enterprise and Employment activities for future years					
Health & Community	**(2,753)**	(700)	**(3,453)**	1,250	**(2,203)**
To support future Adult Social Care revenue budgets					
Housing & Communities	-	(750)	**(750)**	750	-
To support future revenue budgets in Housing and Community Services					
Transformation Fund	**(600)**	(869)	**(1,469)**	(955)	**(2,424)**
To fund costs arising from future efficiency reviews					
Public Health & Health Protection	**(1,524)**	(1,220)	**(2,744)**	394	**(2,350)**
To fund future Public Health activities					
Fleet Replacement	**(905)**	85	**(820)**	298	**(522)**
Rolling replacement programme for Council fleet vehicles					
Pension Past Service Deficit	**(4,677)**	821	**(3,856)**	3,856	-
To enable pension deficits to be funded as a lump sum, resulting in finance efficiencies					

General Fund	**Balance at 31st March 2021 £000**	**Movement (to)/from Reserve £000**	**Balance at 31st March 2022 £000**	**Movement (to)/from Reserve £000**	**Balance at 31st March 2023 £000**
Education, Inclusion & Provision Education Grant Income held for a specific purpose but with no repayment conditions attached	**(639)**	(226)	**(865)**	278	**(587)**
Revenue Efficiencies To help fund budget gaps over the medium term	**(4,733)**	(2,896)	**(7,629)**	4,881	**(2,748)**
NNDR Pilot Scheme To fund No Detriment policy as part of the Liverpool City Region 100% business rate retention	**(5,321)**	3,246	**(2,075)**	2,075	**-**
Mersey Gateway Grant Reserve To fund any shortfall in the Mersey Gateway tolling Income to cover unitary charge payments, and repayment of grant to Department for Transport	**(64,184)**	(9,233)	**(73,416)**	(107)	**(73,523)**
Covid Grant Funding from DLUHC to cover the additional costs and fall in income associated to the Covid-19 pandemic	**(1,369)**	1,369	**-**	-	**-**
Government Grants RIA Grants income held for a specific purpose but with no repayment conditions attached	**(16,149)**	**11,393**	**(4,756)**	4,756	**-**
Covid-19 Contingency To fund additional costs in respect of the Covid-19 pandemic	**(2,000)**	2,000	**-**	-	**-**
Employment, Learning & Skills To fund Adult Education Schemes and Work Programmes in 2022/23	**-**	(1,642)	**(1,642)**	354	**(1,288)**
Local Authority Domestic Abuse Duty Grant Ringfenced grant funding for new Domestic Abuse Duties	**-**	(327)	**(327)**	(550)	**(877)**
Pay Inflation 2022/23 To fund potential additional costs from the pending 2022/23 pay award	**-**	(871)	**(871)**	871	**-**
Other Earmarked Reserves Total of reserves under £750k	**(6,095)**	(2,344)	**(8,439)**	3,045	**(5,394)**
TOTAL ALL RESERVES	**(128,622)**	**(3,251)**	**(131,872)**	**22,727**	**(109,145)**

In order to streamline the note, any reserves under £0.750m have been summarised as ‘Other Earmarked Reserves’ in the table above.

37. Unusable Reserves

2021/22 £000		2022/23 £000
(135,650)	Revaluation Reserve	(136,275)
91,207	Pensions Reserve	4,745
(111,364)	Capital Adjustment Account	(118,028)
(11,616)	Deferred Capital Receipts	(11,090)
2,984	Collection Fund Adjustment Account	(3,023)
(5,102)	Financial Instruments Revaluation Reserve	(4,869)
3,017	Accumulated Absences Account	2,926
1,856	Dedicated Schools Grant Adjustment Account	2,892
-	Pooled Investment Fund Adjustment Account	1,132
(164,668)	**Total Unusable Reserves**	**(261,590)**

Revaluation Reserve

The revaluation reserve contains the gains and losses made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of, and the gains are realised.

The reserve contains only revaluation gains accumulated since 1st April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2021/22 £000		£000	2022/23 £000
(131,392)	**Balance at 1st April**		**(135,650)**
(15,275)	Upward revaluation of assets	(9,324)	
5,589	Downward revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	3,528	
(9,686)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services**		**(5,796)**
5,428	Difference between fair value depreciation and historical cost deprecation	4,492	
-	Accumulated gain on academies transferred	-	
-	Accumulated gains on assets sold or scrapped	679	
5,428	Amount written off to the Capital Adjustment Account		**5,171**
(135,650)	**Balance at 31st March**		**(136,275)**

Capital Adjustment Account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption on non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance costs of acquisition, construction or enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that are yet to be consumed by the Council.

The account also contains revaluation gains accumulated on property, plant and equipment before 1st April 2007, the date the revaluation reserve was created to hold such gains.

2021/22 £000		£000	2022/23 £000
(120,251)	**Balance at 1st April**		(111,364)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
27,073	Charges for depreciation and impairment of non-current assets	26,513	
561	Revaluation losses on Property, Plant and Equipment	807	
321	Amortisation of intangible assets	194	
7,938	Revenue expenditure funded from capital under statute	7,936	
124	Carrying value of Academies transferred	-	
456	Carrying amount of non-current assets sold	854	
36,473			**36,304**
(5,428)	Adjusting amounts written out of the Revaluation Reserve		(5,171)
31,045	**Net written out amount of the cost of non-current assets consumed in the year**		**31,133**
	Capital financing applied in the year:		
(2,833)	Use of the Capital Receipts Reserve to finance new capital expenditure	(1,470)	
(7,519)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(20,420)	
(1,820)	Application of grants to capital financing from the Capital Grants Unapplied Account	(5,332)	
(9,403)	Statutory provision for the financing of capital investment charged against the General Fund	(9,904)	
(511)	Use of Capital Receipts to reduce MRP liability	(526)	
(124)	Capital expenditure charged against the General Fund	(145)	
(22,210)			**(37,797)**
52	Movements in the market value of investment properties debited or credited to the Comprehensive Income and Expenditure Statement		-
(111,364)	**Balance at 31st March**		**(118,028)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The credit balance on the Pensions Reserve therefore shows a surplus in the benefits earned by past and current employees and the resources the Council has set aside to meet them due to substantial actuarial changes in financial assumptions. More details can be found in Note 32.

2021/22 **£000**		**£000**	**2022/23** **£000**
169,110	**Balance at 1st April**		**91,207**
	Re-measurement of the net defined benefit liability comprising:		
(5,202)	Changes in demographic assumptions	(10,438)	
(60,931)	Changes in financial assumptions	(302,110)	
1,613	Other experience	18,341	
-	Asset ceiling adjustment	101,397	
(36,314)	Returns on assets excluding amounts included in net interest	86,611	
(100,834)			**(106,199)**
36,601	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		34,359
(13,670)	Employers pensions contributions and direct payments to pensioners payable in the year		(14,622)
91,207	**Balance at 31st March**		**4,745**

Deferred Capital Receipts Reserve

Deferred Capital Receipts are amounts derived from the sale of assets, which will be received in instalments over an agreed period of time.

2021/22 £000		2022/23 £000
(232)	Castlefields Equity Advances	(232)
(6,405)	Sci-Tech Daresbury Lease	(6,142)
(4,979)	Venture Fields Lease	(4,716)
(11,616)		**(11,090)**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2021/22 £000		2022/23 £000
(12,128)	**Balance at 1st April**	**(11,616)**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
512	Transfer to the Capital Receipts Reserve upon receipt of cash	526
(11,616)	**Balance at 31st March**	**(11,090)**

Collection Fund Adjustment

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2021/22 **£000**		**2022/23** **£000**
17,974	**Balance at 1st April**	**2,984**
(826)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected in the year in accordance with statutory requirements	941
(14,164)	Amount by which non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income collected in the year in accordance with statutory requirements	(6,948)
2,984	**Balance at 31st March**	**(3,023)**

Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Disposed of and the gains are realised.

2021/22 **£000**		**2022/23** **£000**
(2,913)	**Balance at 1st April**	**(5,102)**
(2,189)	Upward revaluation of investments	-
-	Downward revaluation of investments	233
-	Change in impairment loss allowances	-
(5,102)		**(4,869)**
-	Accumulated gains or losses on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	**-**
-	Accumulated gains or losses on assets sold and maturing assets written out to the General Fund Balances for financial assets designated to Fair Value through Other Comprehensive Income	**-**
(5,102)	**Balance at 31st March**	**(4,869)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund balance accruing from compensated absences earned but not yet taken in year, e.g. annual leave entitlement carried forward at 31st March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2021/22 £000		2022/23 £000
3,282	**Balance at 1st April**	**3,017**
(3,282)	Settlement or cancellation of accrual made at the end of the preceding year	(3,017)
3,017	Amount accrued at the end of the current year	2,926
(265)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(91)**
3,017	**Balance at 31st March**	**2,926**

Dedicated Schools Grant Adjustment Account

Statutory arrangements require that any school budget deficits must not be charged to the General Fund, and the deficit must be carried forward to be funded from future Dedicated Schools Grant Income. The deficit balance is held in the Dedicated Schools Grant Adjustment Account as shown below:

2021/22 £000		2022/23 £000
996	**Balance at 1st April**	**1,856**
860	Amount by which Dedicated Schools Grant is in deficit at 31st March	1,036
1,856	**Balance at 31st March**	**2,892**

Pooled investment funds adjustment account

Accounting regulations state that the fair value of movements in the value of pooled investment funds are shown in the Comprehensive Income and Expenditure Statement under Other Comprehensive Income and Expenditure, but should not impact the Council's General Fund balance. This reserve is a mechanism that is required by the capital finance and accounting regulations to hold the fair value movements in those pooled investment funds specified by the regulations.

2021/22 £000		2022/23 £000
-	**Balance at 1st April**	**-**
-	Fair value movements transferred to/from the General Fund in accordance with the statutory requirements	1,132
-	**Balance at 31st March**	**1,132**

38. Cash Flow Statement – Operating Activities

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements.

2021/22 £000		2022/23 £000
(27,072)	Depreciation	(26,513)
(561)	Impairment and downward valuation	(807)
(321)	Amortisation of intangible assets	(194)
(52)	Movement in market value of investment properties	-
(3,217)	(Increase)/decrease in impairment debtors	(11,866)
(18,604)	(Increase)/decrease in creditors and receipts in advance	6,252
(236)	Increase/(decrease) in debtors	23,891
101	Increase/(decrease) in inventories	12
(22,931)	Non-cash pension adjustments	(19,737)
1,924	Contributions (to)/from provisions	4,958
(456)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(854)
(124)	Loss on transfer to academies	-
781	Other non-cash adjustments	(1,169)
(70,768)	**Total non-cash movements**	**(26,027)**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2021/22 £000		2022/23 £000
11,866	Capital grants credited to the surplus or deficit on the provision of services	24,233
2,323	Proceeds from the sale of non-current assets	3,725
-	Other cash flows from investing or financing activities	-
14,189	**Net cash flows from investing or financing activities**	**27,958**

The cash flows for operating activities include the following items:

2021/22 £000		2022/23 £000
(1,650)	Interest received	(1,867)
34,351	Interest paid	34,207
-	Dividends received	-
32,701		**32,340**

39. Cash Flow Statement – Investing Activities

2021/22 £000		2022/23 £000
13,452	Purchase of property, plant and equipment, investment property and intangible assets	19,689
130,700	Purchase of short-term and long-term investments	41,000
(1,899)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,812)
(90,000)	Proceeds from short-term and long-term investments	(70,000)
(11,132)	Other receipts from investing activities	(15,427)
41,121	**Net Cash flows from Investing Activities**	**(28,550)**

40. Cash Flow Statement – Financing Activities

2021/22 £000		2022/23 £000
-	Cash receipts of short-term and long-term borrowing	(20,000)
(80)	Agency treatment of Collection Fund balances	50
6,961	Cash payments from the reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI contracts	7,282
-	Repayments of short-term and long-term borrowing	5,000
1,972	Net adjustment for agency treatment of government grants	3,994
8,853	**Net Cash flows from Financing Activities**	**(3,674)**

Reconciliation of Liabilities Arising from Financing Activities

	Note	31/03/2022 £000	Financing Cash Flows £000	Non-Cash Changes £000	31/03/2023 £000
Long-Term Borrowings	26	(172,000)	-	-	(172,000)
Short-Term Borrowing	26	(618)	(15,000)	(142)	(15,760)
On Balance Sheet PFI Liabilities	31	(360,672)	7,282	40	(353,350)
Net Cash flows from Financing Activities		**(533,290)**	**(7,718)**	**(102)**	**(541,110)**

41. Interest in Companies and Other Entities

The Council is involved with several companies over which it has varying degrees of control and influence. The Council is required to classify the entities according to whether they are subsidiaries, associates, or joint ventures.

Subsidiary

An entity is only a subsidiary if the Council has power over the entity, exposure, or rights, to variable returns from its involvement with the entity and ability to use its power over the entity to affect the amount of the Council's returns.

As at 31st March 2023 the following was a subsidiary of the Council:-

- Mersey Gateway Crossings Board Ltd - The principal activity of the company is to deliver the Mersey Gateway Bridge project, and to administer and oversee the construction and maintenance of the new tolled crossings, including the tolling of the existing Silver Jubilee Bridge. The Council holds 100% of the shares issued by the company. An amount of £500k is held as a long-term debtor on the Council's Balance Sheet; this is the amount which has been passed to Mersey Gateway Crossings Board Ltd as working capital.

In accordance with paragraph 9.1.1.7 of the Code, the subsidiary has not been consolidated into group accounts as they are not considered to be of material value.

Copies of the accounts for Mersey Gateway Crossings Board Ltd are available from Companies House.

Joint Ventures

These are arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and joint parties have rights to the net assets of the arrangement.

As at 31st March 2023 the Council were party to the following joint venture:-

- Daresbury SIC (Pub Sec) LLP - The principal activity of the company during the year was to assist, promote, encourage, develop and secure the development of the International Science Park at Daresbury, Cheshire. Members of the partnership are Halton Borough Council and United Kingdom Research & Innovation.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the joint venture has not been consolidated into group accounts as it is not considered to be of material value.

Associates

Associates are entities for which the Council is an investor and has significant influence. The Council can have an associate relationship with an entity that is a joint venture under the control of other investors.

As at 31st March 2023 the Council had associate relationships with the following:-

- Daresbury SIC LLP- The principal activity of the LLP is the management and development of the Sci-Tech Daresbury Campus in the North West. Designated members of the partnership are Langtree Daresbury Ltd and Daresbury SIC (Pubsec) LLP, in which the Council is an equal partner. Amounts of £5.9m are held as a long-term debtor and £0.3m held as a short-term debtor on the Council's Balance Sheet. This relates to a long-term lease agreement between the Council and the company for a property asset based at the Sci-Tech Daresbury Campus.

In accordance with paragraph 9.1.1.7 of the Code, the Council's equity within the associate relationship has not been consolidated into group accounts as it is not considered to be of material value.

42. Transport Act 2000 – Mersey Gateway Crossing

The Mersey Gateway Bridge, which opened in October 2017, is a second crossing which spans the River Mersey and the Manchester Ship Canal and was built to ease congestion on the previous crossing, the Silver Jubilee Bridge.

The crossing was funded through a mixture of capital payments from Halton Borough Council, and a monthly unitary charge to Merseylink which cover the costs of construction and ongoing maintenance of the bridge for a period of 27 years (see note 31 for further detail).

Since the opening of the Mersey Gateway both crossings (Mersey Gateway and Silver Jubilee Bridge) have operated as toll crossings and the unitary charges and other running costs are funded from a mixture of toll income and Government Grant funded from the Department for Transport.

As part of the agreement with Department for Transport all funds relating to the Mersey Gateway must be accounted for separately and any surplus must be held in a separate reserve until all debt relating to the crossing, including unitary charge payments and the repayment of Council Borrowing specifically for the scheme, has been repaid.

The income raised from, and charges relating to the crossings are shown in the table below, along with the year-end position on the Mersey Gateway Grant Reserve.

		2022/23			**2021/22**		
		Charge to General Fund £000	**Accounting Adjustments £000**	**Income and Expenditure £000**	**Charge to General Fund £000**	**Accounting Adjustments £000**	**Income and Expenditure £000**
Income	Toll Income	(35,358)		(35,358)	(33,154)		(33,154)
	PCN Charges	(18,315)		(18,315)	(14,610)		(14,610)
	Registration Fees	(1,724)		(1,724)	(1,775)		(1,775)
	DFT Grant Income	(13,940)		(13,940)	(23,719)		(23,719)
	Other Income	(49)		(49)	(2)		(2)
		(69,386)	**-**	**(69,386)**	**(73,260)**	**-**	**(73,260)**
Expenditure	Unitary Charge Payments	39,411	(32,783)	6,628	38,442	(33,035)	5,407
	DMPA Fee	11,776		11,776	10,537		10,537
	MG Environmental Trust	313		313	309		309
	Bus Support	205		205	53		53
	Depreciation		8,028	8,028		8,026	8,026
	Interest Costs	5,290	(5,291)	(1)	5,173	(5,175)	(2)
	Bad Debt Provision	9,964		9,964	7,249		7,249
	Other Costs	2,320		2,320	2,264		2,264
		69,279	**(30,046)**	**39,233**	**64,027**	**(30,184)**	**33,843**
Total		**(107)**	**(30,046)**	**(30,153)**	**(9,233)**	**(30,184)**	**(39,417)**

43 Prior Period Adjustments

The Council underwent a corporate restructure in December 2022, moving from two main directorates (Enterprise, Community and Resources) to five (Chief Executive’s, Environment and Regeneration, Public Health, Adult Social Care and Childrens Services). The Comprehensive Income and Expenditure Statement and Supporting notes have therefore been amended to reflect this change, and to allow comparison with the 2022/23 accounts.

