

Interim Auditor's Annual Report on Halton Borough Council

2020-21

27 June 2022



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

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



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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. 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.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority'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 Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We assessed risks as set out in the table below:

Criteria	Risk assessment	Conclusion
Financial sustainability	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Governance	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weaknesses identified	No significant weaknesses in arrangements identified, but improvement recommendations made

Financial sustainability

The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year settlement. Halton Borough, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.

Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained control of its financial position. The 2020/21 financial outturn was £2.3m below budget largely due to COVID-19 grant funding. At 31 March 2021, the Authority held General Fund usable reserves of £154m of which £128.6m are earmarked reserves and £19m are capital reserves.

The Authority has put forward a proposed balanced budget for 2021/22 and 2022/23 but recognises budget gaps and pressure on reserves in future years. This places the Authority in a reasonable financial position but with recognised pressures. Having forward planned its budgets for future years this should enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents, although there is pressure on the Council's reserves.

We have not identified any significant weaknesses in arrangements to secure financial sustainability at the Authority.

Further details can be seen on pages 6-10 of this report.

Governance

Our work has focussed on gaining a detailed understanding of the governance arrangements in place at Halton Borough Council during 2020/21 and the changes instigated as a response to the pandemic. Our review focuses upon the arrangements in place during 2020/21.

Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements in relation to governance. Halton Borough Council exhibits the majority of the features of a well led and well governed organisation.

There are financial challenges with rising levels of residual waste and a lack of progress with improving recycling rates across Merseyside. We reviewed the arrangements in place to manage performance on waste collection and the effectiveness of strategic waste partnership working across Merseyside and raised improvement recommendations.

Further details can be seen on pages 11-14 of this report.

Improving economy, efficiency and effectiveness

The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources.

Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. In arriving at this conclusion we have considered performance against key indicators and how the Halton benchmarks against similar Authorities. Further details can be seen on pages 15-21 of this report.

Executive summary (continued)

Opinion on the financial statements

Our audit was conducted in accordance with the requirements of the CIPFA Code of Practice, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year.

We have completed our audit of the Council's financial statements for the year ended 31 March 2021 and subject to the outcome of the CIPFA national review of accounting for infrastructure assets at Highway authorities, we expect to issue an unqualified audit opinion.

Our findings are set out in further detail on page 31.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 6 to 21.

Financial sustainability



Background to financial sustainability for 2020/21 and ongoing financial pressures

Halton Borough Council has a good record of financial and budgetary management under a capable and consistent leadership team. This puts the Council in a good position for responding to the unprecedented financial and operational challenges brought about by COVID-19.

The Council entered the 2020/21 financial year at the outset of the first national lockdown and immediately faced a range of challenges presented by the pandemic. At an early stage the government made emergency policy announcements in response to the pandemic which impacted on the Council. Consequently the Council was at the forefront of efforts to protect local residents, including the most vulnerable, and to support local businesses.

The Government's initiatives to respond to the COVID-19 pandemic were supported by additional funding to the Council for distribution during 2020/21. For 2020/21 the Council received four tranches of un-ring-fenced grant funding to cover general costs, amounting to £12.8m. The Council has also utilised ring-fenced grant funding of £11.9m for specific services relating to Covid during the past year. Furthermore the Council acted as agent for the government in passporting funding across the Borough. This included providing funding of £24.4m in grants to support businesses that were interrupted due to COVID-19, plus a further £1.6m of grants were provided on a discretionary basis. This funding helped the Council to support residents and businesses through the year, and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The financial sustainability challenges from the COVID-19 pandemic will however continue through the medium term and this puts pressure on the Council to maintain effective financial sustainability arrangements due to the budget gaps and consequent pressure on reserves.

The Council has a strong but reducing reserves position. At 31 March 2021, the Authority held general fund balances of £134.9m of which £128.6m are earmarked reserves. Our benchmarking shows at that date Halton to be approximately mid point compared with other similar authorities for level of general fund and earmarked reserves (excluding schools). Reserves management is seen by the Council as critical and Members understand reserves are not available to be spent to 'balance the books'. The reports provided by the Operational Director – Financial Services and verbal updates to Members on the financial pressures must continue to make clear that balancing budgets through use of reserves is not sustainable.

On 4 March 2020 Council set a balanced 2020/21 revenue budget of £115.8m. The 2020/21 outturn report reported a net underspend against budget of £2.3m and an overall increase to the General Fund balances of £6.3m despite the uncertain environment of the pandemic. The Council's outturn was achieved through careful financial management and some cushioning provided by COVID-19 grant funding to meet additional costs.

A balanced budget has been agreed for 2021/22 and is on track to be achieved. A balanced budget of £113.9m has been set for 2022/23 although with a planned transfer of £7.8m from reserves. As set out in this report, there are budget gaps to address of £11.7m in 2023/24 and £4.8m in 2024/25 and £6.6m in 2025/26. The use of reserves can only be a temporary measure to achieving long term financial sustainability. The medium term financial plan (MTFS) recognises the pressures and is constructed with due regard to expenditure drivers from inflation and service demand pressures and recognises that future annual funding settlements from government are not yet agreed.

The Council plans to remain within its borrowing limits as set out in its Treasury Management Strategy; total borrowings of £172m at 31 March 2021 are well within the authorised borrowing limit. No new borrowing was taken during 2020/21 and of the £172m outstanding, £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. Management of the Mersey Gateway Bridge project including toll collection is a key aspect of the Council's financial planning and future financial sustainability whilst providing economic regeneration and reducing traffic congestion for the Borough.

We considered how Halton Borough Council:

- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Financial sustainability (continued)

How the Council identifies all the significant financial pressures it is facing and builds these into its plans

The Council produces a comprehensive Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was approved at Executive Board on 17 February 2022 and ratified by Council on 2 March 2022 covering the 2022/23 budget and set out the resources to deliver the Medium Term Financial Strategy (MTFS) to 2024/25. The budget agreement process is transparent via the Council's website publication of Board (Committee) meeting papers.

The MTFS highlights the budget issues that need to be addressed by the Council across each year covered. It reflects assumptions made to allow forecasting of available resources from various sources together with the budget pressures relating to capital and revenue spend. It also assesses the adequacy of reserves held which may impact on the Council's resources. The Council's budget setting process, which begins in the summer, is a detailed and comprehensive project.

As part of the budget setting process, the Council clearly identifies budget gaps by assessing both cost increases and income reduction for the following years. As we would expect, Government Spending Review, Dedicated Schools Grant (DSG) allocations, inflation uplifts and business rates pooling are amongst the range of factors considered. A detailed analysis of planned reserve movements and pressures is included in the budget. Budget proposals are subject to consultation with stakeholders including Council officers and Members and are presented to Executive Board for debate before submission and approval at Council.

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

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

Quarterly budget update reports are presented to Executive Board and Policy & Performance Board throughout the year, following an established timetable. It is noted that management maintained this discipline without slippage during 2020/21 despite COVID-19 pressures. This good practice was not achieved by all Councils due to the disruption caused by COVID-19.

The quarterly financial performance reports during 2020/21 were helpfully elaborated to consist of two elements, one reporting on the operational day to day spending with a separate section on the costs and funding associated with the COVID-19 pandemic. This helps Members understand and separate the performance of the Council with and without the additional pressure of COVID-19.

We have reviewed a sample of the quarterly financial performance reports presented for 2020/21. These reports are comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures.

This reflects sound overall financial management in setting of the budget for 2020/21 and beyond, notwithstanding the financial pressures faced by the Council.



Financial sustainability (continued)

How the Council plans to bridge its funding gaps and identify achievable savings

As stated previously, the Council produces a Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The latest MTFS sets out the resources available to provide and deliver services to the residents of Halton Borough up until 2024/25. In summary, funding gaps of £11.7m in 2023/24, £4.9m in 2024/25 and £6.7m in 2025/26 are identified.

A key part of the MTFS is to highlight the budget pressures and gaps that need to be addressed by the Council in each of the years covered. It reflects assumptions made to allow forecasting of the level of available resources from all sources together with the budget pressures relating to both capital and revenue spending. It also assesses the adequacy and safeguarding of reserves held which may impact on the Council's resources. Management are clear that where reserves are used for balancing the budget these must be recouped in future periods so as not to jeopardise future financial sustainability. Management intend to close the budget gaps from 2023/24 onwards through efficiency savings rather than rely upon transfers from reserves, although it is too soon for these efficiency savings to be identified.