The changes to the statements are detailed below:

Restated Comprehensive Income and Expenditure Statement for 2021/22

	Gross Expenditure			Gross Income			Net Expenditure		
Comprehesive Income and Expenditure 2021/22	**Reported in 2021/22 Statement of Accounts £000**	**(a) Directorate Restructure £000**	**Restated 2021/22 £000**	**Reported in 2021/22 Statement of Accounts £000**	**(a) Directorate Restructure £000**	**Restated 2021/22 £000**	**Reported in 2021/22 Statement of Accounts £000**	**(a) Directorate Restructure £000**	**Restated 2021/22 £000**
Enterprise, Community and Resources	118,048	(118,048)		(63,016)	63,016		55,032	(55,032)	-
Chief Executive's		41,369	41,369		(38,181)	(38,181)	-	3,188	3,188
Environment & Regeneration		77,933	77,933		(26,228)	(26,228)	-	51,705	51,705
People	184,212	(184,212)		(87,639)	87,639		96,573	(96,573)	-
Public Health		16,123	16,123		(16,648)	(16,648)	-	(525)	(525)
Adults Social Care		96,103	96,103		(39,753)	(39,753)	-	56,350	56,350
Childrens Services		70,732	70,732		(29,845)	(29,845)	-	40,887	40,887
Schools	83,078	-	83,078	(77,390)	-	(77,390)	5,688	-	5,688
Corporate & Democracy	2,534	-	2,534	(1,770)	-	(1,770)	764	-	764
Mersey Gateway	33,843	-	33,843	(73,260)	-	(73,260)	(39,417)	-	(39,417)
Net Expenditure of Continuing Operations	**421,715**	**-**	**421,715**	**(303,075)**	**-**	**(303,075)**	**118,640**	**-**	**118,640**

Restated Expenditure and Funding Analysis

	Outturn Reported to Management			Movement in Earmarked Reserves			Net Expenditure Chargeable		
Expenditure and Funding Analysis 2021/22	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000
Enterprise, Community and Resources	47,343	(47,343)	-	(899)	899	-	46,444	(46,444)	-
Chief Executive's		2,056	2,056		(63)	(63)	-	1,993	1,993
Environment & Regeneration		45,167	45,167		(842)	(842)	-	44,325	44,325
People	89,174	(89,174)	-	1,589	(1,589)	-	90,763	(90,763)	-
Public Health		39	39		(1,110)	(1,110)	-	(1,071)	(1,071)
Adults Social Care		50,542	50,542		1,373	1,373	-	51,915	51,915
Childrens Services		38,733	38,733		1,332	1,332	-	40,065	40,065
Schools	-	-	-	(1,206)	-	(1,206)	(1,206)	-	(1,206)
Corporate & Democracy	(31,882)	(20)	(31,902)	6,950	-	6,950	(24,932)	(20)	(24,952)
Mersey Gateway	8,026	-	8,026	(9,233)	-	(9,233)	(1,207)	-	(1,207)
Net Cost of Services	**112,661**	**-**	**112,661**	**(2,799)**	**-**	**(2,799)**	**109,862**	**-**	**109,862**

Restated Notes to Expenditure ad Funding Analysis

Note to Expenditure and Funding Analysis 2021/22	Other Income and Expenditure			Adjustments for Capital Purposes			Net Charge for Pension Adjustments		
	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000
Enterprise, Community and Resources	(2,616)	2,616	-	3,314	(3,314)	-	8,235	(8,235)	-
Chief Executive's		(2,241)	(2,241)		(48)	(48)	-	3,561	3,561
Environment & Regeneration		(375)	(375)		3,363	3,363	-	4,674	4,674
People	(2,113)	2,113	-	252	(252)	-	7,850	(7,850)	-
Public Health		(20)	(20)		-	-	-	590	590
Adults Social Care		-	-		306	306	-	4,215	4,215
Childrens Services		(2,093)	(2,093)		(54)	(54)	-	3,045	3,045
Schools	2,093		2,093	217		217	3,701		3,701
Corporate & Democracy	(9,580)	1	(9,579)	17,928	(1)	17,927	(429)		(429)
Mersey Gateway	(38,208)	(1)	(38,209)	(2)		(2)		-	-
Net Cost of Services	**(50,424)**	**-**	**(50,424)**	**21,709**	**-**	**21,709**	**19,357**	**-**	**19,357**

Note to Expenditure and Funding Analysis	Other Adjustments			Total Adjustments		
	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000	Reported in 2021/22 Statement of Accounts £000	(a) Directorate Restructure £000	Restated 2021/22 £000
Enterprise, Community and Resources	(345)	345	-	8,588	(8,588)	-
Chief Executive's		(77)	(77)		1,195	1,195
Environment & Regeneration		(282)	(282)		7,380	7,380
People	(179)	179	-	5,810	(5,810)	-
Public Health		(24)	(24)		546	546
Adults Social Care		(86)	(86)		4,435	4,435
Childrens Services		(76)	(76)		822	822
Schools	883		883	6,894	-	6,894
Corporate & Democracy	17,777	20	17,797	25,696	20	25,716
Mersey Gateway	-	1	1	(38,210)	-	(38,210)
Net Cost of Services	**18,136**	**-**	**18,136**	**8,778**	**-**	**8,778**

Collection Fund

The Collection Fund is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and the distribution to local authorities and the Government in relation to council tax and non-domestic rates.

Collection Fund Statement

2021/22				2022/23		
Council Tax £000	**Non Domestic Rates £000**	**Total £000**		**Council Tax £000**	**Non Domestic Rates £000**	**Total £000**
			Income			
(69,264)	-	(69,264)	Council Tax	(71,962)	-	(71,962)
-	(51,908)	(51,908)	Non Domestic Rates	-	(50,482)	(50,482)
-	1,754	1,754	Transitional Protection Payment	-	196	196
(69,264)	**(50,154)**	**(119,418)**		**(71,962)**	**(50,286)**	**(122,248)**
			Expenditure			
			Precepts, Demands & Shares			
-	-	-	Central Government	-	-	-
54,509	53,671	108,180	Halton Borough Council	57,174	49,463	106,637
7,931	-	7,931	Cheshire Police Authority	8,436	-	8,436
2,845	542	3,387	Cheshire Fire Service	2,955	500	3,455
668	-	668	Liverpool City Region	681	-	681
147	-	147	Parish Precept	161	-	161
			Apportionment of Previous Year's Surplus			
	-	-	Central Government	-	-	-
333	(17,892)	(17,559)	Halton Borough Council	1,187	(2,172)	(985)
47	-	47	Cheshire Police Authority	172	-	172
18	(181)	(163)	Cheshire Fire Service	63	(22)	41
-	-	-	Liverpool City Region	14	-	14
			Charges to Collection Fund			
291	193	484	Write-off Uncollectable Amounts	247	312	559
1,468	826	2,294	Increase / (Decrease) in Bad Debt Provision	2,010	(841)	1,169
-	(1,746)	(1,746)	Increase / (Decrease) in Appeals Provision	-	(4,724)	(4,724)
-	154	154	Cost of Collection	-	155	155
-	278	278	Disregarded Amounts	-	599	599
68,257	**35,845**	**104,102**		**73,100**	**43,270**	**116,370**
(1,834)	**19,693**	**17,859**	**Balance Brought Forward**	**(2,841)**	**5,384**	**2,543**
(1,007)	**(14,309)**	**(15,316)**	**Movement on Fund Balance**	**1,138**	**(7,016)**	**(5,878)**
(2,841)	**5,384**	**2,543**	**Balance Carried Forward**	**(1,703)**	**(1,632)**	**(3,335)**

Further information on the Collection Fund balance as at 31st March 2023 can be found within the Narrative Report (Page 14).

Collection Fund Balance Sheet

2021/22					Council Tax	2022/23				
Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	LCR £000	Total £000		Halton BC £000	Cheshire P&CC £000	Cheshire Fire £000	LCR £000	Total £000
10,736	1,563	559	132	12,990	Arrears	12,580	1,881	655	142	15,258
(7,467)	(1,086)	(390)	(92)	(9,035)	Provision for Doubtful Debts	(9,106)	(1,362)	(474)	(102)	(11,044)
(593)	(86)	(31)	(7)	(717)	Overpayments / Prepayments	(756)	(113)	(39)	(9)	(917)
(2,353)	(340)	(122)	(26)	(2,841)	(Surplus)/Deficit	(1,405)	(208)	(73)	(17)	(1,703)
(323)	(51)	(16)	(7)	(397)	Cash	(1,313)	(198)	(69)	(14)	(1,594)
-	-	-	-	-		-	-	-	-	-

2021/22				Non-Domestic Rates	2022/23			
Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000		Central Gov £000	Halton BC £000	Cheshire Fire £000	Total £000
-	7,159	72	7,231	Arrears	-	6,610	67	6,677
-	(6,411)	(65)	(6,476)	Provision for Doubtful Debts	-	(5,579)	(56)	(5,635)
-	(6,654)	(67)	(6,721)	Appeals Provision	-	(1,977)	(20)	(1,997)
-	(456)	(5)	(461)	Overpayments / Prepayments	-	(452)	(5)	(457)
-	5,330	54	5,384	(Surplus)/Deficit	-	(1,616)	(16)	(1,632)
-	1,032	11	1,043	Cash	-	3,014	30	3,044
-	-	-	-		-	-	-	-

Notes to the Collection Fund

1. Introduction of the Council Tax

The property-based council tax was introduced on the 1st April 1993, replacing the personal liability Community Charge. The Council determined its Band D equivalent tax base for 2022/23 at 35,831 (2021/22 – 35,182)

2. The Council Tax Base Determination

Band	Properties	Ratio	Band D Equivalents
Disabled	61	5/9	34
A	17,678	6/9	11,786
B	9,831	7/9	7,646
C	7,177	8/9	6,380
D	4,660	9/9	4,660
E	3,521	11/9	4,304
F	1,163	13/9	1,680
G	318	15/9	529
H	29	18/9	58
Total	44,438		37,077
Reductions relating to Non-Collection and changes in assumptions			**(1,246)**
Tax Base set for 2022/23			**35,831**

The parishes' individual tax bases are shown below:

	2021/22	**2022/23**
Hale	655	664
Daresbury	179	186
Moore	324	333
Preston Brook	357	368
Halebank	521	526
Sandymoor	1,326	1,417

3. Precepting Authorities

Halton Borough Council has three precepting authorities; Cheshire Police & Crime Commissioner, Cheshire Fire Authority, and Liverpool City Region Combined Authority. The Band D charge and total precept are shown in the table below:

	2021/22 £	2022/23 £
Cheshire Police and Crime Commissioner		
- Band D Charge	225.44	235.44
- Precept	7,931,430	8,436,051
Cheshire Fire Authority		
- Band D Charge	80.87	82.48
- Precept	2,845,168	2,955,341
Liverpool City Region		
- Band D Charge	19.00	19.00
- Precept	668,458	680,789

4. Non-Domestic Rates

The non-domestic rate replaced locally fixed rates from 1st April 1990. The rateable value at 31st March and the business rate multiplier, which is fixed by the Government, are shown in the table below:

	2021/22 £	2022/23 £
Rateable value at 31st March	127,149,106	144,172,158
Non Domestic rating multiplier	51.2	51.2
Small Business Non Domestic rating multiplier	49.9	49.9

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the Operational Director – Finance has that responsibility;

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

To approve the Statement of Accounts.

The Operational Director – Finance Responsibilities

The Operational Director – Finance is responsible for the preparation of the Council's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice"), is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year (ended 31 March 2023).

In preparing this Statement of Accounts, the Operational Director – Finance has:

Selected suitable accounting policies and then applied them consistently;

Adopted the principal of "True and Fair" regarding the Council's financial position;

Made judgements and estimates that were reasonable and prudent;

Complied with the Code of Practice.

The Operational Director – Finance has also:

Kept proper accounting records which were kept up to date;

Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts presents a true and fair view of the financial position and income and expenditure of Halton Borough Council for the year ended 31 March 2023.

Signed by:

Operational Director – Finance

Date: 8 March 2024

Statement of Accounting Policies

1. General

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-ending 31 March 2023.

Halton Borough Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which is required to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom 2022/23 supported by International Financing Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Changes to the 2022/23 Accounting Policies

The Council's accounting policies are subject to regular review arising from changes in the way costs are accounted for and changes in the requirements of the Code of Practice.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

3(a) Revenue Recognition

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

3(b) Employee Costs

The full cost of employees is charged to the period which the employees worked. Accruals are made for pay awards awaiting settlement and for the cost of holiday entitlements and time off in lieu earned by employees but not taken before the year-end. To ensure that the actual costs to the Council falls in the year in which they are paid a transfer is made to an Employee Benefit Reserve.

3(c) Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accrual basis at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

3(d) Interest

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

3(e) Supplies and Services

Supplies and services are accounted for in the period that they are consumed or received. Accruals are made for all material sums unpaid at year end for goods and services received or works completed. Where there is a gap between the date supplies are received and consumption, they are carried as inventories on the Balance Sheet.

3(f) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature within 3 months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change of value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

3(g) Debtors and Creditors

Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Known uncollectable debt is written off with a charge being made to the Bad Debt Provision.

4. Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence can only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised on the Balance Sheet but by way of notes to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

5. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities are not recognised on the Balance Sheet but disclosed by way of notes to the accounts.

6. The Collection Fund

The Council is required by statute to maintain a separate fund (i.e. The Collection Fund) for the collection and distribution of amounts due in respect of council tax and national non-domestic rates.

6(a) Council Tax Income

In its capacity as a billing authority the Council acts as an agent. It collects council tax income on behalf of the major preceptors (The Police and Crime Commissioner for Cheshire, Cheshire Fire & Rescue Service, and Liverpool City Region Combined Authority) and itself.

6(b) National Non-Domestic Rates (NNDR)

As part of the Business Rate Retention Pilot Scheme the Council acts as an agent and collects national non-domestic rates on behalf Cheshire Fire & Rescue Service and itself.

6(c) Accounting for Council Tax and Non-Domestic Rates

While the council tax and non-domestic rates income for the year credited to the Collection Fund is the accrued income for the year, regulations determine when it should be released from the Collection Fund and transferred to the General Fund. The amount credited to the General Fund under statute is the Council’s demand for the year plus the Council’s agreed share of the surplus (or less its share of the deficit) on the Collection Fund.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority’s share of the end of year balances in respect of council tax and non-domestic rates relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Financing and Investment Income & Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

7. Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and adverse, that occur between the end of the reporting period and the date when the Statement of Accounts are authorised for issue. Two types of events can be identified:

Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation are not reflected in the Statement of Accounts.

8. Financial Instruments

The Council invests and borrows money as part of its day to day business and Treasury Management Strategy. It is required to present on the balance sheet at fair value its outstanding financial obligations and assets in relation to these transactions. Assets exclude short term investments i.e. invested for periods of less than 3 months at inception and not due for repayment at balance sheet date. These investments are treated as cash equivalents due to their liquid nature.

The Council uses Link Asset Services to provide independent valuations of the position at the period end.

Link Asset Services use the Net Present Value valuation technique to value borrowings. The discount rate used within the calculation is the Public Works Loans Board new borrowing rate.

8(a) Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Financial liabilities due to be settled within 12 months of the Balance Sheet date, along with accrued interest on all financial liabilities, are recorded as a current liability.

8(b) Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and

- fair value through other comprehensive income (FVOCI)

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

9. Fair Value

The Council measures some of its non-financial assets such as surplus assets and investment properties, and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest or best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability

10. Government Grants, Other Contributions and Donated Assets

Whether paid on account, by instalments, or arrears, government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential are required to be consumed by the Council as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried on the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant is yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. Interest in Companies and Other Entities

The Council has an interest in subsidiaries, joint ventures and associated entities that would require it to prepare group accounts. As the transactions relating to group entities are not material, no group financial statements are being produced for the 2022/23 accounts.

The definition of materiality as per the Code of Practice on Local Authority Accounting is:

The relevance of information contained in the financial statements is affected by its nature and materiality. Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Therefore, materiality provides a threshold or cut-off point rather than a primary qualitative characteristic which information must have if it is to be useful. An authority need not comply with the Code, as to both disclosure and accounting principles, if the information is not material to the true and fair view of the financial statements and to the understanding of users.

In assessing the materiality of group entities an assessment has been undertaken of the following quantitative and qualitative factors:

Quantitative Factor

- The activities of group entities are not significant to the representation of the operational activities of the authority as a whole.
- Gross Value of the investments in gross entities are not significant in terms of the balance sheet of HBC.
- Gross Value of the borrowings or other liabilities of group entities are not significant to the balance sheet of HBC.
- An adjustment to usable reserves that would arise on consolidation would not be significant.

Qualitative Factor

- The authority does not depend significantly on group entities for continued provision of statutory services.
- There is no concern to which the Council has passed on control of its assets to other parties.
- There is no concern about the extent to which the Council is exposed to commercial risk.
- Not consolidating group entities does not mask significant trends.
- Grouping the accounts would not provide any more useful disclosures.

12. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are initially measured at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined with reference to an active market. In practice, no intangible asset held by the Council meets these criteria, and they are therefore carried at amortised cost. The depreciable amount of any intangible asset is amortised over its useful live to the relevant service line in the Comprehensive Income and Expenditure Statement.

13. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

14. Leases

14(a) Finance Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

14(b) Operating Leases

Operating leases are all leases which are not categorised as finance leases. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

15. Non-Current Assets, Property, Plant and Equipment

15(a) Recognition

Non-current assets are assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Expenditure on the acquisition, creation or enhancement of a non-current asset is capitalised on an accruals basis. Expenditure is only capitalised when it adds to or extends, and not merely maintains the value of an existing asset.

15(b) Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). Where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried on the Balance Sheet using the following measurement bases:

- Infrastructure, assets under construction and community assets are measured on the basis of depreciated historic cost.
- Surplus assets, investment properties and assets held for sale are based on their fair value, estimated at highest and best use from a market participant's perspective.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- All other assets are measured at current value which is determined as the amount that would be paid for the asset in its existing use ("existing use value" – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For non-property assets (e.g. vehicles, plant and equipment) that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets are subject to an annual impairment check. A proportion of the assets will be subject to revaluation each year to allow for the workload of revaluation to be more evenly spread and the balance sheet to be more accurate. Each asset will be revalued on a 3-year cycle.

All assets are subject to an annual review to ensure valuations have not materially changed in the years they are not valued and that the carrying value is not significantly different to their fair value.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Council operates a de-minimis level of £35,000 at acquisition, in respect of land and property, and a qualified valuer certifies the valuation. In respect of vehicles, plant & equipment theses are carried at depreciated historic cost subject to an initial recognition de-minimis of £5,000.

15(c) Impairment

Assets are assessed at year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the carrying amount of the asset is written down first against the accumulated gains in the revaluation reserve.

Where there is no longer a balance in the revaluation reserve to consume the loss, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure Statement.

When an impairment loss is reversed, the reversal is credited to the relevant services lines in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had never been recognised.

15(d) Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on assets held for sale.

To be classified as held for sale an asset must meet all of the following criteria:

- The asset (or disposal group) must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets (or disposal groups).
- The sale must be highly probable; the appropriate level of management must be committed to a plan to sell the asset (or disposal group) and an active programme to locate a buyer and complete the plan must have been initiated.
- The asset (or disposal group) must be actively marketed for a sale at a price that is reasonable in relation to its current value.

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Receipts from the disposal of PPE assets greater than £10,000 are credited to the useable capital receipts reserve on an accruals basis. Lower amounts are treated as de-minimis and credited to the revenue account.

15(e) Depreciation

Depreciation is provided for on all property, plant and equipment assets with a finite useful life. The provision for depreciation is calculated by allocating the cost less any estimated residual value of the asset over its useful life. The useful lives of assets are estimated on a realistic basis and reviewed regularly, and where necessary revised.

The estimated useful lives of assets by class are as follows:

Buildings & Other Operational Properties	Up to 60 years
Existing Highway Infrastructure and Community Assets	15 Years
New Highway Infrastructure	25 Years
Mersey Gateway Crossing - In line with the policy on Componentisation (Para 16g), significant components are:	
• Structures (Main Crossing, Earthworks, Bridge Approaches)	120 Years
• Highways (incl Street Lighting)	25 Years
• Other (Tolling, Landscaping, Signage)	30 Years
• General (Financing and Development Costs)	Split pro-rata across above elements
Vehicles, Plant and Equipment	3-10 Years
Intangible Assets	5-10 Years
Finance Leases – vehicles, plant and equipment of lease	3-10 Years equal to length
Finance Leases – buildings	Up to 60 years

All assets are depreciated on a straight line basis, with depreciation commencing the year after acquisition. In exceptional circumstances, for example, if a particularly expensive asset is acquired with a short life expectancy, then a charge may be levied in the year of acquisition to ensure the charge to the service is more in line with the consumption of the asset.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

An exception to depreciation is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction), these are not depreciated.