As part of the budget setting process, the Council explicitly identifies its budget reduction requirements for the following years through detailed consideration of the budgetary pressures, funding estimates, and impact of national and local initiatives and policies. We reviewed a range of budget documents and held meetings with senior officers at the Council to understand their thinking on the budget setting process. Our review confirmed that the documents were comprehensive and clearly explained as an appendix to the annual revenue budget.

The budget reports for each year are clear on the means by which the savings will be delivered and clearly articulate the size of the challenge the Council faces in the medium term. The efficiency savings however make up only a small percentage of the overall Council spend because efficiencies have been implemented on an ongoing basis in recent years already. Efficiency savings from 2023/24 onwards have yet to be identified and considered by management. Progress against savings achieved against budget is reported in the quarterly budget reports presented to Executive Board and Policy & Performance Board throughout the year.

Further details of how the Council plans to meet its budget is explained in the table alongside, including the forecast level of reserves as a percentage of net expenditure. For 2021/22 and beyond management assess a prudent minimum level of general fund reserve to be no less than £5m.

	2020/21 (£m) ACTUAL	2021/22 (£m) PLAN	2022/23 (£m) PLAN	2023/24 (£m) PLAN	2024/25 (£m) PLAN	2025/26 (£m) PLAN
Net budget	115.8	111.9	113.9	116.1	119.6	122.6
Efficiency savings	4.2	1.3	2.3	0	0	0
Net transfer to reserves	0	0	7.8	0	0	0
Budget gap	2.3 (under spend)	0	0	11.7	4.9	6.6
General Fund (excl EMR & Capital)	4.0	6.4	5.0	5.0	5.0	5.0
GF as % net budget	3.5%	5.7%	4.4%	4.3%	4.1%	4.1%

Financial sustainability (continued)

How the Council plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget and MTFs are prepared under an agreed framework and are aligned to wider plans, namely the Corporate Plan but also supporting strategies in relation to investment and treasury management, capital strategy and the reserves strategy. These considerations are the starting point of the budget development process. The Corporate Plan is however due a refresh in view of recent appointments of Leader and Chief Executive. It is important that there is a consistent thread between the updated Corporate Plan, its underlying strategies and the required funding streams are earmarked in the budget strategy. An improvement recommendation is made to emphasise this matter.

Organisational intelligence is used in informing budget plans includes consideration of current year financial performance and service demand to determine spending allocations. The impact of COVID-19 pressures has been a key consideration by management as well as careful treasury management to capture borrowing costs and future Minimum Revenue Provision charges. Our 2020/21 financial statement audit provided assurance that the Council's MRP strategy is consistent with government guidance and therefore prudent.

The Council's budget and spending plans do not directly identify statutory areas of spend on services and discretionary areas of spend. The Council has previously attempted to make this distinction clearer, although this proved challenging due to the blurring between categories and therefore did not help Members and the public to understand the areas of spend which go beyond the minimum statutory requirements of the Council when identifying future efficiencies.

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of public services across Halton Borough. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It incorporates summary information from both the Investment Strategy and the Treasury Management Strategy and also includes Prudential Indicators.

Capital spending at 31 March 2021 totalled £27m, which was 74% of the planned spending of £35.6m. It is not unusual for capital expenditure to slip during the COVID-19 pandemic but this should remedy itself going forward. Priority spending included Runcorn Town Centre redevelopment (£2.1m) and ongoing spend on Runcorn's Silver Jubilee Bridge (£9.9m). Each of these items is consistent with strategic priorities for the Council.