15(f) Investment Property

Investment property is property (land or a building – or part of a building – or both) held solely to earn rentals or for capital appreciation or both, rather than for:

(a) Use in the production or supply of goods or services or for administrative purposes; or

(b) Sale in the ordinary course of operations.

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain to the General Fund balance. Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15(g) Componentisation

The objective of component accounting is to follow proper accounting practice by ensuring that items of Property, Plant and Equipment are accurately and fairly included in the Balance Sheet and the Comprehensive Income and Expenditure Statement. Consumption of economic benefits should be properly reflected over the assets individual useful lives, through depreciation charges.

The overall value of an asset must be fairly apportioned over significant components, which need to be accounted for separately, with their useful lives and the method of depreciation being determined on a reasonable and consistent basis.

Having identified individual material assets or groups of similar assets with similar characteristics, each component part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the asset shall be depreciated separately.

Once individual material assets and asset groups have been identified, items of Property, Plant and Equipment will be categorised as follows based on their significance, useful life and depreciation method:

Component	**Detail**
Superstructure and substructure	Frame, upper floors, roof, stairs, external walls, external windows and doors, internal walls and partitions, internal doors
Internal Finishes and Fittings	Wall, floor, ceiling finishes, fittings and furnishings
Services	Sanitary appliances, services equipment, disposal installations, water installations, heat source, space heating and air conditioning, ventilating systems, electrical installations, fuel installations, fire and lightning protection, communication and security installations, builders work in connection and management and commissioning of services
Land	Land upon which the property is constructed

The basis upon which the calculation of the value of components will be made is replacement cost. The actual split will be determined following individual valuation of the property.

Land is a separate component in its own right, but is not considered for depreciation purposes. Generally, land is considered to have an infinite life.

When an asset is enhanced or replaced, the cost of the replacement component is compared with the cost of the total asset. If the cost of the enhancement or replacement is above 15% or £35,000 of the overall cost of the asset, a proportion of the relevant component’s carrying value is derecognised and replaced by the cost of the new replacement asset.

When an asset is acquired or re-valued, the cost of its component parts will be broken down into Superstructure and Substructure, Internal Finishes and Fittings and Services. Land will be identified as a separate component in its own right.

15(h) Charges to Revenue for Non-Current Assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council does not raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, the Council is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund balance from the Capital Adjustment Account in the Movement in Reserves Statement known as the Minimum Revenue Provision (MRP).

15(i) Schools (Land & Buildings)

Section 20 of the Schools Standards and Framework Act 1998 established the following categories of maintained schools in England and Wales:

(a) Community Schools
(b) Foundation Schools
(c) Voluntary Schools comprising Voluntary Aided and Voluntary Controlled
(d) Community Special Schools, and
(e) Foundation Special Schools

In order to recognise a non-current school's asset on the Council's Balance Sheet, the Council has followed the recognition criteria of the Code and determined the extent to which the Council has control of the service potential associated with the school's assets.

The Council has concluded that a) Community Schools and d) Community Special Schools will form part of the Council's non-current Assets.

For all other schools the Council is merely using the non-current asset under licence. A licence passes no interest in the non-current asset to the Council and is always revocable, therefore these schools will not form part of the Council's non-current assets.

15(j) Accounting for Schools Transferring to Academy Status

The accounting standards on group accounts and consolidation mean all types of school are now considered to be entities controlled by the Council. When a school transfers to academy status this control is transferred to a third party. As a result, the school as an entity needs to be derecognised in the Council's accounts by writing off the net assets of the school to the Comprehensive Income and Expenditure Statement.

15(k) Highway Network Infrastructure Assets

Highways network infrastructure assets include carriageways, footways and cycle tracks, structures (eg. bridges), street lighting, street furniture (eg. illuminated traffic signals, bollards), traffic management systems and land, which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably.

Measurement

Highways network infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1st April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives.

Annual depreciation is the depreciation amount allocated each year. Useful lives of the various parts of the highways network are shown below:

- Newly constructed Carriageways, Footways, Cycle tracks – 25 years
- Repairs and Maintenance of all highways assets – 15 years
- Mersey Gateway Bridge
    - Structures (Main Crossing, Earthworks, Bridge Approaches) – 120 years
    - Highways (including Street Lighting) – 25 years
    - Other (Tolling, Landscaping, Signage) – 30 years
    - General (financing and development costs) – split pro rata across elements above
- Street Lighting and Street Furniture – 15 years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, if material, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

From 2020/21 in accordance with the temporary relief by the update to the code on infrastructure assets, the accounts do not show the gross cost and accumulated depreciation for infrastructure assets, and shows the net position in a separate table to other Property, Plant and Equipment.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply and service. The total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

17. Pension Costs

General

The cost of providing pensions for employees is charged in accordance with the requirements of IAS19 Retirement Benefits subject to the interpretation set out in the Code governing the pension schemes. The Council pays an employer's contribution to the Cheshire Pension Fund; Teachers' Pension Agency and the National Health Service Pension Scheme.

Pensions Reserve

Where there is a difference between the amount charged to the Comprehensive Income and Expenditure Statement in the year and the amount payable to the pension funds, that sum is taken to the Pension Reserve. This additional debit or credit to the services is shown as a reconciling item in the Movement in Reserves Statement within the Adjustments between Accounting Basis and Funding Basis under regulations note.

Classification of Schemes

Defined Benefit Schemes

Accounting policies set out as below apply in respect of pension costs arising from the Local Government Pension Scheme and unfunded discretionary benefits paid:

(i) The liabilities of the Cheshire Pension Fund and unfunded liabilities of the Teachers' Pension Scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

(ii) Liabilities are discounted to their value at current prices, using the relevant discount rate.

(iii) The assets of Cheshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value

a. Quoted securities – current bid price
b. Unquoted securities – professional estimate
c. Unitised securities – current bid price
d. Property – market value

(iv) The change in the net pensions liabilities is analysed into the following components:

a. Service cost comprising:
   i. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement of the services for which the employees worked
   ii. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of services earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement
   iii. Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of the contribution and benefit payments.
b. Re-measurements comprising:
   i. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
   ii. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
c. Contribution paid to Pension Funds – cash paid as employer's contributions to the pension fund in settlement of liabilities: not accounted for as an expense.

(v) In relation to retirement benefits, statutory provision requires the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensions in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather that as benefits are earned by employees.

Defined Contribution Schemes

The arrangements for the Teachers’ Pension Scheme and the NHS Pension Scheme means that liabilities for these benefits cannot ordinarily be specified by the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments or benefits is recognised on the Balance Sheet. The relevant service line in the Comprehensive Income and Expenditure Statement is charged with the Council’s contributions payable to Teachers’ Pensions and NHS Pension Scheme in the year.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

18. Pooled Budgets

Under Section 75 of the Health Act, the Council is able to establish joint working arrangements with NHS bodies and other Councils to pool funds from both organisations to create a single pot. Where pooled budgets are established, the Council’s accounts reflect only the Council’s share of the overall pot and exclude the share attributable to partner organisations.

19. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimate are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of its transactions, other events and conditions on the financial position or performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. Provisions are created by a charge to a service and as such appear in the Comprehensive Income and Expenditure Statement in the Cost of Services in the year the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking account of risks and uncertainties.

Where it becomes apparent that a lower settlement is anticipated than first thought, the provision is reversed and credited back to the relevant service.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

21. Repurchase of Borrowing

Gains or losses arising on the repurchase or early settlement are charged in the Comprehensive Income and Expenditure Statement in the period during which the repurchase is made. If the repurchase was coupled with refinancing or restructuring, gains or losses are charged over the life of the replacement loan.

22. Reserves

The Council sets aside specific amounts as reserves for future policy purposes to cover contingencies. Reserves are created by apportioning amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the apportionment service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The reserve is then appropriated back in the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Council maintains two kinds of reserve, Usable and Unusable Reserves.

Usable reserves comprise:

Capital Receipts Reserve
General Fund Balance
Schools Balances
Earmarked Reserves
Capital Grants Unapplied
Earmarked Schools Budget Reserve

Unusable reserves comprise:

Revaluation Reserve
Capital Adjustment Account
Financial Instruments Revaluation Reserve
Pensions Reserve
Collection Fund Adjustment Account
Deferred Capital Receipts Reserve
Accumulated Absences Account
Dedicated Schools Grant Adjustment Account
Pooled Investment Fund Adjustment Account

Usable reserves are available to fund expenditure, either revenue or capital, incurred by the Council. Unusable reserves are not available to fund expenditure since they do not represent new resources available to the Council.

23. Revenue Expenditure Funded from Capital under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation on a non-current asset on the Balance Sheet. Such expenditure is charged to the appropriate service account within the Comprehensive Income and Expenditure Statement in accordance with the provisions of the Code.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses the amounts charged so that there is no impact on the council tax.

24. Senior Officers

The Council is required to disclose senior officers who are paid a salary of more than £150,000 by name and job title. The requirement also extends to those officers whose salary is more than £50,000 and have a statutory role defined by legislation or are responsible for directing and controlling the day-to-day operations of the Council; disclosure is restricted to job title.

25. Service Concessions

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are re-valued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – where material, a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

26. Heritage Assets

Where applicable, heritage assets are measured at insurance valuation on the Balance Sheet.

Unlike other non-current assets depreciation is not required on heritage assets which have infinite useful lives. Similarly, impairment reviews are only required in limited circumstances, for example if a heritage asset has suffered breakage or physical deterioration.

27. Accounting Standards that have been issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by new accounting standards which have been issued at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years.

The 2023/24 Code will incorporate some minor changes to accounting policies but it is not anticipated that these will have any impact on the figures recognised with the authority's accounts.

Changes to lease accounting standards under IFRS 16 will come into effect for local authorities from 1st April 2024. The changes will apply prospectively and a restatement of the balance sheet for prior years will not be required. The changes will affect accounting for assets leased in, and will remove the current distinction between finance leases and operating leases. All leases in will require the recognition of a 'right of use' asset and a liability to pay future rentals. This will bring short term leases in of assets within the scope of the local authority statutory capital framework. However it is not anticipated that there will be any material impact on the Council's spendable reserves as a result of the changes. The Council does not yet have sufficient information available to quantify the likely impact on its balance sheet of the new assets and liabilities to be recognised.

28. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in above, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

28(a) Future levels of funding

There is a continued high degree of uncertainty about future levels of funding for local government. The Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

28(b) Mersey Gateway Unitary Payments

The Mersey Gateway project is funded through a mixture of capital payments from the Council and monthly unitary payments to Merseylink. Unitary payments cover the costs of construction of the bridge.

To calculate an initial valuation of the liability of future unitary payments the Council has estimated the present value of payments due using the Internal Rate of Return implicit within the operators financial model. The carrying and fair value of the liability will be reduced on an annual basis in line with unitary payments.

29. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made by taking into account historical experience, current trends and other relevant factors. However, because some balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

29(a) Property, Plant and Equipment

The carrying amount in the Balance Sheet at the 31st March 2023 is £846.2m, of which £431.9m relates to the Unitary Charge element of the Mersey Gateway Crossing.

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its spending on repairs and maintenance, bringing into doubt the useful lives of those assets. Ongoing maintenance for the Mersey Gateway Crossing is covered by unitary payments and therefore has no impact on the Council's on-going repairs and maintenance spending.

If the useful life of Buildings included in Property, Plant and Equipment is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings could increase between 10%-15% equating to an additional £0.670m to £1.001m for every year that useful lives had been reduced.

29(b) Pensions Liability / Asset

The carrying amount in the Balance Sheet at the 31 March 2023 is an asset of £96.653m

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Hymans Robertson LLP is engaged on behalf of the Council by Cheshire West and Chester Council to provide expert advice about the assumptions to be applied.

An estimate of the impact of any changes to the principal assumptions provided by the actuary are shown in the Note 32.

30 Going Concern

The statement of accounts has been prepared on an assumption that the Council will continue in operational existence for the foreseeable future. This a requirement of the Code, which reflects the fact that since the management of a statutory local authority does not have the power to cease operations and wind up the entity, a statutory local authority will always be a going concern as defined by IAS1 (Presentation of Financial Statements).

Glossary of Terms

For the purposes of the Code of Practice the following definitions have been adopted:

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Accounting Policies

Those principals, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

(a) Recognising;
(b) Selecting and measurement bases for; and
(c) Presenting.

Assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Income and Expenditure account or Balance Sheet it is to be presented.

Acquired Operations

Operations comprise services and divisions of service as defined in SerCOP. Acquired operations are those operations of the Council that are acquired in the period.

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(a) Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(b) The actuarial assumptions have changed.

Capital Expenditure

Expenditure on the acquisition of a non-current asset or expenditure which adds to and not merely maintains the value of an existing non-current asset.

Class of Non-Current Assets

The classes of non-current assets required to be included in the accounting statements are:

Property, Plant and Equipment:

- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets
- Assets under construction
- Surplus assets

Other classes of assets:

- Investment properties
- Assets held for sale
- Heritage assets

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive Obligation

An obligation that derives from a Council's actions where:

(a) By an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and
(b) As a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

Contribution

A contribution may be received from a partner to help perform a particular function (i.e. PCT and third sector in health/education, S106 developers etc…)

Contingent Liability

A contingent liability is either:

(a) A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
(b) A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which Local Authorities engage in specifically because they are elected multi-purpose Authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no basis for apportioning these costs over or across services.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

(a) Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business; and
(b) Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants and the expenses of private acts.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

The measure of cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a non-current asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods or services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) The termination of the operation is completed either in the period before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
(b) The activities related to the operation have ceased permanently;
(c) The termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting either from its withdrawal from a particular activity (whether a service of division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
(d) The assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all the conditions are classified as continuing.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award which are awarded under the Council's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Estimation Techniques

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

(a) Methods of depreciation, such as straight-line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible non-current asset consumed in a period.
(b) Different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

Events after the Balance Sheet Date

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Exit Packages

Exit packages are defined as amounts payable as a result of either an employer’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept voluntary redundancy in exchange for those benefits. Exit packages also include enhancement of retirement benefits, when an employee retires early without actuarial reduction of pension.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Extraordinary Items

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm’s length transaction less, where applicable, any grants receivable towards the purchase of use of the asset.

Finance Lease

A finance lease is one where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. A lease would be classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term.
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value so as to make it reasonably certain the option will be exercised.
- The lease term is for the major part of the economic life of the asset.
- The present value of minimum lease payments amounts to at least substantially all of the fair value of the leased asset.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Notwithstanding the fact that the lease meets the definitions above, the presumption that an asset should be classified as a finance lease may in exceptional circumstances be rebutted if it can be clearly demonstrated that the lease in question does not transfer substantially all the risks and rewards of ownership (other than legal title) to the lessee.

Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular that the Income and Expenditure Account and Balance Sheet assume no intention to curtail significantly the scale of the operations.

Government Grants

Assistance by Government and Inter-Government Agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to a Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage Assets are assets that have historical, artistic, scientific, technological, geophysical or environmental qualities. Examples of heritage assets held by the Council include civic regalia, paintings and artefacts.

Impairment

A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.

Infrastructure Assets

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use if the asset created. Examples of infrastructure assets are highways and footpaths.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period of present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

The amount of unused or unconsumed stocks held in exception of future use, comprising the following categories:

(a) goods or other assets purchased for re-sale;
(b) consumable stores;
(c) raw materials and components purchased for incorporation into products for sale;
(d) products and services in intermediate stages of completion;
(e) long-term contract balances; and
(f) finished goods.

Investments (Non-Pensions Fund)

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

Investments (Pensions Fund)

The investments of the Pensions Fund will be accounted for in the statements of that Fund. However, councils are also required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

Investment Properties

Interest in land and/or buildings:

(a) In respect of which construction work and development have been completed; and
(b) Which is held for its investment potential, and rental income being negotiated at arm's length.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash or close to the carrying amount, or traded in an active market.

Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Net Book Value

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The Council's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than debt.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in case of non-operational assets), less the expenses to be incurred in realising the asset.

Operating Lease

A lease other than a finance lease.

Past Service Cost

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Prior Period Adjustments

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefit valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

(a) The benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
(b) The accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

Related Parties

Two or more parties are related parties when at any time during the financial period:

(a) A party has direct or indirect control of the other party; or
(b) The parties are subject to common control from the same source; or
(c) One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
(d) The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties of a Council include:

(a) Central government;
(b) Local authorities and other bodies precepting or levying demands on the council tax;
(c) Its subsidiary and associated companies;
(d) Its joint ventures and joint ventures partners;
(e) Its members
(f) Its chief officers; and
(g) Its pension fund.

Examples of related parties of a pension fund include its:

(a) Administering authority and its related parties
(b) Scheduled bodies and their related parties; and
(c) Trustees and advisors

This list is not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

(a) Members of the close family, or the same household; and

(b) Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

(a) The purchase, sale, lease rental or hire of assets between related parties;
(b) The provision by a pension fund to a related party of assets of loans, irrespective of any direct economic benefit to the pension fund;
(c) The provision of a guarantee to a third party in relation to a liability or obligation of a related party;
(d) The provision of services to a related party, including the provision of pension fund administration services;
(e) Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or the pension fund, such as council tax, rents and repayments of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Council, but also in relation to its related party.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash. Pension contributions payable by the employee are excluded.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of acquisition (or revaluation) of the asset and do not take account of expected future prices.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer’s decision to terminate an employee’s employment before the normal retirement date, or (ii) an employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employee (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

(a) A lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
(b) The purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
(c) The transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy.

Total Cost

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

Vested Rights

In relation to a defined benefit scheme, these are:

(a) For active members, benefits to which they would unconditionally be entitled on leaving the scheme;
(b) For deferred pensioners, their preserved benefits;
(c) For pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

The Audit Findings for Halton Borough Council

Year ended 31 March 2023

20 March 2024

Contents

Your key Grant Thornton team members are:

Michael Green
Engagement Lead
T: 0161 953 6382
E: michael.green@uk.gt.com

Stephen Nixon
Senior Manager
T: 0161 234 6362
E: stephen.r.nixon@uk.gt.com

Andrew McNeil
Assistant Manager
T: 0161 234 6366
E: andrew.mcneil@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Governance Board.

Michael Green

Name: Michael Green
For Grant Thornton UK LLP
Date: 20 March 2024

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Halton Borough Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed remotely between October 2023 and March 2024. Our findings are summarised on pages 4 to 22. We have identified adjustments to the financial statements as shown at Appendix D but these had no impact on the General Fund or draft outturn. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year’s audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- final audit file quality control review;
- responses to and consideration of a small number of outstanding audit queries;
- receipt of management representation letter (see appendix G}; and
- receipt and review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified.

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1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work and are in the process of agreeing the detailed commentary withing the separate Auditor's Annual Report with management. The Auditor's Annual Report will be presented alongside this report. We identified three significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

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1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to enable the audit to be completed to the schedule agreed with management.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Board.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our Audit Plan, as communicated to you on 5 July 2023.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Board on 20 March 2024. These outstanding items include are set out on page 3 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff throughout the audit.

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2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our Audit Plan.

We set out in this table our determination of materiality for Halton Borough Council.

	(£)	Qualitative factors considered
Materiality for the financial statements	9,267,000	Calculated based upon 2% of gross expenditure in the prior year audited financial statements
Performance materiality	6,950,000	75% of materiality for the financial statements
Trivial matters	463,000	5% of materiality for the financial statements
Materiality for senior officer remuneration	35,000	Reduced materiality due to the sensitive nature of tis disclosure and heightened public interest

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2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	**Commentary**
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council.	In response to the risk we have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • post year-end journals • material journals across the year • large year-end journals • year-end income and expenditure accrual journals • Off ledger adjustment journals • journals posted by senior management Application of these routines and supplementary procedures identified a total sample of 95 journals to test. Our testing did not identify any evidence of management override of controls or fraud. There have been no changes to accounting policies and estimation techniques and we are satisfied with the design effectiveness of management controls over journals. We have noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made. A preventative control in addition to the existing detective control in place at present would be a stronger control and ensure that journals are authorised prior to them being posted. An action has been raised at Appendix B.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue recognition risk Rebutted ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition. This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition.	As reported in our Audit Plan, having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Halton Council, mean that all forms of fraud are seen as unacceptable Whilst revenue recognition was not identified as a significant risk, we have carried out procedures and detailed testing of material revenue streams to gain assurance over this area. We tested, on a sample basis, material revenue transactions, ensuring that it remained appropriate to rebut the presumed risk of revenue and expenditure recognition. We did not identify instances of fraudulent revenue recognition or any reason to change our assessment of the risk in this area.
ISA240 expenditure recognition risk Rebutted In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure.	Our Audit Plan confirmed that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. As with revenue transactions, we have performed procedures to understand and test material expenditure streams. Our work in this area has not identified any matters to report to you or that would lead to a change in our risk assessment.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land and Buildings The Council revalues its property assets on a rolling basis. Revaluations are performed by the Council's external valuation expert, Sanderson Weatherall. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. We therefore identified the valuation of land and buildings including infrastructure assets as a significant risk for the Council.	For assurance over the balance sheet valuation of land and, and infrastructure assets we have: • evaluated management's processes and assumptions for the calculation of the valuation estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuation expert and discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • evaluated the valuer's report to identify assets that have large and unusual changes and/or approaches to the valuation – these assets will be substantively tested to ensure the valuations are reasonable • tested a selection of asset revaluations made during the year to ensure they have been input accurately into the Council's asset register, revaluation and Comprehensive Income and Expenditure Statement • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • agreed the basis of revaluations relating to Assets Held For Sale. We have undertaken the processes outlined above and engaged with the finance team, internal valuer and external valuer to challenge the valuation assumptions including indices used, obsolescence factors, build costs and floor areas for DRC assets. As part of our procedures, we identified that management had not carried out a review of assets not revalued as part of the triennial cycle as at 31 March 2023 to ensure there was no material change in the carrying value of these assets at the Balance Sheet date. Our own high-level calculations suggested that there was a risk that the potential movement could be material. Following discussion with management, further work was commissioned from the Council's external valuer to consider the movement in value of relevant assets. This work demonstrated that the potential was not material. We have reviewed this work and are satisfied with the conclusions drawn. We have raised a recommendation at Appendix B that management conduct this exercise annually unless a full valuation takes place. Sample testing of assets valued in the year identified one asset where a valuation had been allocated to the incorrect asset in the asset register. This resulted in an overstatement in value of £3.525m. Management have adjusted the financial statements to correct for this error - see appendix D. Our audit work has not identified any further issues in respect of valuation of land and buildings and following adjustments made to the draft financial statements, we are satisfied that the carrying value of land and buildings at 31 March 2023 is materially correct.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the Pension Fund Net Liability

The Council's pension fund net surplus (as reported in the draft financial statements), represents a significant estimate in the financial statements.

The pension fund net liability/surplus is considered a significant estimate due to the size of the numbers involved (erroneously reported as £96.6m surplus in the Council's draft balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net asset/liability is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management experts (an actuary) for this estimate and the scope of the actuaries' work
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- sought assurances from the auditor of Cheshire Pension Fund (CPF) as to the controls surrounding the validity and accuracy of membership data; contributions data sent to the actuary by CPF, and the fund assets valuation in the CPF financial statements.

Page 16 provides a detailed assessment of the estimation process for the valuation of the pension fund net surplus/liability.

From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures.

Review of the net defined pension liability relating to the Local Government Pension Scheme identified that IAS 19 valuation for the year moved from £91.2m deficit at 31 March 2022 to £96.6m surplus at 31 March 2023 in the draft balance sheet. The move to an IAS19 asset position is consistent with many local government schemes nationally and is the first time this has occurred since IFRS based financial statements have been produced. The reporting of a net asset position has required auditors to consider the requirements of IFRIC 14 and we discuss this in more detail on page 13.

Other assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and we have not identified any further issues with the estimation process.

Based on the procedures we have carried out we have gained assurance that the net pension liability in the Balance Sheet is materially correct.

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2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Accounting for Mersey Gateway Bridge Private Finance Initiative (PFI) liability The Mersey Gateway Bridge and associated PFI scheme is large and high profile to the residents of the borough. PFI schemes are complex and involve a degree of subjectivity in the measurement of financial information. We therefore identified the accuracy and presentation of the Mersey Gateway Bridge PFI scheme as a risk for the audit.	We have: • reviewed the PFI model and assumptions contained within • obtained an understanding of any changes to PFI contracts made since the prior year • compared the PFI model to the prior year model to identify any changes • reviewed and tested the output produced by the PFI model to generate financial balances within the financial statements • reviewed the disclosures relating to the PFI scheme for compliance with the Code and the International Accounting Standard IFRIC12. Our audit work has not identified any issues in respect of the Council's accounting for Mersey Gateway PFI liability.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
Valuation of LGPS pension surplus The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk as the group's draft accounts included a £96.65million pension asset for the LGPS.	IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. We have: • challenged management on the presentation of any pension asset • received calculations from the actuary's assessing any asset ceiling in place potentially reducing the amount of any asset recognised and reperformed those calculations • challenged the actuary on the assumptions used within that calculation; and • assessed the sufficiency of the financial statement disclosures provided in respect of the pension surplus.	The Authority had not fully considered the potential impact of IFRIC14 before any audit challenge. Following discussion with management, the actuary has updated the IAS 19 valuation including consideration of the requirements of IFRIC 14. The revised calculations have identified that the previously calculated asset should be limited to a credit ceiling calculated to be nil. The financial statements have been adjusted to remove the £96.65m asset to reflect a nil balance. The adjustment does not impact the overall useable reserves of the Council. The adjusted financial statements do show a net liability of £4.744m reflecting the unfunded element of the pension liability. A management action has been raised B regarding IFRIC14 for future years. Please see Appendix B for action plan and D for adjustments.
Minimum revenue provision Review of the provision has identified that a particular capital scheme has not been included in the calculation.	As part of our review of the basis of calculation of the Minimum Revenue Provision, we noted that no provision has been made in respect of the delinking project. Based on the value of the scheme, the annual charge would not be material at approximately £300k per annum but cumulatively, over the life of the asset, this would result in under provision of £8.4m. We report this as an unadjusted error on this basis subject to increase year-on year without amendment being made – See Appendix D. We also include a recommendation in this area at Appendix B.	The minimum revenue provision is an important entry within the financial statements that has an impact on council useable reserves and reflects the statutory charge for financing of capital spend. It is important that the Council is prudent in calculating the charge ensuring equity on current and future local tax-payers as well as ensuring the appropriate level of provision in line with guidance.

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2. Financial Statements: new issues and risks

Issue	Commentary	Auditor view
Property, Plant and Equipment carried at nil net book value The Fixed asset register contained a large number of assets carried at a nil net book value	During our testing of PPE closing balances, we noted a significant balance of assets with a nil Net Book Value (NBV) included in the closing balance at cost. We raised this matter with management as there is a risk that the gross cost of assets held is overstated if these assets are no longer in use or no longer held by the Council. Following investigation, management identified that there were assets that should have been disposed of. As a result of the review, management have disposed of assets with a gross cost of £12,424k. The net impact is nil as this is matched by accumulated depreciation of the same value. Within the updated accounts there are vehicles, plant and equipment with total gross cost of £7.018m that have a nil carrying value. We have raised a recommendation at Appendix B for management to further review these assets during 2023/24.	Having significant numbers of assets at a nil carrying value gives rise to a risk that the assets no longer exist, may have been lost or disposed of. It also indicates that depreciation policies may not be reflective of the effective life of some assets.
Bank reconciliations Deficiencies were identified in the bank reconciliation process.	1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023. 2. One school bank reconciliation (Halton Lodge) for March 2023 could not be provided by management. Management confirmed that the reconciliation had not been prepared. We requested it to be prepared and raised a number of unreconciled items.	Management should review and improve the process for bank reconciliations including schools.
Capital accruals A capital accrual for £1.015m for the new leisure centre relating to March 2023 was omitted in error. Capital accruals are therefore understated by £1.015m.	Capital accruals are therefore understated by £1.015m.	Management should review the process for identifying capital accruals to ensure they are complete.
EFA amendment The EFA was adjusted to transfer £5.161m to General Fund from earmarked reserves which was overlooked due to a compilation error.	Matter arising due to compilation error.	This is viewed as an isolated compilation error as part of year end reporting.

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2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations £204.8m (PY £202m)	Other land and buildings comprises land of £32.3m, specialised assets such as schools and libraries of £146.7m, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings £20.4m are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Sanderson Townsend to complete the valuation of properties as at 31 March 2023 on a three yearly cyclical basis. 25% of total assets (£50.3m) were revalued during 2022/23. Statement of Accounting Policy 15 Non-Current Assets, Property, Plant and Equipment details the Council's policy which is consistent with the previous year and with our expectations. The detailed valuation movements are shown in Note 17. Management undertake a rolling programme of revaluations to ensure that all assets are revalued at least every three years on an agreed schedule. The revaluation by the professional valuer is dated 31 March 2022. Management considered the year end value of non-valued properties, and the potential valuation change in the assets revalued during 2022/23 (at 31 March valuation date) to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties. However it was noted that Kingsway Leisure Centre value would have reduced by £2.4m due to increased obsolescence factors arising from its planned closure in 2024/25. This should have been posted to the general ledger – see Unadjusted errors schedule at Appendix C. The total year end valuation of land and buildings was £204.8m, a net increase of £1.2m from 2021/22 (£202m).	• We have assessed the Council's external valuer, Sanderson Wetherall LLP and the Council's internal valuer, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • Valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Council's carrying values to movements reported by Montagu Evans indices (valuation specialists), and concluded there were no material valuation differences. We also challenged the Council's valuation specialists on valuation differences identified through our sensitivity analysis work using other indices. There are no significant matters to report • Overall we are satisfied the Council's land and buildings valuation is not materially misstated. The accounting policy is adequately disclosed and estimation techniques are properly supported.	Light Purple

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Net pension liability – £4.741m

(Comprising: LGPS – asset nil, Unfunded element £4.741m)

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The Council's net pension liability at 31 March 2023 is £4.741m (PY £91.204) comprising the Hyman Robertson Local Government (nil) and unfunded defined benefit pension scheme obligations (£4.741m).

The Council uses Hyman Robertson to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation of the Local Government Pension Scheme was completed in March 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £106.3m net actuarial gain during 2022/23.

Audit Comments

Our audit work has included:

- assessment of management's expert
- assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach
- use of PwC as auditors expert to assess actuary and assumptions made by actuary – see table below to compare with Actuary assumptions

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.75%	4.75%	●
Pension increase rate	2.95%	2.95% - 3%	●
Salary growth	3.65%	3% - 5.45%	●
Life expectancy years – Males currently aged 45/65	22.3 & 21.3	22.3 & 21.3	●
Life expectancy – Females currently aged 45/65	25.5 & 23.7	25.5 & 23.7	●

- completeness and accuracy of the underlying information used to determine the estimate
- impact of any changes to valuation method (IFRIC14)
- reasonableness of the Council's share of LPS pension assets
- reasonableness of decrease in estimated liability
- adequacy of disclosure of estimate in the financial statements

Assessment

Light Purple

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) - £9.904m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £9.904m, a net increase of £0.501m from 2021/22.	We have reviewed the Council's calculation of MRP and confirm that; • the MRP has been calculated in line with the statutory guidance; and • the Council's policy on MRP complies with statutory guidance. Government consulted in February 2022 on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. As part of our work we noted that the MRP treatment relating to the delinking project (approximately £300k) at 31 March 2023 was not charged. Although the amount is trivial it will increase annually so will need recognising by the Council in future years – See action at Appendix B.	Blue

Assessment

- ● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Unit 4 ERP (Agresso)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Management override of controls

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Governance Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is set out at Appendix G.

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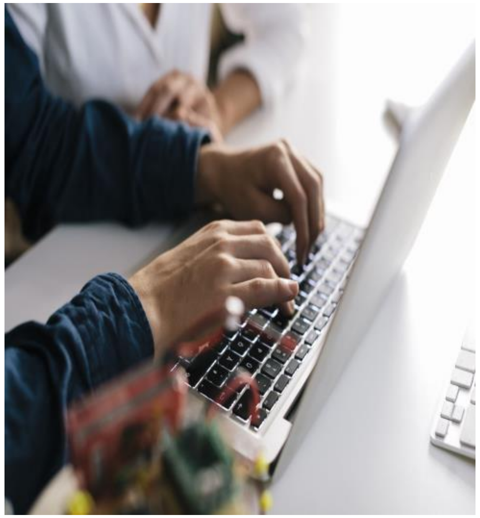
2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to counterparties for banking, investment and borrowings. This permission was granted and the requests were sent and returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. The Council's accounting practices are considered appropriate.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

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2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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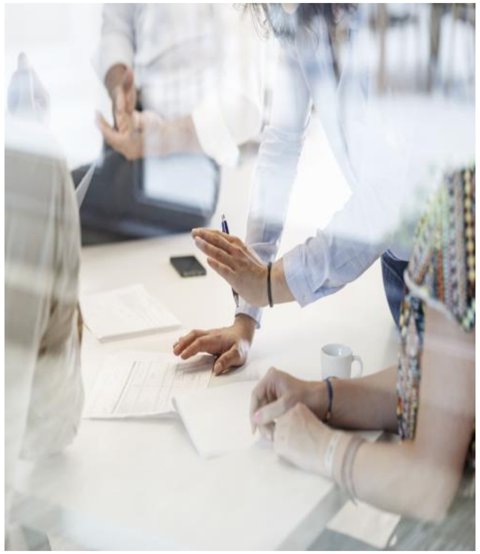
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have referenced the three significant weaknesses identified in the Council’s arrangements to secure value for money as noted in the Auditor’s Annual Report..
Specified procedures for Whole of Government Accounts	Where the bodies exceed the group reporting threshold of £2bn we are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Halton Borough Council in the audit report.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

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3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix I.

Risk of significant weakness	Auditor commentary	Outcome
The Council does not have a robust programme identified yet that will enable it to address its financial gap in the medium-term and is making planned and unplanned use of reserves.	The Council's planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited MTFS savings in 2022-23 and in 2023-24 are significant risks to the Council's financial sustainability.	Key Recommendation 1: The Council should ensure its transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves. It needs to: • reduce spending by looking at different ways of delivering services. • use the developing corporate strategy to identify its budget priorities and review service budgets. • develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to non-essential spending. • identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities. • consult on service changes and future spending plans with the public and include public engagement annually as part of business planning. • ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working. • significantly reduce the Council's reliance on agency staff. • ensure it has a programme of savings and transformation projects that exceed its forecast gap to enable it to replenish reserves and minimise the risk of programme slippage.

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3. VFM: our procedures and conclusions

Risk of significant weakness	Auditor commentary	Outcome
The Council's risk management arrangements are deficient on key areas set out in key recommendation 2. Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.	The Council's arrangements for risk management needs significant improvement.	Key recommendation 2: The Council needs to improve risk management by: • updating the Risk Management Strategy to add an escalation process between the corporate and departmental risk registers, including risk data transfer and ownership and adding in risk treatment and proximity. • ensuring there is a senior manager with responsibility for risk management. • formatting the CRR so there is a single table with strategic risks, issues and causes established with risk owners, split by risks, causes and impact and include assurances, direction of travel, planned completion date, linked risks, risk type, risk proximity, target risk date, date last updated, link to corporate objectives. • reviewing the three risks relating to capacity. • adding a risk on net zero which is a key priority but the risk of not achieving it is not identified in the CRR. • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the CRR. • integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision-making on risk and include risk considerations in committee paper sign-off. • ensuring the management team review corporate risks at least quarterly • integrating risk, performance and financial reporting in quarterly reports to the Executive Board. • ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the CRR revised format. • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement.
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. In both 2022-23 or in 2023-24 the Council did not have a corporate plan in place. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting.	The Council's arrangements for performance management are not adequate.	Key recommendation 3: 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 enhanced 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. • ensuring the Executive Board receives quarterly performance, finance and risk reports to enable it to hold officers to account.

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4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

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4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teacher's Pension Return	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £135,326 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	28,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,000 in comparison to the total fee for the audit of £135,326 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Board. None of the services provided are subject to contingent fees.