How the Council ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning

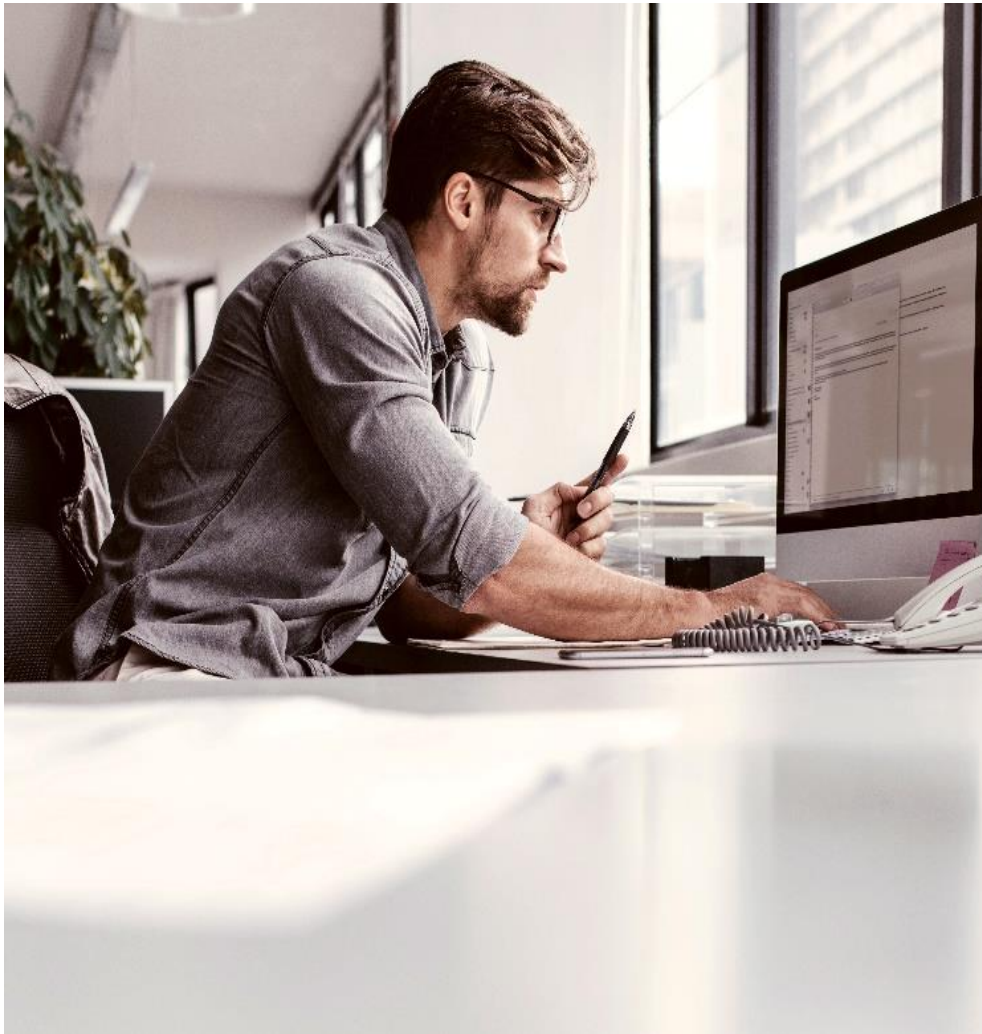
The Council's financial plans are developed to be consistent with underlying key strategies and objectives of the Council, headed up by the Corporate Plan for the borough. As mentioned previously, the Corporate Plan is due a refresh with the latest iteration being 2018-20. The Council's intention was to refresh the Corporate Plan once the new Leader and Chief Executive were appointed, which has now taken place in 2022. We have made an improvement recommendation for the Council to update the Corporate Plan promptly which is particularly relevant given the focus upon post COVID-19 pandemic considerations for the Council.

We have not noted any examples of major capital investment being postponed by the Council and no dis-investment in any major service provision during 2020/21 or since.

The Council has an up to date Organisational Development Strategy (Successor of the People Plan). This very much focuses upon how to best develop the Council employees although and is not inconsistent with the Council's financial priorities.

At a high level the Corporate Plan informs current and emerging Council spending plans. Aligned to this is the Medium Term Financial Strategy (MTFS) which is updated annually alongside the annual budget. The most recent MTFS covers the period 2022/23 to 2025/26. and makes clear that it is developed to prioritise spending towards the Council's priority areas whilst protecting essential front line services and vulnerable members of the community. These are the areas we would expect the Council to be focusing upon within the financial envelope available.

Financial sustainability (continued)



How the Council identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans

Risks are incorporated in the budget and MTFS which is agreed annually by Executive Board and ratified by full Council. The corporate risk register summarises the key strategic risks and barriers to achieving the corporate objectives, including financial risks, and these are referenced within the 2020/21 budget setting report. The corporate risk register also provides visibility about the management actions which are either in place or brought into action to mitigate the impact of these risks. Risks are further considered at each of the quarterly budget monitoring reports to Council for reassessment. More commentary regarding the corporate risk register is included in the Governance section of this report.