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4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	**Conclusion**
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's Executive, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

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Appendices

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A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

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B. Action Plan – Audit of Financial Statements

We have identified six recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**R1. Land and buildings assets not revalued** Management had not carried out a review of assets not revalued as part of the triennial cycle as at 31 March 2023 to ensure there was no material change in value. At our request, management carried out a review which involved liaison with the external valuer.	Management should conduct an exercise to assess the valuation change in assets not revalued annually unless a full valuation takes place. Management response
High	**R2. Pension actuarial valuation** From discussions with the actuarial firms, we understand that the application of IFRIC 14 is not within their normal scope. As such, unless they are instructed otherwise by the employer, they will produce IAS 19 disclosures assuming there are no IFRIC 14 adjustments to any surplus or deficit. This means there is a risk that material adjustments are not factored into the IAS19 disclosures.	Management should instruct their actuary to calculate any potential asset ceiling under IFRIC14 when the pension scheme is in surplus to ensure this is reflected in their IAS19 calculations. Management response
Medium	**R3. Property assets no longer owned by the council** A review of fully depreciated vehicles, plant and equipment assets revealed that they had been disposed of by the Council.	Management should put in place arrangements to ensure that the fixed asset register is updated when assets are disposed of. A review of the fixed asset register should be undertaken to ensure no assets remain which have been disposed of. Management response
Medium	**R4. Minimum Revenue Provision** Management have not calculated an MRP charge for the £8m borrowing for the delinking project. At 31 March 2023 the MRP is estimated to be c£300k so trivial, but this will increase annually so will need recognising by the Council.	The Council expenditure on the De-linking project does meet the criteria for unfinanced capital expenditure which should prudently be included in the annual MRP charge of the Council. As such, the council should apply an MRP charge for the de-linking project borrowing in future years. Management response

Page 263

Assessment

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**R5. Journal Authorisation** We noted that there is no formal review or authorisation process for journals. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made.	Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted. Management response
High	**R6. Bank reconciliations** 1. An unreconciled difference of £27k was identified on the General Receipts bank reconciliation for March 2023. 2. One school bank reconciliation for March 2023 could not be provided by management. Management confirmed that the reconciliation had not been prepared. We requested it to be prepared and raised a number of unreconciled items.	Review and improve the bank reconciliation process ensuring unreconciled amounts are investigated and cleared. Management should ensure that school's bank accounts are routinely prepared and retained. Management response

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C. Follow up of prior year recommendations

We identified the following issues in the audit of Halton Borough Councl's 2021/22 financial statements, which resulted in 2 recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Note 21 Assets held for sale** An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.54m. As set out in note 15(d) to the financial statements "When it becomes probable that the carrying amount of an asset will be recovered through the sale of a transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value at highest and best use, less costs to sell". The Council has not applied the correct accounting treatment in re-classifying the asset to 'held for sale' and there is a risk that similar matters could be identified in future.	We are satisfied with 2022/23 assets held for sale disclosures.
X	**Note 33 Financial instruments** The financial instruments note should include a reconciliation between the fair values in the note and the Balance Sheet values. This will require the non-financial instruments to be identified and included as reconciling items and allow a reader of the accounts to link back to the amounts disclosed in the Balance Sheet.	Management have provided a total asset level reconciliation but not at a detailed level

Assessment

✓ Action completed

X Not yet addressed

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Balance Sheet, Pension Fund Notes and various associated notes Limitation of pension surplus recognised in accordance with IFRIC14. Note this cost is reversed through reserves so no impact upon General Fund	Dr 101,397	Cr (101,397)	nil	nil
Removal of property assets no longer held by the Council A review of fully depreciated equipment and vehicle assets identified that a material GBV amount was no longer held. Both gross cost and depreciation written out.	nil	Dr 12,423 Cr (12,423)	nil	nil
Correction of error in valuation input Incorrect valuation adjustment input into the asset register resulting in overstatement of asset carrying value.	Dr 3,525	Cr (3,525)	nil	nil
Overall impact	**104,922**	**(104,922)**	**nil**	**nil**

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Prior Period Restatement Management omitted to include a prior period restatement note to reflect the reclassification in the CIES arising from the Directorate re-structure in 2022/23.	Prior period adjustment (PPA) disclosure note proposed by management which impacts the CIES, EFA and note to the EFA.	✓
Note 1 EFA and supporting note (Note 1) Compilation error on face of EFA. Movement in earmarked reserves for Corporate & Democracy overstated by £5,161k. Compensating error within the Adjustments between the funding and Accounts column for this service.	Council to amend Note 1 for this error.	✓
Mersey Gateway Note providing analysis of Mersey Gateway income and expenditure added to accounts to comply with the Transport Act 2000. Balances and movement on the Mersey Gateway Earmarked Reserve also provided.	Council to add note.	✓
Exit packages Note 11 Error in disclosure of number of voluntary redundancies. This relates to the bandings £20-£40k, £60-£80k and £80-£100k which are all reported in error as zero but should say five, one and one respectively.	Council to amend Note 11 for this error.	✓
External Audit Fees Note 14 Note is not consistent with audit fees set out on page 39 of this report.	Council to amend Note 14.	✓

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D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Property Plant & Equipment (Note 17) Runcorn Swimming Pool is recorded as an operational building valued £700k but should be classed as surplus as not operational at 31 March 2023.	Management should reclassify the Swimming Pool within Note 17. Management do not wish to make the amendment as not material and disclosure only.	X
Capital Commitments (PPE Note 17) The capital commitments disclosure understated the commitment for Widnes Leisure Centre by £0.92m.	Widnes Leisure Centre capital commitment to be amended to £26.22, and total commitments of £34.97m. This is a disclosure matter only.	✓
Pensions note 32 Number of compilation errors identified in note: Page 73 – Assets table column headings for both years should be “Unquoted prices not in active markets”. Currently shown as quoted princes not in active market. Page 74 – Sensitivity table at bottom of page column heading should be “Approximate % increase to Defined Benefits Obligation”. Currently shown as Approximate % increase to Employer Liability” Page 74 – The percentage increases for changes in assumptions should be disclosed. See HYMANS report for percentages.	Note should be amended for these errors	✓
Financial Instruments Note 33 The quoted maximum deposits for foreign banks does not agree to the 2022/23 Treasury Management Strategy.	Note should be amended to the approved maximum deposits.	

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D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Minimum Revenue Provision Management have not calculated an MRP charge for the £8m borrowing for the delinking project	nil	nil	nil	(300)	Not material
Capital accruals A capital accrual for £1.015m for the new leisure centre relating to March 2023 was omitted in error. Capital accruals are therefore understated by £1.015m.	Nil	Dr £1,015 Cr (1,015)	nil	nil	Not material
Overall impact	**nil**	**nil**	**nil**	(300)	

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D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Note 32 Pension Scheme				Not material to Halton's financial statements and based upon an estimated value. Will be corrected in 2022/23 by applying the up to date IAS19 actuarial valuation
Understatement of pension fund asset valuation				
Dr Pension Investment		1,032		
Cr Remeasurement of net pension liability	(1,032)			
Note that this movement is reversed out to the Capital Adjustment Account under Local Authority accounting regulations so as not to impact the Council's overall financial position.				
Primary statements and various notes				Not material to Halton's financial statements
Understatement of year end creditor				
Dr Cost of Services (REFCUS)	931			
Cr Creditors		(931)		
Dr Capital Adjustment Account		931		
Cr Movement in Reserves Statement	(931)			
Note 21 Assets Held for Sale				Not material to Halton's financial statements
An asset held for sale is incorrectly reported at its carrying value rather than the realisable value, resulting in an overstatement of £0.5m				
Dr Capital Adjustment Account		540		
Cr Assets Held for Sale		(540)		
Overall impact	**£(1,032)**	**£1,032**	**0**	

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E. Fees and non-audit services

We confirm below our final fees charged for the audit

2022/23 Scale fee published by PSAA	£96,076
Additional work on Value for Money (VfM) under the new NAO Code	£20,000
Increased audit requirements of revised ISA 540	£6,000
Enhanced audit procedures on journals testing	£3,000
FRC response – additional review requirements	£1,500
Infrastructure assets	£2,500
Payroll change of circumstances	£500
Collection Fund reliefs testing	£750
ISA 315	£5,000
Total audit fees as per audit plan	**£135,326**
Additonal fees for new issues	
IFRIC 14 – Net Pension Fund asset	£4,000
Additional VFM work around identified significant weaknesses	£4,000
Additional work relating to assets not revalued	£1,500
Total audit fees (excluding VAT)	**£144,826**

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E. Fees and non-audit services

	Proposed fee	Final fee
Statutory audit fee (see page 39 for detail)	135,326	144,826
Non-audit fees: Audit Related Services:		
Housing Benefits certification	28,000	TBC
Teacher's Pension certification	10,000	TBC
Total non-audit fees (excluding VAT)	**£173,326**	**£TBC**

The fees do not reconcile to the financial statements as additional variations have not been accounted for. The final audit fee for the statutory audit has been discussed with management and is subject to formal approval by Public Sector Audit Appointments Limited.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

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F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

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G. Management Letter of Representation

Dear Grant Thornton UK LLP

Halton Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Halton Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council’s financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and building valuations and pensions asset and liability valuations. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

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G. Management Letter of Representation

i. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

iii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached below. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

iv. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

v. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

vi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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G. Management Letter of Representation

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council’s financial statements.

Approval

The approval of this letter of representation was minuted by the Council’s Audit and Governance Board at its meeting on 20 March 2024.

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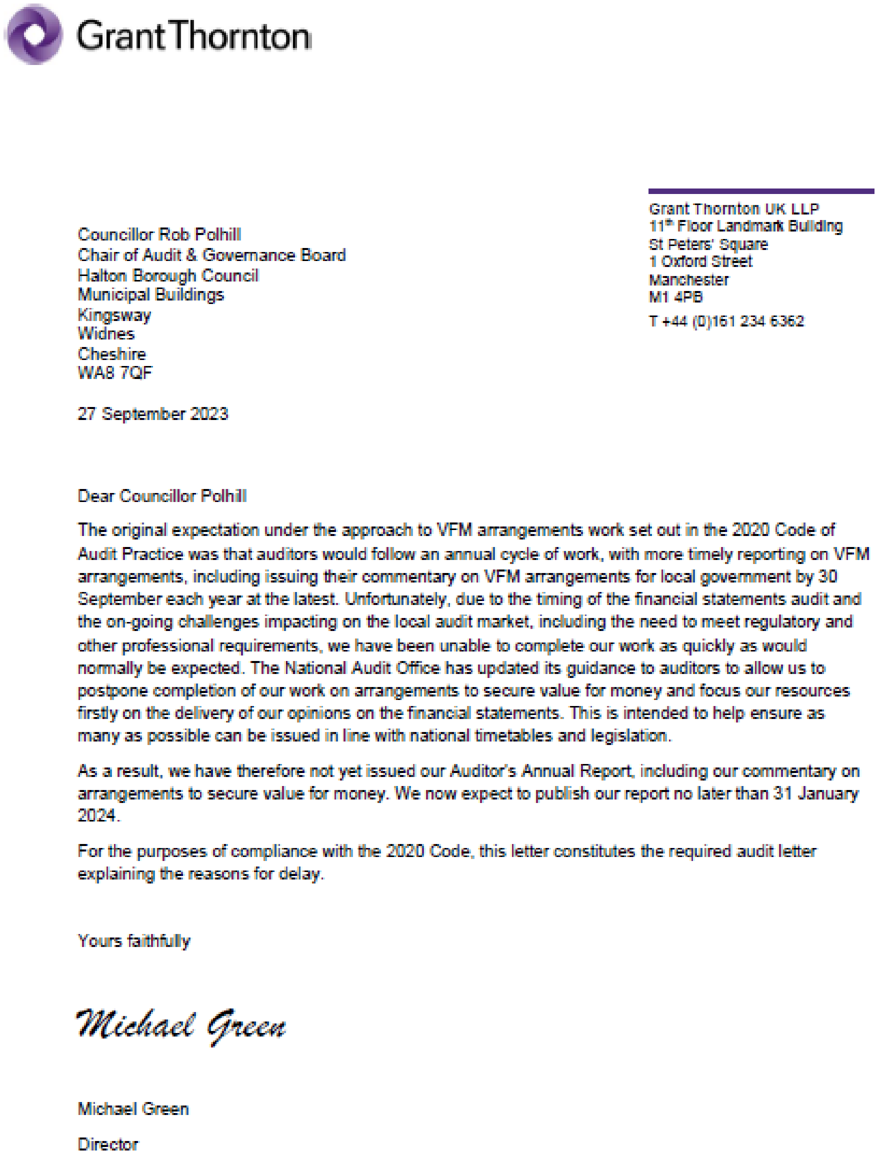
H. Audit letter in respect of delayed VFM work



GrantThornton

Grant Thornton UK LLP
11th Floor Landmark Building
St Peters' Square
1 Oxford Street
Manchester
M1 4PB

T +44 (0)161 234 6362

Councillor Rob Polhill
Chair of Audit & Governance Board
Halton Borough Council
Municipal Buildings
Kingsway
Widnes
Cheshire
WA8 7QF

27 September 2023

Dear Councillor Polhill

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the timing of the financial statements audit and the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 January 2024.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Michael Green

Michael Green

Director

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REPORT TO:	**Audit & Governance Board**
DATE:	**20 March 2024**
REPORTING OFFICER:	**Operational Director, Finance**
PORTFOLIO:	**Corporate Services**
SUBJECT:	**External Audit Annual Report 2022/23**
WARD(S):	**Borough-wide**

1.0 PURPOSE OF REPORT

1.1 To consider the 2022/23 External Audit Annual Report shown in the Appendix, which will be presented by the Council's external auditor, Grant Thornton UK LLP.

2.0 RECOMMENDED: That the contents of the 2022/23 External Audit Annual Report shown in the appendix be noted, including the recommendations contained within the Report.

3.0 SUPPORTING INFORMATION

3.1 The External Auditor is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Annual Report details the Council's overall arrangements, as well as providing key recommendations regarding any significant weaknesses identified during the review. In addition, improvement recommendations are made which the Council may also decide to implement.

3.2 External Audit is required to report under three specific criteria, being:

- Financial Sustainability
- Governance
- Improving Economy, Efficiency and Effectiveness

3.3 The report provides details of the findings of the External Auditor's review, which will be presented at the Board by Grant Thornton UK LLP.

4.0 POLICY IMPLICATIONS

4.1 None.

5.0 FINANCIAL IMPLICATIONS

5.1 The report provides an external viewpoint on the financial sustainability of the Council. As is now the case for many local authorities, there are significant financial challenges for the Council in balancing future year budgets and managing spending within budgets.

5.2 The report identifies four significant weaknesses regarding the arrangements the Council has in place to secure financial sustainability and makes key recommendations in this respect. Management's responses to those recommendations are included within the report.

5.3 In addition, seven improvement recommendations are identified within the report, along with management's responses.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

6.2 Employment, Learning and Skills in Halton

6.3 A Healthy Halton

6.4 A Safer Halton

6.5 Halton's Urban Renewal

There are no implications for any of the Council's priorities listed above.

7.0 RISK ANALYSIS

7.1 The risks that have been considered as part of the Council having in place arrangements to secure economy, efficiency and effectiveness, are detailed in the attached report.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None.

10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

10.1 None under the meaning of the Act.

Grant Thornton

Auditor's Annual Report on Halton Borough Council

2022-23

March 2024

Contents

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

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

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

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Executive summary (1 of 3)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020-21 was the first year that we reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below. Direction of travel relates to change since 2021-22.

Three significant weaknesses are identified in the Council's arrangements for value for money (VFM) resulting in three key recommendations relating to financial sustainability, governance and Improving economy, efficiency and effectiveness.

Taken together these three significant weaknesses are very serious and the Council needs to address them at pace and with sufficient senior level capacity to make a difference. It is important that the Council demonstrates resultant progress and improvement in these areas, avoiding the need for further use of auditor statutory powers.

Criteria	**Risk assessment**	**2020/21 Auditor Judgment**	**2021/22 Auditor Judgment**	**2022/23 Auditor Judgment**	**Direction of travel**
Financial sustainability	No risks of significant weakness identified	🟨 No significant weaknesses in arrangements identified but one improvement recommendations made.	🟨 No significant weaknesses in arrangements identified but one improvement recommendation made.	🟥 One significant weakness in arrangements identified and four improvement recommendations made.	↓
Governance	No risks of significant weakness identified	🟨 No significant weaknesses in arrangements identified, but one improvement recommendation made.	🟨 No significant weaknesses in arrangements identified, but one improvement recommendation made.	🟥 Two significant weaknesses in arrangements identified and three improvement recommendations made.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	🟨 No significant weaknesses in arrangements identified, but one improvement recommendation made.	🟨 No significant weaknesses in arrangements identified, but one improvement recommendation made.	🟥 One significant weaknesses in arrangements identified but no improvement recommendations made.	↓

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

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Executive summary (2 of 3)

Financial sustainability

On 17 February 2022, the Executive Board was told the Council would need to make revenue savings of £23.3m over the next three years to meet its expected budget gap. The gap included £11.7m in 2023-24. £2.347m of savings were agreed in the 2022-23 budget, of these £0.82m were one-off measures. We are concerned that these are not sufficient to meet the budget gap.

On 2 March 2022, Full Council agreed its net revenue budget for 2022-23 of £113.89m. This was balanced with £7.8m of reserves. The outturn position for 2022-23 showed net spending was over the revised budget of £111.7m by £5.161m. The Childrens Directorate net expenditure was £9.714m over budget. In 2022-23, the Council spent £13.6m on agency staff.

In 2022-23 the general reserve balance was £6.4m, this reduced to £5.1m by 2023-24. In addition to this balance, the Council only had £2.748m available to support the revenue budget, £2.424m to support transformation and £2.203m to support Adult Social Care pressures by 31 March 2023 as the rest of the reserves were specifically earmarked. **We are concerned about the Council's reserve levels given the overspend in 2022-23 and 2023-24 and the lack of savings from the transformation programme and we make a key recommendation on page 6.**

On 19 January 2023, the Executive Board agreed a three-year transformation programme that was expected to deliver £2m in 2023-24. This was still an expectation in October 2023, when the Executive Board were told the transformation programme would deliver £2m in 2023-24, £8m in 2024-25 and £10m in 2025-26. However, on 16 November 2023 the Executive Board were advised the programme was reprofiled to deliver £4m in 2024-25, and £8m in both 2025-26 and 2026-27. In 2023-24 the programme was forecast to cost £1.9m and save just £0.179m in year.

In January 2023, the Executive Board agreed the principle of a three-year transformation programme which was forecast to save £20m to £25m once savings were developed. The Executive Board was told the funding gap from 2024-25 to 2026-27 was £24.095m in February 2023. However, in February 2023, Full Council approved savings of £2.83m for 2023-24 and a cumulative £6.881m of savings over the three-year period. By November 2023, £1.718m of the £2.83m were flagged as delivered or on track in 2023-24. We remain concerned about the Council's financial sustainability and its limited progress on transformation.

On 8 March 2023, Full Council agreed its 2023-24 net revenue budget as £140.88m. This was balanced with £8.422m of reserves. By September 2023, net spending was £3.572m over budget and by November 2023, the outturn forecast for the year estimated that net spending will be over budget by £8.108m. The Children's Directorate spending was £4.0m over budget and was forecast to be £9.3m over budget by year end. The latest forecast position to the year-end shows a reduction in the overspend to £7.1m.

The Council's savings and transformation plans are not sufficient to meet its medium-term financial gap and are taking too long to materialise which is impacting its financial sustainability, and we make a key recommendation on page 6. The Council should ensure its transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves

We also make four improvement recommendations relating to financial sustainability from pages 17 to 20.

Governance

The Council has a Corporate Risk Management Strategy, updated in May 2023. The strategy does not consider programme and project risks which we would expect to see. It also needs a clear risk escalation and de-escalation process setting out between corporate and directorate risk registers. In addition, there is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy. We also identify improvements which are needed to the Corporate Risk Register (CRR) including the addition of a target risk score, direction of travel and mapping to corporate objectives. There is no indication of whether it is a dynamic or static risk. These risks are not reviewed sufficiently by officers or members.

The Council's arrangements for risk management needs significant improvement. We make a key recommendation on page 7. The Council's risk toolkit (updated April 2019) explaining how risk management is integrated into the business processes will also need updating to reflect the key recommendation made relating to risk management.

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Executive summary (3 of 3)

Governance (continued)

The Council needs to ensure services and projects and programmes have their own effective risk management arrangements that mirror changes to the CRR.

Financial risks are not included sufficiently in the budget papers to members. We expect to see risks and their mitigations set out in the budget paper. 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. Risk is not sufficiently embedded into committee reports, these should refer to identified risks in the CRR, giving members risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets.

CIPFA recommends that audit committees should include at least two co-opted independent members to provide appropriate technical expertise. **The Audit and Governance Board does not have independent representatives and the Council may want to address this through our improvement recommendation on page 24.**

The Council demonstrates good practice regarding counter-fraud. It has an Investigations Team of 3 counter-fraud specialists who share intelligence and good practice with other local authorities and regional fraud groups. In 2022-23 the team led 150 fraud investigations and five whistleblowing investigations; the whistleblowing cases were closed with no action. The value of these frauds was £0.217m. During 2022-23, an e-learning fraud awareness package for all staff and elected members was developed, tested and launched. Procurement staff completed their training in 2022-23 and a roll out to all staff and elected members was planned in 2023-24.

The Council uses scenario planning in its working papers but do not include best, worst and expected positions in the MTFS reporting to the Executive Board. **We make an improvement recommendation to include scenario planning on page 25.**

The Council has not undertaken a self-assessment against the CIPFA Financial Management Code in 2022-23 or up to January 2024, and we make an improvement recommendation on page 26 to undertake a self-assessment to help with improving financial sustainability.

Improving economy, efficiency and effectiveness

The Council had no up-to-date Corporate Plan in 2022-23 or in 2023-24. It will have a new plan in place for 1 April 2024. The existing six themes have a set of actions and performance measures, which are reported quarterly to each of the six Policy and Performance Boards. However, there is no corporate performance report for the Council as a whole and we identified a lack of consistency across Departments relating to the use of benchmarking. We also identified a lack of SMART targets and success measures. W**e identify a significant weakness in the Council's arrangements for performance management and make a key recommendation on page 8.**

However, the Council is making good progress on its core service improvements. Ofsted carried out a focused visit in November 2022 and identified improvement to its children's services. It found the new senior leadership team has begun to accelerate the much-needed pace of change to the Council's improvement journey. In June 2023, Ofsted inspected the Council's adult learning service and gave it another 'good' rating. Leaders have effective quality assurance and improvement processes in place.

While there was evidence of a failure to meet minimum service standards in adult social care in 2022-23 and in 2023-24, relating to two of the five Council run care homes, the Care Quality Commission (CQC), identified the Council responded immediately to make service improvements following the visits.

The Council has strong arrangements in place for procurement. The Council's Procurement Strategy 2020-25 is aligned to the National Procurement Strategy for Local Government in England 2018. Procurement Standing Orders are updated annually, these were last updated in May 2023. The Council's bespoke Electronic Procurement System provides automated workflow and full visibility for all waiver and extension requests and assists contract management by ensuring that evidence is held to confirm that suppliers are complying with contractual requirements in terms of insurance, safeguarding and information governance. The system also provides visibility of future pipeline opportunities that will require pre-procurement support to assist spending departments identify the best route to market.

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Key recommendation 1

Financial sustainability and Governance

Key recommendation 1

The Council should ensure its transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves. It needs to:

- reduce spending by looking at different ways of delivering services.
- use the developing corporate strategy to identify its budget priorities and review service budgets.
- develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to non-essential spending.
- identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities.
- consult on service changes and future spending plans with the public and include public engagement annually as part of business planning.
- ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working.
- significantly reduce the Council's reliance on agency staff.
- ensure it has a programme of savings and transformation projects that exceed its forecast gap to enable it to replenish reserves and minimise the risk of programme slippage.

Why/impact

The Council does not have a robust programme identified yet that will enable it to address its financial gap in the medium-term and is making planned and unplanned use of reserves.

Auditor judgement

The Council's planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited MTFS savings in 2022-23 and in 2023-24 are significant risks to the Council's financial sustainability.

Summary findings

In 2022-23 the general reserve balance was £6.4m, this reduced to £5.1m by 2023-24. In addition to this balance, the Council only had £2.748m available to support the revenue budget, £2.424m to support transformation and £2.203m to support Adult Social Care pressures by 31 March 2023 as the rest of the reserves were specifically earmarked. However, the Council used £7.8m to balance its 2022-23 budget, %.161m to find the 2022-23 out-turn and £8.422m of reserves to balance 2023-24.

On 17 February 2022, the Executive Board was told the Council would need to make revenue savings of £23.3m over the next three years to meet its expected budget gap. The gap included £11.7m in 2023-24. Only £2.347m of savings were agreed in 2022-23 budget, of these £0.82m were one-off measures. On 19 January 2023, the Executive Board agreed a three-year transformation programme that was expected to deliver £2m in 2023-24. This was still an expectation in October 2023, when the Executive Board were told the transformation programme would deliver £2m in 2023-24, £8m in 2024-25 and £10m in 2025-26. However, on 16 November 2023 the Executive Board were advised the programme was reprofiled to deliver £4m in 2024-25, and £8m in both 2025-26 and 2026-27. In 2023-24 the programme was forecast to cost £1.9m and save just £0.179m in year. On 16 February 2023, the Executive Board was told the funding gap from 2024-25 to 2026-27 was £24.095m. However, on 1 February 2023, Full Council only approved savings of £2.83m for 2023-24 and a cumulative £6.881m over the three-year period. By November 2023, £1.718m of the £2.83m were flagged as delivered or on track in 2023-24.

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Key recommendation 1

Management response

Agreed - The Transformation Programme is a dynamic programme with constituent projects developed within themed areas, based upon initial analysis and subsequent demand mapping – much of which has taken place in 2023/24 since programme inception. The majority of current projects are focused on external service delivery where the outcomes required are dependent upon the types and levels of demand created by people in given scenarios (Children's & Adults), influenced by public behaviour (Waste Management - recycling), or internal processes that are heavily influenced by external conditions (Use of agency workers / effective recruitment and labour market conditions). As such the lead in time to budget savings delivery will vary as the benefits and risks associated with service change are evaluated and balanced.

The issues highlighted within the recommendation are recognised as the key reasons behind why the Council chose to implement the Transformation Programme, in order to provide a sustainable solution to the financial challenges. It is the Council's intention to implement all aspects of the Programme at the earliest opportunity and further projects will be added to the Programme as it progresses, but it should be noted that the complexities of the those projects are not static.

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Key recommendation 2

Governance

Key recommendation 2	The Council needs to improve risk management by: • updating the Risk Management Strategy to add an escalation process between the corporate and departmental risk registers, including risk data transfer and ownership and adding in risk treatment and proximity. • ensuring there is a senior manager with responsibility for risk management. • formatting the CRR so there is a single table with strategic risks, issues and causes established with risk owners, split by risks, causes and impact and include assurances, direction of travel, planned completion date, linked risks, risk type, risk proximity, target risk date, date last updated, links to corporate objectives. • reviewing the three risks relating to capacity. • adding a risk on net zero which is a key priority but the risk of not achieving it is not identified in the CRR. • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the CRR. • integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision-making on risk and include risk considerations in committee paper sign-off. • ensuring the management team review corporate risks at least quarterly • integrate risk, performance and financial reporting and report these quarterly to the Executive Board. • ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the CRR revised format. • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement.
Why/impact	Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.
Auditor judgement	The Council's arrangements for risk management needs significant improvement.
Summary findings	The Council's Risk Management Strategy, updated May 2023 does not consider programme and project risks which we would expect to see. It also needs a clear risk escalation and de-escalation process setting out between corporate and directorate risk registers. There is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy. 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. Risk is not sufficiently embedded into committee reports, these should refer to identified risks in the CRR. giving members no risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets. The CRR does not split risk by risk, cause and impact, it does not set out assurances, risk type, risk proximity or include a target risk date, or direction of travel, date last updated, and does not map risks to corporate objectives. There are no residual scores after risk treatment and controls to reduce risk further. There is no indication of whether it is a dynamic or static risk. These risks are not reviewed sufficiently by officers or members.

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Key recommendation 2

Management response

Agreed - Programme and project risks are managed at programme / project level, with separate risk registers produced where they are considered necessary e.g. for the Transformation Programme. The Council's approach to risk management was reviewed in 22/23 by Zurich Municipal and recommendations made were taken on board. The Council's formal risk management process is only one of a number of ways in which risk is managed on an ongoing basis, through a variety of means. The Corporate Risk Register does include residual scores following mitigation measures, which are reported to the Audit and Governance Board as part of the six-monthly reviews of the Register. However, it is understood that the recommendation relates to establishing target risk scores, which will be considered along with reporting more frequently on an exception basis.

The standard format for all Committee papers does include consideration of associated risks and completion of a risk section within every report. It is accepted that the approach by report authors could be made more robust and steps will be taken to address this.

The Council recognises the importance of managing risk and whilst it is considered it has reasonable arrangements in place, the opportunity will be taken to review its arrangements and seek to make further improvements in line with all of the recommendations made.

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Key recommendation 3

Improving economy, efficiency and effectiveness

Key recommendation 3	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 enhanced 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. • ensuring the Executive Board receives quarterly performance, finance and risk reports to enable it to hold officers to account.
Why/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. In both 2022-23 or in 2023-24 the Council did not have a corporate plan in place. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting.
Auditor judgement	The Council's arrangements for performance management are not adequate.
Summary findings	The Council had no up-to-date Corporate Plan in 2022-23 or in 2023-24 but plans to launch a new Plan on 1 April 2024. The Council used the previous six themes for reporting in 2022-23 and 2023-24 and reported performance to the six Policy and Performance Boards. However, there was no corporate performance report for the Council going to the Executive Board in either year. Objectives and milestones in the performance reports are not written as smart objectives and milestones have no date attached as we would expect to see. The Council's use of performance benchmarking is not consistently applied across the themes. In Adult social care reports are not benchmarked to national and nearest neighbours but there is some benchmarking for children and young people. We think the Council needs to be reporting a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. We identify gaps in performance reporting in 2022-23 that continued in to 2023-24, a lack of a consistent approach to benchmarking and a lack of measurable outcomes. Combined with no corporate plan in 2022-23 or in 2023-24 we identify a significant weakness in the Council's arrangements for performance management.
Management comments	**Agreed** - During 2022/23 the Council consciously determined to take a thorough and transparent approach to the development of a new Corporate Plan, seeking public engagement over an appropriate period of time to ensure that a genuine consultation took place. This was largely to ensure that community needs and aspirations in the post-pandemic operating environment were taken into account. In the interim period the Council placed a 'Statement of Intent' in the public domain to outline its approach. The 'Big Conversation' ran from Spring to Winter 2023. The Council is currently adopting its new Corporate Plan for implementation from 1 April 2024, which will be underpinned by a core set of Key Performance Indicators. In February 2024, following Executive approval of the new Corporate Plan, the KPI's have been placed in a draft Performance Management Framework which will link to the new Corporate Priorities and a reporting regime will be put in place, forming the first two levels of the 'Golden Thread' within the Council. The Council acknowledges that the prevailing performance management regime had begun to lose effectiveness as the previous version of the Corporate Plan had aged, however, to ensure the best use of resources in the development of a new regime it implemented the iterative approach outlined above, which has been adhered to.

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Use of auditor's powers

We bring the following matters to your attention:

	2022-23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not make any statutory recommendations.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court under Section 28.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.

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

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

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

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 30.

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The current Local Government landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in several council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at several councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Page 293

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The current Local Government landscape (continued)

Local context

Halton Borough Council (the Council), in North-west England, was created on 1 April 1974 as part of a wider reorganisation of local government in England. Its largest towns are Runcorn and Widnes. It became a unitary council on 1 April 1998. Halton is also part of the Liverpool City Region Combined Authority. This is one of the few City Regions to have secured a Devolution Agreement with the Government, meaning decision making and resources around key priorities are managed locally.

Council elections are by thirds. This means that a third of the 54 councillors are elected every year over a four-year cycle (with no elections in the fourth year). Halton is a Labour controlled Council.

Halton is the fifth smallest unitary council, and it has a population of 128,964 of which 30% live in areas that are deprived. Halton has the second highest rate of looked after children in the City Region after Liverpool which explains its challenges with children's social care spending. It is facing a growing demand for children's social care combined with the national impact of increasing placement costs and the high level of agency use in both children's services and adult social care.

The Mersey Gateway Bridge is a toll bridge between Runcorn and Widnes in Cheshire, England, which spans the River Mersey and the Manchester Ship Canal. The crossing opened in October 2017. The funding arrangements between the UK Government and Halton Borough Council were agreed on the basis that users of the Mersey Gateway and the Silver Jubilee Bridges will contribute most funding through the payment of tolls. When the contracts were signed, Halton Borough Council entered a Public Private Partnership with the Merseylink consortium.

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Financial sustainability (1 of 4)

We considered how the Council:

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

2022-23 budget and MTFS

On 2 March 2022, Full Council agreed its net revenue budget for 2022-23 of £113.89m and set Council tax of £1,595.97 for a Band D equivalent property. This is an increase of 2.99% (£46.33 per annum). The Council tax base (Band D equivalent) was set at 35,831. The ring-fenced Dedicated Schools Grant (DSG) budget was £102.18m for the Schools Block, an increase of £3.1m on 2021-22. The High Needs Block budget was £19.87m, an increase of £1.54m.

The Council's Government settlement funding allocation was £52.924m. This is made up of £46.857m of business rates baseline funding and top-up grant of £6.067m. The Council tax requirement was £57.174m.

The Council balanced its 2022-23 budget with £7.8m of reserves. This presents a risk to future years' budgets, as permanent savings will need to be made to replace this funding over the medium-term.

2022-23 outturn

On 15 June 2023, the Executive Board received the outturn position for 2022-23. It showed that operational net spending was over the revised budget by £5.161m. The budget was revised to £111.7m between the budget report being issued and the start of the year due to the carried forward deficit on business rates not being identified at the time of the budget report.

The main area of overspending was the Childrens Directorate where net expenditure for the year was £9.714m over budget on 31 March 2023. On 31 March 2023, there was a DSG deficit of £2.9m (£1.9m on 31 March 2022).

2023-24 budget and forecast position

On 8 March 2023, Full Council agreed its 2023-24 net budget as £140.9m. This was funded from £60.7m of council tax (an increase of 4.99% on the 2022-23 Band D level), business rates of £57.3m, top-up funding of £3.3m, share of the collection fund surplus of £3.1m and Government Grant to fund business rate reliefs of £16.5m. The DSG settlement was £143.393m, which included £26.135m for the High Needs Block. The Council balanced its 2023-24 budget with £8.422m of reserves.

By September 2023, net spending was £3.572m over budget and the outturn forecast for the year reported to the Executive Board on 16 November 2023, estimated that net spending would be over budget by £8.108m.

The Children's Directorate spending was £4.0m over budget in November 2023 and forecast to be £9.3m over budget by year end. Work is ongoing across all Directorates to reduce or defer spending where possible, to minimise the outturn overspend. On 31 December 2023 the forecast outturn overspend had reduced to £7.1m. All spending is limited to only essential items.

Mersey Gateway

In 2022-23 the Council achieved an income of £69.386m from the Mersey Gateway and it cost £39.233m. The Mersey Gateway is a toll bridge over the Mersey between Runcorn and Widnes.

Financial risks and Section 25

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 ties with the CRR risks which we would expect to see. However, the finance team does have a risk register that it updates monthly. **We include in our key recommendation on risk management on page 7 the need to include a section on risk in the budget papers and review the reserves risk score given the reserve level and its impact on the Council's financial sustainability.**

The Section 25 statement in the Full Council budget papers referenced the reserve levels and external impacts on the estimated budgets and confirmed reserve levels were appropriate A contingency budget was set at £3.5m in 2023-24 and the general reserve balance was £6.4m, this reduced to £5.1m by 2023-24. **We are concerned about the Council's reserve levels given the overspend in 2022-23 and 2023-24 and the lack of achieved savings from the transformation programme and we make a key recommendation on page 6.**

Climate change

On 14 April 2022, the Executive Board formally approved a Climate Change Strategy and Action Plan, but this is not costed, and **we make an improvement recommendation to cost its climate programme on page 17.**

Financial sustainability (2 of 4)

How the body plans to bridge its funding gaps and identifies achievable savings

On 17 February 2022, the Executive Board report identified the Council would need to make revenue savings of £23.3m over the next three years to meet its expected budget gap. The gap included £11.7m in 2023-24. It identified that a robust process for identifying savings would be implemented by 31 March 2023. Only £2.347m of savings were agreed in the budget for 2022-23, of these £0.82m were one-off measures. The actual gap in 2023-24 was £8.422m met from reserves.

On 17 November 2022, the Medium-Term Financial Strategy (MTFS) paper to the Executive Board identified that revenue savings of £21.1m, £1.9m and £2.0m were required over the next three years. As a result, a total of £25.0m would need removing from the Council's budget, by reducing spending or increasing income. This represented 22.4% of the 2022-23 net budget.

On 16 February 2023, the Executive Board report identified the total funding gap over the subsequent three financial years (2024-25 to 2026-27) was forecast as £24.095m. However, on 1 February 2023, Full Council only approved savings of £2.83m for 2023-24 and a cumulative £6.881m over the three-year period. By November 2023, £1.718m of the £2.83m were reported to the Executive Board as delivered or on track in 2023-24.

Savings delivery were not clearly set out in the 2022-23 outturn or monitored by the Executive Board in 2022-23.

Transformation programme

In July 2022, the Council began assessing options for a three-year transformation programme to provide a strategic and deliverable response to the forecast financial challenges. It also established essential only spend controls which continued in 2023-24. This meant Directors were asked to limit their non statutory spending to reduce cost in each service area but this is not tracked in the Council.

The Council has benchmarked itself on cost and quality from a range of sources against its statistical neighbours, to identify where it could deliver better or similar outcomes for less cost. It used the benchmarking to identify key lines of enquiry to explore with service managers. We recognise this is good practice. It has aligned opportunities with existing initiatives, to outline a three-year programme that could deliver between £20m to £25m. The three-year transformation programme was agreed by the Executive Board on 19 January 2023 and was expected to deliver £2m in 2023-24. This was still an expectation in October 2023, when Executive Board report from the Corporate Director: Chief Executive's Delivery Unit identified the transformation programme would deliver £2m in 2023-24, £8m in 2024-25 and £10m in 2025-26. However, on 16 November 2023 the Executive Board report from the Corporate Director: Chief Executive's Delivery Unit identified the programme was reprofiled to deliver £4m in 2024-25, and £8m in both 2025-26 and 2026-27.

The budget was agreed for the programme at £7m over three-years funded vie flexible use of capital receipts as set out in the associated strategy.

In October 2023, the Local Government Association (LGA) delivered an Adult Social Care Finance Review. It identified the £10m Adult Social Care learning disability saving forecast as part of the £20m programme was unlikely to be achieved in the expected timescale but £4m would be more realistic requiring the service to look elsewhere to identify further savings.

By January 2024, the transformation programme was expected to cost £1.9m in 2023-24 and save just £0.179m in 2023-24. The risk of not delivering the programme is significant but even delivery of the £20m does not meet the medium-term financial gap.

The Council recognises its continued reliance on its reserves is unsustainable and it is taking steps to try to control its spending. For 2024-25 budget setting, it is applying a percentage reduction to the three most significant discretionary budgets: supplies and services, property maintenance, and highways maintenance. This will save £1.579m in 2024-25. However, these steps are insufficient to meet the financial challenge at the Council.

The Council's savings and transformation plans are not sufficient to meet its medium-term financial gap and are taking too long to materialise which is impacting its financial sustainability, and we make a key recommendation on page 6. The Council needs to deliver a robust savings and transformation programme, ensure it reports delivery to the Executive Board and ensuring it has sufficient projects to meet the medium-term budget gap and enable the Council to replenish its reserves.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council had a three-year MTFS which is annually updated. The plan does not make a distinction between statutory and discretionary services which we would expect to see in a Council of this size. **The Council will need to review both discretionary spending and the levels at which statutory services are provided as part of its transformation programme, and we include this in our key recommendation of savings and transformation on page 6.**

The Council did not have an updated Corporate Plan in 2022-23 or in 2023-24 which made financial planning difficult in both years. **We discuss business planning and performance on page 27 and make a key recommendation on performance management on page 8.**

On 17 February 2022, the Executive Board agreed the Council's Capital Strategy which helps it to plan and fund capital expenditure over three years. The 2023-24 Capital Strategy was agreed by the Executive Board on 16 February 2023.