Financial risk is a set heading within Board reports and this is a helpful reminder of the importance of financial sustainability for the Council and the duty to operate within the budget.

A separate Budget risk register is maintained alongside the Corporate Risk Register and updated and reported on a quarterly process. This gives more detail at a drilled down level on the financial risks facing the Council than the high level Corporate Risk Register. This includes the financial risk areas we would expect the Council to be drawing attention to.

There is a clear pressure on the Council's reserves in the medium term. Reserves are refreshed annually to reflect organisational priorities and the financial risks and pressures are clearly explained by the Operational Director – Financial Services. The risk to reserves features in the Budget risk register. We have made an improvement recommendation that the Corporate Risk Register could be elaborated to make clearer the financial risk faced by the Council and the unsustainability of relying upon reserves to balance the budget.

A significant contingency budget is held corporately. Access to this is addressed through Finance Standing Orders. The 2022/23 budget includes a general contingency of £0.5m which is considered sufficient by management to cover the potential for price changes and increases in demand led budgets, as well as a general contingency for uncertain and unknown items. An additional £3.7m has been included in the contingency budget for 2022/23 to enable the estimated 2021/22 budget overspend to be funded on a permanent basis. These levels of contingency appear reasonable.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages its financial sustainability. We have not identified any risks of serious weaknesses. We have identified two opportunities for improvement which are set out at page 24.

Governance



We considered how Halton Borough 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
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards
- for the Mersey Waste partnership – we reviewed the effectiveness of partnership governance arrangements in Merseyside for waste management

How the Council monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a well established risk management system in place which is embedded in the governance structure of the organisation. The risk management arrangements incorporate directorate risk registers informed by detailed assessments of the key risks impacting each area. The risk register is RAG ([Red Amber Green]) rated and scored with named lead officers and mitigating actions. There is a column to link to the relevant Council priority which adds cohesion to the Council's arrangements. Each risk is assessed for impact and likelihood, along with the relevant mitigating controls and actions. For 2020/21 the annual review and update of the Corporate Risk Register was approved by the Business Efficiency Board on 21 July 2020. The Council's risk management processes are also used to inform the work of internal audit. We have reviewed the risk management strategy along with examples of service risks on the Corporate Risk Register. Our review confirms the strategy is clear and detailed, and the registers appear comprehensive, containing sufficient and appropriate detail for Council officers and Members. Further financial risk is included within the Budget Risk Register which has been reviewed under the Financial Sustainability section of this report.

The Council reports its risk registers through its governance framework, culminating in regular reports to the Audit and Governance Board. Our attendance at the Audit and Governance Board meetings confirms that the Board understands its role in the risk management framework. It provides challenge to management on the risk registers and examines the correlation between risks and mitigating actions.

The Council has a team of internal auditors, led by the Divisional Manager – Audit, Procurement & Operational Finance (the Chief Internal Auditor), which provides assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. The annual Internal Audit plan is ordinarily agreed with management at the start of the financial year and is reviewed by the Audit and Governance Board prior to final approval. The plan is based on an assessment of risks the Council faces and to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews in respect of suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

A five yearly independent assessment of Internal Audit takes place, which is due for 2022. There is no identified non-compliance by Internal Audit with the Public Sector Internal Audit Standards and the service is considered to be effective and well run.

In 2020/21, the COVID-19 pandemic impacted significantly on Internal Audit's plans as reported at Audit and Governance Board meetings. This arose due to remote working and re-deployment of internal auditors to other tasks such as audit of COVID-19 related grant claims. This is the common across the local government sector in 2020/21 and demonstrates the flexibility and value added by the Internal Audit service at Halton.

A detailed Internal Audit progress report has been observed as presented to each Audit and Governance Board meeting, including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Board to effectively hold management to account. At the end of each financial year the Divisional Manager – Audit, Procurement & Operational Finance provides an opinion based on the work completed during the year. For 2020/21 the Head of Risk and Internal Audit concluded that Halton Council has an adequate but effective control environment.

Governance (continued)

How the Council approaches and carries out its annual budget setting process

The Council produces a comprehensive Medium Term Financial Strategy (MTFS) each year alongside its annual budget. The most recent was approved at Executive Board on 17 February 2022 and ratified by Council on 2 March 2022 covering the 2022/23 budget and set out the resources to deliver the Medium Term Financial Strategy (MTFS) to 2025/26.

The role of Members in setting the budget is clear from the Member's Budget Working Group which met regularly during 2020/21 to consider budget saving proposals in the context of the Council's corporate objectives and strategic priorities. We have reviewed papers from the Group and conclude that it operates effectively and focuses on the relevant topics. The Member's Budget Working Group provides a valuable link to the views of local electors as key stakeholders in the budget priorities.

During 2020/21, the annual budget was updated regularly and the likely financial position outturn was reported to Management Team, Executive Board and upwards to full Council. The in-year forecasts proved reliable giving assurance that the financial position is properly understood and the budget process works correctly, despite the unprecedented impact of COVID-19 and associated cost pressures, lost income and accounting for COVID-19 related grant income. The accompanying reports and information supporting the budget identify issues as they arose which impact the expected outturn. The outturn report also identifies reasons for variances and compensating actions required.

We noted good engagement and ownership of budgets by budget holders as part of the annual budget setting process. Budget setting guidance notes are circulated annually to budget holders and set meetings are held with dedicated central finance managers to secure ownership and buy in. The Operational Director – Financial Services engages with the Executive Team by invitation and with Executive Board at numerous staging posts during the budget process.

External stakeholder engagement is also undertaken as detailed in the budget setting report including the general public, local electors and partners of the Council such as Halton Clinical Commissioning Group as a stakeholder to deliver integrated health and social care services utilising a pooled budget arrangement.

How the Council ensures effective processes and systems are in place to ensure budgetary control

The Council has well established budget monitoring arrangements in place. The Finance team is headed by the Operational Director – Financial Services (s151 Officer) role which is aligned into the Council's management portfolio structure under the Strategic Director for Enterprise, Community and Resources. Members of the Finance Team are assigned to specific service areas and work closely with budget holders to review, discuss and agree the financial pressures and issues impacting on specific service areas.

The Council's spending during 2020/21 was dominated by the additional pressures resulting from the COVID-19 pandemic. Additional costs and income losses relating to COVID-19 totalled approximately £25m, which was funded by a combination of general and specific Government grants. Processes were put in place to ensure this funding was properly managed, utilised for the correct purposes, separately accounted for and correctly reported upon. The position was monitored throughout the year through reports to Management Team, the relevant Policy and Performance Boards and Executive Board. Effective action was taken to control spending as far as possible and mitigate overspends.

Our 2020/21 financial statements audit provided assurance that the Council was accounting properly for COVID-19 related grant funding with a distinction between pass through agency grants and where the Council was acting as principal in allocating grant funding.

Treasury Management activity is reported to Executive Board at six month intervals including at year-end. We consider these reports to be comprehensive to update Members on the key activities undertaken on the money market, as required by the Treasury Management Policy. The report also provides the necessary supporting information on the economic outlook, interest rate forecast, short term borrowing rates, longer term borrowing rates, borrowing and investments, budget monitoring, new long term borrowing, policy guidelines and treasury management indicators. We noted that no new debt or debt rescheduling was required or undertaken during 2020/21.

Our 2020/21 audit has not identified any evidence of serious weaknesses in final accounts processes or material errors in draft accounts, or failure by the Council to meet statutory reporting deadlines. Our detailed financial statement audit is reported separately in the Audit Findings Report. An unqualified audit opinion is issued for 2020/21 with the majority of audit matters being presentation and disclosure matters. Resourcing in the central finance team has remained consistent in recent years with full cooperation with the external audit team which has contributed to a positive audit outcome.

Governance (continued)

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council's decision making arrangements are established in the Council Constitution. The Constitution is transparent on the Council's public website. Decisions are either made by members (Council or other decision making committees) or delegated to portfolio leads, or senior officers.

All key decisions of the Council are publicly available on the Council's website. Prior to decision making the Council has a range of overview and scrutiny committees that challenge and scrutinise Council decisions.

Directors commission Divisional service heads and their teams to produce reports related to major decisions. These are supported by professional experts such as property, accountancy and Internal Audit where appropriate. Where significant, draft proposals are reviewed by Executive Team. All treasury and capital investment decisions are assessed and approved internally prior to revenue/capital allocations within the annual budget and subsequent Council sign-off.