Financial sustainability (3 of 4)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council did not have a corporate Workforce Strategy 2022-23 instead it had a one-page organisational development strategy. Adult and Children's Services do both have workforce strategies, but these are not costed, and we **make an improvement recommendation on page 18 to develop a fully costed Workforce Strategy for the Council to align with its work on reducing agency costs.**

On 14 April 2022, the Executive Board received a report on the Runcorn Old Town Investment Plan. Runcorn was one of 101 towns invited by the Government to develop proposals for a 'Town Deal. Following submission of the Town investment Plan in 2021, it was offered £23.6m across 2021-22 to 2025-26. Towns have until the end of 2025-26 to spend their funding. The Council is the accountable body to the Department for Levelling-Up, Housing and Communities (DLUHC) and is part of the Town Deal Board which is independently chaired and has its own website and clear governance arrangements. The Council organised the Board and is represented on it by the Chief Executive an the Director for Economy, Enterprise and Property and the Deputy Leader. In 2021-22 the Programme spent just £0.097m, it spent £0.67m in 2022-23 and by September 2023 it spent £0.508m against a forecast spend of £1.9m.

The Town Deal is a three-way agreement between the Government, the Council, and the Town Deal Board. The objective of the Towns Fund programme is to drive the sustainable economic regeneration of towns to support long term economic and productivity growth. The Runcorn Old Town Investment Programme has seven projects: Runcorn Station Quarter, Creative and Digital Skills Centre, Brindley Theatre Extension, Unlock Runcorn, Town Centre New Homes High Street Connectivity and Health and Education Hub. Project adjustment requests are approved by DLUHC for four of these projects (High Street Connectivity, Town Centre New Homes, Unlock Runcorn, and the Creative and Digital Skills Centre). A new partner is also onboard to deliver Town Centre New Homes due to the loss of the private sector partner in Autumn 2022.

The 2022-23 capital expenditure outturn shows the Council spent £27.5m on capital schemes in 2022-23 compared with planned expenditure of £36.9m. The Environment and Regeneration Directorate spent £23.937m against its budget of £32.011m. This masks overspending on projects in this directorate. The local cycling and walking infrastructure plan at Dukesfield was budgeted to spend £1.8m but spent £3.169m. The Foundry Lane Residential Area had a budget of £2.117m but spent £3.569m. Runcorn Town Centre Fund was due to spend £3.239m but only spent £1.451m.

Capital spending on 30 September 2023 totalled £20.118m, which represented 90% of the planned spending of £22.336m at this stage. The total 2023-24 Capital Programme was £84.378m with slippage of 20% assumed moving £16.876m into 2024-25.

We make an improvement recommendation of page 19 to more effectively plan and monitor capital spending to reduce the slippage into future years and explain reasons for changes to the Executive Board.

On 8 March 2023, Full Council approved the Treasury Management Strategy for 2023-24. On 31 March 2023 long-term borrowing totalled £172m including Public Works Loan Board of £162m and a Lenders Option Borrowers Option (LOBO) loan of £10m. Of the £172m, £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. **The paper also identified that elected members were last trained in treasury management in 2018 and we make an improvement recommendation on page 20.**

On 15 June 2023, the Executive Board received the outturn for 2022-23. The Council reported net spend for the year of £116.9m, £5.2m over the revised budget of £111.7m. The overspend was met from earmarked reserves. The Council spent £13.6m on agency staff in 2022-23.

Total net expenditure for the Childrens Services Department was £9.714m over budget on 31 March 2023. Employee costs were £1.962m above budget, driven by the continued long-term reliance on agency staff. Social worker recruitment is still proving difficult due to an extremely competitive market and highly inflated agency payment rates. Spending on agency staff in 2022-23 just for Childrens services was £6.315m or 50% of the employee budget. There was further pressure on the budget from the costs of the Innovate managed agency team which was brought in because of the Ofsted inspection outcome. In 2022-23, the team cost £1.468m, funded from central reserves. Out of Borough Residential Care was the main budget pressure for the Children and Families Department. This budget was provided with additional growth of £1m for 2022-23 to help alleviate the pressure, however, residential care was still £4.607m over budget in 2022-23.

In 2022-23 the Adult Social Care net budget was £53.02m and it was over budget by £1.817m. The Department also had significant agency spending of £3.974m. Recruitment of staff at all levels continues to be extremely difficult across the care homes and this has resulted in the use of expensive agency staff and overtime to cover vacancies.

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Financial sustainability (4 of 4)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

On 16 November 2023, the Executive Board were advised that net spending on 30 September 2023 was £3.572m over budget. The outturn forecast for the year estimates that net spending will be over budget by £8.108m. Work was ongoing across all Directorates to reduce or defer spending where possible, to minimise the outturn overspend. One of the main contributory factors to the forecast deficit position was the cost of agency staff. The Council was expected agency costs to be the same as in 2022-23.

We recognise the Council is trying to reduce its reliance on agency costs in both Children and Adult Services, however, the continued use of agency staff at these levels is unsustainable and is putting significant pressure on the Council's financial sustainability.

How the body identifies and manages risks to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

By 31 March 2023, the Council had earmarked reserves of £109.1m, a decrease of £22.8m from £131.9m at the same point in 2022. This included the Mersey Gateway reserve of £73.5m which cannot be used for Council purposes. Excluding the Mersey Gateway reserve, the Council's earmarked reserves on 31 March 2023 were £35.6m, these included schools' capital and schools' other of £6.917m and £7.207m respectively.

In addition to the general fund balance of £5.149m on 31 March 2023, the Council only had £2.748m available to support the revenue budget, £2.424m to support transformation and £2.203m to support Adult Social Care pressures by 31 March 2023 as the rest of the reserves were specifically earmarked.

The Council balanced its 2022-23 budget with £7.8m of reserves and used a further £5.12m of reserves to fund the 2022-23 overspend. It also used £8.422m of its earmarked reserves to balance its 2023-24 budget. The Council has built into its 2025-26 and 2026-27 £2m in each year to try to replenish its reserves but it is unclear if this is deliverable.

In recent years, the Council has made significant use of reserves to help balance the Council's budget and avoid making permanent budget savings.

On 30 September 2023, the balance of earmarked reserves was £95.928m, this included the Mersey Gateway reserve of £73.524m. Only £1.926m was available to support the Council's general fund revenue budget.

The Council identified a forecast overspend of £8.108m it was planned to fund from reserves. The Merseyside Gateway funding has been reviewed and final agreement has been given to redistribute £52m of the reserve. The Department for Transport will receive £44m and the Council will receive £8m. The reserve will be ring-fenced for purposes relating to the local transport plan and as specified in the Mersey Gateway Bridge Road User Charging Scheme Order.

The Council's planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited savings are risks to the Council's financial reliance. **We make a key recommendation on page 6 to ensure the Council's transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves.**

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Improvement recommendation 1

Financial sustainability

Improvement recommendation 1	The Council should cost the delivery of its climate change strategy and action plan and ensure its plans are deliverable.
Why/impact	Costing the climate change strategy and its action plan over the medium to long-term will enable finance to build assumptions into the MTFS.
Auditor judgement	Developing a costed climate change strategy and action plan will enable the Council to understand the cost of delivery and focus resource to achieve its priorities.
Summary findings	On 14 April 2022, the Executive Board formally approved a Climate Change Strategy and Action Plan, but this is not costed which it should be given its priority for the Council.
Management comments	**Not agreed** - Given the complexity, extent and timescales relating to the Council's Climate Change Strategy, alongside the lack of any long-term Government funding certainty, it is considered that the broad Strategy could not feasibly be costed. However, proposed schemes are costed on a case-by-case basis as they come forward for consideration, and are then included in the financial forecast when approval has been given by Members. This is considered to be a more realistic approach to the forecast position, rather than including many schemes which may be desired but which finances, technology and resources may not permit at this point in time.

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Improvement recommendation 2

Financial sustainability

Improvement recommendation 2	The Council should develop a Workforce Strategy that is fully costed to reflect future skills requirements.
Why/impact	Costing the workforce requirements over the medium to long-term will enable finance to build assumptions into the MTFS.
Auditor judgement	Developing a costed strategy will enable the Council to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.
Summary findings	The Council did not have a costed Workforce Strategy in place in in 2022-23.
Management comments	**Agreed** - The Council's Medium Term Financial Strategy has regard to a range of workforce related costs, such as the use of contingent labour to cover vacancies and longer-term absence (mainly agency workers and potential pay awards (although these have become increasingly difficult to predict due to prevailing economic conditions and the protracted length of time taken for national collective agreements to be reached). A notable change in labour market conditions since the COVID-19 pandemic has resulted in work being required to shift the approach to recruiting and retaining staff to the Council's workforce. The Council's existing performance management framework contains information around vacancy rates and trends, as well as the cost and level of agency worker placements, which is considered by the Corporate Policy and Performance Board on a quarterly basis. Changes to workforce dynamics were also the subject of a detailed report to the Corporate Policy and Performance Board in September 2022 and November 2023. A specific 'Employer of Choice' project has therefore been established within the Transformation Programme, which is focused upon the development of several aspects of a revised strategic approach to securing and retaining a stable workforce in the current operating environment. The Council's workforce strategy will emerge from this work and as the future shape of the Council's services begins to be known the strategy will be costed.

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Improvement recommendation 3

Financial sustainability

Improvement recommendation 3	The Council needs to enhance the measures it has in place to control capital spending and improve capital monitoring information to elected members.
Why/impact	The Council is significantly underspending its capital budget in 2022-23.
Auditor judgement	The Council needs to enhance the effectiveness and reporting of its capital monitoring to reduce its significant underspending.
Summary findings	The 2022-23 outturn shows the Council spent £27.5m on capital schemes in 2022-23 compared with planned expenditure of £36.9m. The Environment and Regeneration Directorate spent £23.937m against its budget of £32.011m. This masks overspending on projects in this directorate. The local cycling and walking infrastructure plan at Dukesfield was budgeted to spend £1.8m but spent £3.169m. The Foundry Lane Residential Area had a budget of £2.117m but spent £3.569m. Runcorn Town Centre Fund was due to spend £3.239m but only spent £1.451m. Changes to the capital programme are not reported to members as part of capital monitoring. In 2022-23, capital reports did not provide members with any performance and outcome measures for capital or reasons for budget variances. The Council needs to improve capital reporting to elected members and provide them with expected outcomes and reasons for variances.
Management comments	**Agreed** - There does tend to be a greater focus upon revenue rather than capital spending. Consideration will therefore be given to introducing measures to improve the control of spending and reporting arrangements, in order to enhance the monitoring of capital spending and delivery of the capital programme.

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Improvement recommendation 4

Financial sustainability

Improvement recommendation 4	The Council needs to ensure elected members are trained in treasury management, especially those on the Audit and Governance Board and those responsible for finance.
Why/impact	Elected members were last trained in treasury management in 2018.
Auditor judgement	The Council needs to ensure elected members are trained in treasury management, especially those on the Audit and Governance Board and those responsible for finance.
Summary findings	On 8 March 2023, Full Council approved the Treasury Management Strategy for 2023-24. The paper identified that elected members were last trained in treasury management in 2018.
Management comments	**Agreed** - Arrangements will be made with Link Group to offer treasury management training to all Members, particularly those currently on the Audit and Governance Board.

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Governance (1 of 3)

We considered how the Council:

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

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

The Council has a Corporate Risk Management Strategy, last updated in May 2023. This sets out aims and objectives, categories of risks (strategic or operational), risk scoring, roles and responsibilities. The risk types are confused for example it identifies finance as an operational risk when the Council's financial sustainability is a strategic risk. Given the spending the Agency spending workforce capacity is also strategic not operational.

The Strategy does not consider programme and project risks which we would expect to see. It also needs a clear risk escalation and de-escalation process setting out between corporate and directorate risk registers. There is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy.

The Strategy says the management team should review the Corporate Risk Register (CRR) annually. We think this needs to be quarterly. The Council also only updates the Audit and Governance Board bi-annually on risk management which is not sufficient. In 2023-24 so far, the Board has only seen a risk update once. We would expect it to be quarterly and aligned with performance and finance reporting to the Executive Board. At Directorate level monitoring of risk also bi-annually in line with Directorate Business Plans. Monitoring of risk is not sufficiently timely.

The Council has a risk toolkit (last updated in April 2019) explaining how risk management is integrated into the business processes. This is available to staff through the Council's intranet.

Risk is not sufficiently embedded into committee reports, these should refer to identified risks in the CRR. giving members no risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets.

The lead for risk is the Council Health and Safety Officer in HR who annually assists the Divisional Manager, HR Operations to review and update the CRR.

The CRR format requires improvement so there is a single table with strategic risks, issues and causes established with risk owners. We note that Zurich also made this point in its review in September 2022.

The CRR includes risk reference, risk title, risk lead, description, impact, risk category, likelihood, score, existing controls, residual risk scores, risk owner, Council priority. The CRR does not split risk by risk, cause and impact, it does not set out assurances, risk type, risk proximity or include a target risk date or assurances, or direction of travel, date last updated, and does not map risks to corporate objectives. There is no indication of whether it is a dynamic or static risk.

Three of the CRR risks relate to capacity and could be reviewed and the Council has identified net zero as a key priority but the risk of not achieving it is not identified in the CRR.

Risks were not reported to the Executive Board in either 2022-23 or in 2023-24 which we would expect to see alongside performance and finance reporting.

We also found that risks identified in the annual budget report to Full Council are not sufficiently detailed and need consistency with the CRR reporting format. We expect to see risks and their mitigations set out in the budget paper. **We make a key recommendation on risk management on page 7 to improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic risks at least quarterly reviews its fraud risk register.**

Internal audit delivered 812 days of audit work during 2022-23 against the 1,025 agreed Audit Plan. This represents completion of just over 79%. The team should have been 6 full-time equivalents (FTE) in 2022-23 but they were reduced to 3 due to capacity issues which continued into 2023-24 while new staff developed into their roles.

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Governance (2 of 3)

How the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud (continued)

On 5 July 2023, the Audit and Governance Committee report on Internal Audit showed it had delivered 47 reports in 2022-23, including 43 with substantial assurance told , two with adequate and one with limited assurance. This compared with 57 reports in 2021-22, of these 48 were substantial, seven were adequate and two were limited. Internal audit consults with services to agree its annual audit priorities which focused a lot on schools and grant claims and funding in 2022-23 which are not key priority or areas of challenge for the Council.

There is scope for Internal Audit to be more proactive in looking at areas that are key challenges in the Council such as agency spending, improvement in children's services and reasons why the transformation programme has slipped by a year. However, in January 2024, the transformation programme team requested that audit review grants to the voluntary sector.

Internal Audit progress reports went quarterly to the Audit and Governance Board in 2022-23 and up to January 2024. however, we note they are treated as exempt items and, in our view, unless they identify a risk to the Council these should be public papers. The Audit and Governance Board agreed the Audit Charter in 2022 and again in July 2023.

The Audit and Governance Board approved the 2023-24 Audit Plan at its meeting on 22 March 2023. The plan budgeted for 1,225 days of audit work to be completed based on a forecast staffing establishment of 6.8 FTE staff.

The last Public Sector Internal Audit Standards review (PSIAS) was in 2017-18 and concluded the Council's internal audit arrangements substantially conformed to the standards. These assessments are due every five years, and the Council did not have one in 2022-23. However, its PSIAS external assessment commenced on 15 January 2024 on a peer review basis. The peer review team were from Cheshire West and Salford Councils.

CIPFA recommends that audit committees should include at least two co-opted independent members to provide appropriate technical expertise. **The Audit and Governance Board does not have independent representatives and the Council should consider this through our improvement recommendation on page 24.**

On 27 September 2023, Audit and Governance Committee received the annual fraud update. The Council's Investigations Team of 3 counter-fraud specialists shares intelligence and good practice with other local authorities and regional fraud groups. In 2022-23 the team led 150 fraud investigations and five whistleblowing investigations. The value of these frauds was £0.217m.

The team investigated more council tax fraud or error in 2022-23 (106) than in 2022-22 (61) partly due to the NFI data matching and the Council's participation in national fraud week.

The fraud risk is included in audit planning. Following an Internal Audit review of the Council's anti-fraud and corruption arrangements it was agreed the counter fraud strategic risk assessment will be reviewed and updated. This is yet to be completed and has a target date of April 2024.

We include in our key recommendation on risk management on page 7 the need for the Council to adopt the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach.

The Council investigated five whistleblowing referrals in 2022-23 all were closed with no action required.

The Council also operates a confidential reporting system through which members of the public can report any concerns relating to fraud, misconduct or other issues. In 2022-23, 83 referrals were received through the Confidential Reporting System, similar with those in 2021-22 (88).

During 2022-23, an e-learning fraud awareness package for all staff and elected members was developed, tested and launched. Procurement staff completed their training in 2022-23 and a roll out to all staff and elected members is planned in 2023-24.

The Council has a comprehensive suite of linked policies which it reviews as part of its annual update on the constitution: Anti-Fraud, Bribery and Corruption Policy, Fraud Response Plan, Fraud Sanction and Prosecution Policy, Anti-Facilitation of Tax Evasion Policy, and a Whistleblowing Policy.

How the body approaches and carries out its annual budget setting process

The Council uses scenario planning in its working papers but do not include best, worst and expected positions in the MTFS reporting to the Executive Board. **We make an improvement recommendation to include scenario planning on page 25.**

In August or September there is a forecast position of what the budget will look like for the following year. A request for savings is then made to operational directors with a target required.

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Governance (3 of 3)

How the body approaches and carries out its annual budget setting process (continued)

Operational directors put forward savings proposals to the management team. Agreed proposals are shared with the budget working group made up of members of the Executive Board, Chairs of Policy and Performance Boards and the Audit and Governance Board. Details are then shared with the Labour Group and go forward to the Executive Board and then Full Council. We would expect a more challenging process such as the use of a Star Chamber given the Council's financial position, and we do note that the Council did a star chamber exercise in Summer 2023 to develop savings proposals. The Council does not consult the public on its budget. We include in our key recommendation on financial sustainability on page 6 the need or a more robust budget setting approach and the need for public budget engagement.

How the body ensures effective processes and systems are in place to ensure budgetary control

Budget holders have access to the finance system so they can see what they are spending, and reports are shared monthly with budget holders. However, departmental financial monitoring takes place quarterly showing budget versus send to date and the forecast outturn. The management team and the Executive Board also only saw quarterly reporting in 2022-23. Given the risk to the Council's financial sustainability and the spending controls in place we would expect monthly monitoring across departments enabling them to control their budgets more effectively. In 2023-24 the Chief Executive introduced monthly transformation challenge items at the management team driven by him wanting to increase accountability for savings across the Council.

In 2022-23, the Executive Board received quarterly reports on the Council's capital and revenue net spending and forecast outturn position. Revenue monitoring sets out the reasons for variances including demand and agency spending. However, Capital reports did not provide members with any performance and outcome measures for capital or reasons for budget variances. We make an improvement recommendation on page 19 to improve capital reporting to elected members and provide them with expected outcomes and reasons for variances.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Council's senior management are accessible, and there is a supportive culture where staff can learn from their mistakes. The Council appointed a new Chief Executive who started in April 2022. He restructured the Council moving from having two strategic directors, to a new five directorate structure to build leadership capacity. This was effective from December 2022.

In the financial sustainability section of this report, we identify the Council was repeatedly reactive rather than proactive through its use of planned and unplanned reserves and by November 2023 it reprofiled its transformation programme savings by a year. In our view the Council needs to significantly improve member and senior officer challenge around budgetary control which we include in our key recommendation on financial sustainability on page 6.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

The Council's constitution was last reviewed in May 2023 and incorporates codes of conduct for both members and officers which sets out how they are expected to conduct themselves. The Council's Local Code of Corporate Governance, part of the constitution, identifies the processes in place to ensure officers behave in ways that exemplify high standards of conduct and effective governance.

The Council has not undertaken a self-assessment against the CIPFA Financial Management Code in 2022-23 or up to January 2024, and we make an improvement recommendation on page 26 to undertake a self-assessment to help with improving financial sustainability.

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Improvement recommendation 5

Governance

Improvement recommendation 5	The Council should consider co-opting independent members onto its Audit and Governance Board to help it improve its effectiveness.
Why/impact	It is important that Audit Committees have the right skills to undertake their roles effectively and having independent members can help with good governance and complement the knowledge and experience of existing members.
Auditor judgement	The Audit and Governance Board does not have independent representatives and the Council may want to address this to improve its effectiveness.
Summary findings	CIPFA recommends that audit committees should include at least two co-opted independent members to provide appropriate technical expertise. The Audit and Governance Board does not have independent representatives and the Council may want to address this.
Management comments	**Agreed** - Discussions will be held with the Chair of the Audit and Governance Board to consider co-opting independent members onto the Board.

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Improvement recommendation 6

Governance

Improvement recommendation 6	The Council may want to introduce scenario planning including best, worst and expected positions in its MTFS reporting to the Executive Board.
Why/impact	The Council has a very challenging medium-term position, and we think the use of scenario planning would help members in their decision-making.
Auditor judgement	We think it would help the members to see the use of scenarios in the financial planning papers.
Summary findings	The Council uses scenario planning in its working papers but do not include best, worst and expected positions in the MTFS reporting to the Executive Board. We think it would help the members to see the use of scenarios in the financial planning papers.
Management comments	**Agreed** - In developing the Medium-Term Financial Strategy, scenario planning is undertaken in respect of key forecast areas, but these are not formally reported. It is felt that it would be confusing for Members to provide a range of funding gaps and there would always be a tendency to hope for the best possible outcome rather than being prudent, therefore, it is not clear what benefit this might provide. Consideration will however be given to how the outcome of scenario planning might be reported in a narrative form, such as commenting upon the degree of sensitivity contained within the forecast.

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Improvement recommendation 7

Governance

Improvement recommendation 7	The Council should undertake a self-assessment against the CIPFA Financial Management Code and use that to develop an improvement plan.
Why/impact	CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
Auditor judgement	The Council needs to undertake a self-assessment against the CIPFA Financial Management Code and use that to inform an improvement plan to aid financially sustainability.
Summary findings	The Council has not undertaken a self-assessment against the CIPFA Financial Management Code. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
Management comments	**Agreed** - It had been intended for some time to undertake a self-assessment against the Cipfa Financial Management Code, but lack of staff resources made this difficult to achieve. However, this will be included within the Finance Team's workplan to be undertaken during Summer 2024.

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Improving economy, efficiency and effectiveness (1 of 4)

We considered how the Council:

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

How financial and performance information has been used to assess performance to identify areas for improvement

The Council had no up-to-date corporate plan in 2022-23 or in 2023-24. The Council's last plan was for 2018-2020. Following a joint meeting of Executive Board and the Council's Management Team in December 2022 it was agreed the Council would adopt an interim plan until March 2024 to provide adequate opportunity for meaningful consultation on the Council's future priorities to take place.

On 16 March 2023, the Executive Board agreed a statement of intent which it published but it did not produce an interim plan.

The Council has six strategic themes carried forward from the 2020 plan. The themes are Halton's Children and Young People, Employment, Learning and Skills in Halton, Environment and Regeneration in Halton, Healthy Halton, Safer Halton and Corporate Effectiveness and Efficiency. During 2023-24, the Council began a consultation exercise with key stakeholders to develop a new Corporate Plan by 1 April 2024. In January 2024, the Executive Board and Management Team drafted statements for each of the six priorities that emerged from the Autumn 2023 consultation process. The consultation had over 1,000 responses. The new Corporate Plan is scheduled to be agreed and adopted at Full Council on 6 March 2024 for launch on 1 April 2024.

The existing six themes have a set of actions and performance measures, which are reported quarterly to each of the six Policy and Performance Boards. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting. However, there is no effective corporate join-up of these reports.

In 2022-23 or in 2023-24 up to January 2024, the Council had no corporate reporting on performance across all six themes. The performance of each theme was separately reporting to the six Policy and Performance Boards. The Executive Board received limited performance reporting in 2022-23 and it was received late. For example, Q1 and 3 performance reports in 2022-23 did not go to the Executive Board and Q2 was reported on 8 December 2022. Q4 reporting to the Executive Board did not include Children and Young People. In 2023-24, again the Executive Board saw no reporting in either Q1 or Q3. Q2 performance reported to the November 2023, Executive Board only included data for Children and Young People and the Chief Executive's Office.

The objectives and milestones are not written as smart objectives and milestones have no date attached as we would expect to see. The Council's use of performance benchmarking is not consistently applied across the themes. In Adult social care reports are not benchmarked to national and nearest neighbours but there is some benchmarking for children and young people.

The Council needs to be reporting a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. **We identify gaps in performance reporting in 2022-23 that continued in to 2023-24, a lack of a consistent approach to benchmarking and a lack of measurable outcomes. Combined with no corporate plan in 2022-23 or in 2023-24 we identify a significant weakness in the Council's arrangements for performance management and make a key recommendation on page 8.**

In January 2024, a new set of corporate KPIs were in development that take account of Office for Local Government (Oflog) requirements. These will be considered by the Management Team in February 2024. This will replace the existing arrangements with a streamlined corporate performance dashboard once it is agreed.

The Council has good performance data available on its website linked to the LGA tool, LG inform, which identifies how the Council is performing against the National Adult Social Care Framework which it could use to improve its own reporting.

The Council had their last Local Government Association (LGA) Corporate Peer Challenge in 2019. The LGA is the national membership body for local authorities working on behalf of member councils to support, promote and improve local government. It recommends councils have a Corporate Peer Challenge (CPC) every five years so the Council is due its next one which could help with its transformation programme implementation. We note this is planned for June 2024.

Ofsted carried out a focused visit in November 2022 and identified improvement to its children's services. Halton children's services' previous focused visit took place in March 2021. Inspectors made areas for priority action following the identification of significant weaknesses in social work practice and the lack of management support and supervision.

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Improving economy, efficiency and effectiveness (2 of 4)

How financial and performance information has been used to assess performance to identify areas for improvement (continued)

Since then, the new Chief Executive has secured corporate commitment and significant financial investment to children's services to improve social work practice for children in need of help and protection. The new senior leadership team has begun to accelerate the much-needed pace of change to the Council's improvement journey.

Improvement activity is closely monitored and tracked by effective externally chaired improvement board meetings and robust Department of Education adviser led support, both of which provide additional scrutiny to leaders.

In June 2023, Ofsted inspected the Council's adult learning service and gave it another 'good' rating. Leaders have effective quality assurance and improvement processes in place. They have resolved the areas identified for improvement at their previous inspection. For example, leaders have improved the number of learners who achieve their English qualifications and have significantly reduced the number of learners who leave before completing their courses.

How the body evaluates the services it provides to assess performance and identify areas for improvement

There was evidence of a failure to meet minimum service standards in adult social care in 2022-23 and in 2023-24. This relates to two of the five Council run care homes that we discuss below. However, the CQC, also identified the Council responded immediately to make service improvements following the 2022 visit.

In November 2022, the Care Quality Commission (CQC) inspected St Patricks Care Home and identified areas requiring improvement. St Patricks Care Home is a care home providing personal and nursing care for up to 40 people. The service provides support to older people and people who are living with Dementia in one adapted building. At the time of the inspection there were 38 people using the service.

The CQC found not all risks were assessed and monitored which placed people at potential risk of harm. They identified breaches in relation to safe care and treatment and governance. Systems had not been sufficiently established to ensure good oversight of infection prevention and control. This placed people at risk of harm. This was a breach of regulation 12 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. The CQC also found failure to robustly monitor risks relating to the health, safety and welfare of people and medicines were not always managed safely. This was a breach of regulation 12 (Safe care and Treatment of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

The CQC also found failure to effectively monitor and improve the quality and safety of the service is a breach of regulation 17 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

In May 2023, the CQC inspected St Lukes Care Home, and it also required improvement. St Lukes Care Home provides accommodation and nursing/personal care to up to 56 older people across four units. There were 42 people living in the home at the time of the inspection. The last rating for this service was good (published on 4 February 2022).

This inspection was prompted in part due to concerns received by CQC from relatives about falls management, personal hygiene and the quality-of-care people received. The CQC received notification of an incident where a person had sustained a serious injury. This incident is subject to further investigation by CQC as to whether any regulatory action should be taken. As a result, this inspection did not examine the circumstances of the incident. However, the information shared with CQC about the incident indicated potential concerns about the management of risks associated with falls.

The CQC found the provider failed to ensure consistent and detailed records were maintained in relation to the monitoring and management of people's identified risks and needs. Governance systems were not always effective at identifying issues and driving necessary improvements to the safety and quality of the service. Both these findings breached Regulation 17 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. Governance systems were not always effective at identifying issues and driving necessary improvements to the safety and quality of the service.

How the Council ensures it delivers its role in significant partnerships and engages with stakeholders it has identified, to assess if it is meeting its objectives

The Health and Wellbeing Board in Halton 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. The Board met four times in 2022-23.

During 2022-23, Clinical Commissioning Groups were dissolved as a statutory requirement of the Health and Care Act 2022 and were replaced by Integrated Care Systems (ICS's). An ICS consists of an Integrated Care Board (ICB) and Integrated Care Partnership (ICP).

From 1 July 2022, Halton became part of the ICS and ICB covering the whole of Cheshire and Merseyside, which includes nine local authority areas. Each area is required to establish a Place Based Partnership (PBP). Locally, this is known as 'One Halton', which brings together Halton stakeholders to work collaboratively on health and care arrangements.

Improving economy, efficiency and effectiveness (3 of 4)

How the Council ensures it delivers its role in significant partnerships and engages with stakeholders it has identified, to assess if it is meeting its objectives (continued)

One Halton is a Joint Committee to the ICS. The ambition is for services to be commissioned as close to residents as possible. The One Halton Partnership Board includes NHS bodies, local authority (including children's, adults, public health services), and non-NHS/non-statutory bodies. This Partnership Board is the vehicle for delivery of national priorities, local priorities and Halton's Joint Health and Wellbeing Strategy. Achieving One Halton's ambitions is the responsibility of all partners working together to achieve a set of shared strategic objectives for Halton.

The Operations and Delivery Sub-Committee for One Halton is focused on health and adult social care integration. It is responsible for overseeing the operational delivery of the integrated local health and adult social care system in Halton. It has workstreams aligned to the One Halton Health and Wellbeing Strategy themes of Living Well and Ageing Well.

The Halton Learning Alliance was launched in October 2022, with attendance from educational stakeholders including schools, governors, Early Years colleagues and Department of Education. The Alliance has five priority subgroups including Inclusive Practice; Early Years and Acquisition of Early Language and Literacy Skills; Future Schooling Health, Well-being and professional development of the workforce; and Priority Education Investment area agreed outcome-based priorities.

The Council is also part of Liverpool City Region. The area comprises six local authorities: the five metropolitan boroughs in the county of Merseyside (City of Liverpool, Knowsley, St Helens, Sefton, Wirral) and Halton in Cheshire. They are working together with the Combined Authority and directly elected mayor on economic development, regeneration, transport, employment and skills, tourism, culture, housing, spatial planning and physical infrastructure.

Veolia were awarded a twenty-year Waste Management and Recycling Contract with a value of £640 million by the Merseyside Recycling and Waste Authority (MRWA) on behalf of the Merseyside and Halton Waste Partnership in 2009.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

The Council has strong arrangements in place for procurement. The Council's Procurement Strategy 2020-25 is aligned to the National Procurement Strategy for Local Government in England 2018, which focuses on four key themes:

- showing leadership
- behaving commercially
- achieving community benefits.
- governance.

The Strategy has an action plan which is updated and annually reported to the Audit and Governance Board.

The Procurement Team is represented on the Council's Climate Change Group, which is led by the Executive Board member with responsibility for the Climate Change portfolio. The group is exploring how the Council's procurement activity can play a key role in reducing carbon emissions and achieving net-zero by 2040.

The Council's higher value procurement activity is undertaken in accordance with the Public Contracts Regulations 2015 (PCR 2015). Following the Cabinet Office publishing a Procurement Policy Note in February 2023, the Council has incorporated provisions in its procurement processes which allow for the discretionary exclusion of suppliers that fail to comply with the Modern Slavery Act 2015 or breach environmental, social, or labour law obligations. Procurement Standing Orders are updated annually, these were last updated in May 2023.

In November 2023, the Audit and Governance Board were advised that in 2022-23 the Council's revenue spend was £128.5m across 1,627 different suppliers, this compared to £114m in 2021-22 with 1,668 suppliers. The highest contract value in 2022-23 was for Managed Services for Temporary Agency Resources £16.0m. Micro, small and medium enterprises made up 87% of the Council's suppliers in 2022-23, like in 2021-22. Of the £128.5m, £21m was spent with 241 Halton-based suppliers, representing 16% of the spend.

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Improving economy, efficiency and effectiveness (4 of 4)

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits (continued)

For procurements of £25k and above the PCR 2015 threshold means that services undertaking the procurement must request quotations (RFQ) via the Council's Electronic Procurement System. the Council's bespoke procurement system has taken place. The system provides automated workflow and full visibility for all waiver and extension requests and assists contract management by ensuring that evidence is held to confirm that suppliers are complying with contractual requirements in terms of insurance, safeguarding and information governance. The system also provides visibility of future pipeline opportunities that will require pre-procurement support to assist spending departments identify the best route to market.

Procurement is a key module included within the Council's training programme for managers. Training sessions are provided on a regular basis.

74 waivers of Procurement Standing Orders were approved in 2022-23 valued at £4.194m. All waivers of £100k or greater are approved by the Executive Board. Waivers of less than £100k in value are approved by the Divisional Manager for Audit, Procurement and Operational Finance or the Procurement Manager.

One VEAT notice was issued in 2022-23 regarding the award of the insurance policies for the Mersey Gateway Crossings Board. The Council's Procurement team facilitated the process on behalf of the Crossings Board. A direct award was made due to the unique nature of the cover requirements.

Halton is the lead authority for the Liverpool City Region (LCR) agency contract. The Liverpool City Region is a mayoral combined authority area in North-West England. The area comprises six local authorities: the five metropolitan boroughs in the county of Merseyside (City of Liverpool, Knowsley, St Helens, Sefton, Wirral) and the Borough of Halton in the county of Cheshire. A new contract was awarded to Matrix SCM for all six LCR local authorities via the MSTAR3 Framework Agreement. The contract commenced 1 May 2022 with an option to extend to 30 April 2024.

The Council's procurement team worked in partnership with Warrington BC and procurement partners across the LCR, to lead a compliant procurement process to award a new 10-year contract to Tarmac for the Highways Term Contract.

In 2022-23, the Council's Procurement team also worked with the LCR Director of Childrens Services Workforce workstream to agree and implement a capped collaborative rate for Children's Social Workers across LCR.

In compliance with PPN 03/22, new UK Data Protection requirements are included in contract terms and conditions, and the Council's Information Governance Team are consulted to ensure consistency with internal processes.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council must recognise the severity of the Council's medium-term financial outlook and the need to deliver the key themes of the transformation plan. The Council should: • review the process of setting savings schemes and monitor these throughout the financial year to build a greater element of contingency and allowance for slippage. • ensure corporate and member oversight and challenge of the proposed savings must be robust, with responsible managers held to account to ensure savings are credible and planned for delivery and assessed for quality impact and risk. • corporate and member monitoring of savings should be sufficiently regular and robust and help to develop mitigation actions when delays or risks are met.	Financial sustainability – improvement	May 2023 in the AAR 2021-22.	Very limited savings in 2022-23 or 2023-24 and no savings from the transformation programme in 2023-24.	No	Yes, we make a key recommendation regarding the Council's savings and transformation programme on page 6.
2	The latest Corporate Plan covers the period 2018 to 2020 and is due for a refresh and alignment with other corporate plans and the transformation programme.	Governance – Improvement	May 2023 in the AAR 2021-22.	Consultation on themes ongoing in 2023-24. No draft yet considered by members in January 2024, with a launch expected in April 2024	No	We include this in the key recommendation on performance management on page 8.
3	Review the areas where the Council is an outlier in service delivery costs compared to its nearest neighbours.	Economy, efficiency and effectiveness - Improvement	May 2023 in the AAR 2021-22.	The Council has undertaken cost benchmarking but now needs to use that to reduce its spending in those areas.	Partly	The Council needs to use the cost benchmarking it has undertaken to identify areas where it can reduce spending through its transformation programme.

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Appendices

Appendix A – Responsibilities of the Council

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

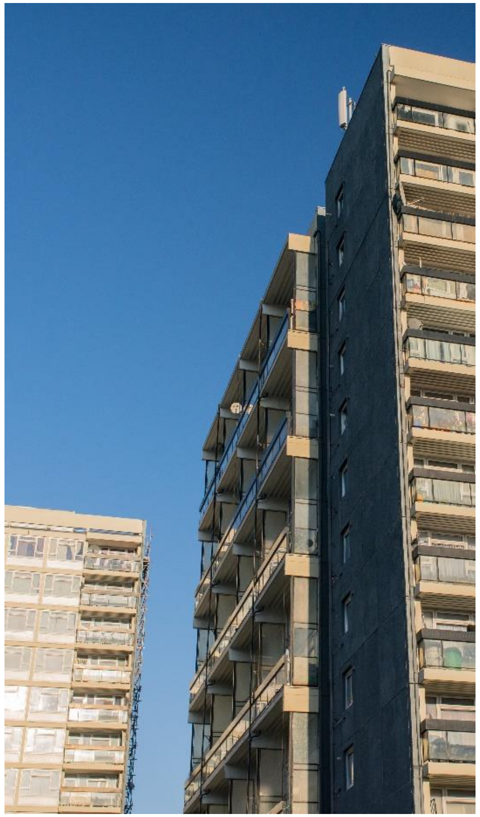
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the District 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.



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Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors :

Type of recommendation	**Background**	**Raised within this report**	**Page reference**
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	6-10
Improvement	These recommendations, if implemented should improve the arrangements in place at in the Council but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 19-22, 26-28

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Agenda Item 10

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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