The Operational Director – Financial Services (statutory s151 Officer) role is aligned into the Council's management portfolio structure under the Strategic Director for Enterprise, Community and Resources. The s151 officer role is not a Strategic Director role but is invited to attend Management Team and does attend Executive Team Meetings and Audit and Governance Board. Not being a Strategic Director does not have a perceived detrimental impact upon the decision making process at the Council and is common across local government.



Governance (continued)

How the Council monitors and ensures appropriate standards.

The Council's arrangements to monitor compliance with legislation and regulatory standards are clearly set out in the Constitution. The Monitoring Officer has overall responsibility for compliance with both legislation and standards. Our audit has not uncovered any evidence of significant non-compliance with the body's constitution (which is publicly available on the Council website) or breaches of legislation or regulatory standards during the year that has led to an investigation by any legal or regulatory body.

Senior officers and Members at the Council are considered to exhibit the leadership and the standards of behaviour expected in public office. This is reinforced by the Monitoring Officer's annual report on standards which confirms that there have been no upheld complaints against Members or breaches of the Code of Conduct for 2020/21 or 2021/22.

The Council has its own high level local Code of Corporate Governance setting out expectations from Members and officers regarding conduct and behaviour etc. This is revisited and refreshed annually as required. Members and officers must adhere to the Code. Beneath this sit Codes of Conduct which clearly set out expectations of behaviour by Members and officers. Reminders are issued annually for declarations of interest/gifts and hospitality from Members and officers and these operate adequately.

A satisfactory Gifts and Hospitality policy is in place and we have not noted any significant breaches during 2020/21. The policy covers the key areas expected as set out in the Constitution. The Monitoring Officer is responsible for overall compliance.

Satisfactory arrangements are also in place for officers and Members to make declarations of interest, under the control of the Monitoring Officer. The completeness and integrity of Member interests for 2020/21 was assured during the financial statements audit under Related Party testing. This is supported by the Codes of Conduct which include a table setting out for Members what would be disclosable interests. The Monitoring Officer is responsible for overall compliance.

Although available on the Council website, the transparency of the registers of interests, gifts and hospitality for Members could be improved if they were more clearly signposted for the public to view on the website. This would identify any trends existing across political groups or committees in receipt of gifts, hospitality or interests which could be seen by the public to fetter independence. We have highlighted this area as an improvement recommendation on page 25.

The Council had a Standards Committee with co-opted independent members during 2020/21 and 2021/22. The role of the Committee is to promote high standards of member conduct and behaviour. No matters were brought to the attention of the Monitoring Officer / Standards Committee which required formal investigation. It is intended that the powers and duties of the Standards Committee will be transferred to the Audit & Governance Board from 1 April 2022. This is largely an efficiency measure as the business of the Standards Committee was relatively small.

Our audit has not found any evidence of significant or repeated departure from key regulatory and statutory requirements or professional standards.

A complaints process for the public to make complaints about standards exhibited by Members is published on the Council website. This includes the arrangements for raising a complaint and how it will be processed, including contact details for the Monitoring Officer. The process is clearly explained to deliver good governance.

For officers there is an established disciplinary process should matters arise.

Conclusion

Overall, we are satisfied that there are no significant weaknesses in the Council's governance arrangements and we have not identified any risks of serious weaknesses. We have identified one opportunity for improvement at page 25.



Improving economy, efficiency and effectiveness



We considered how Halton Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Overview of Arrangements for Ensuring Economy Efficiency and Effectiveness

The Council has established and appropriate arrangements to ensure economy, efficiency and effectiveness. Our work has not identified any risks of significant weakness. However, we have raised some improvement recommendations around the partnership working regarding the Mersey Gateway Bridge which was an area of specific focus during our review.

Use of Financial and Performance Information to identify areas for improvement

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

Benchmarking is in place within the Adult and Social Care directorate. An example of this is The Adult Social Care Outcomes Framework (ASCOF) benchmarking that measures how well care and support services achieve their outcomes. We noted that benchmarking is not as consistent across the rest of the Council. This is something that the Council should consider particularly in Finance that would help identify areas for improvement by benchmarking costs and performance against similar bodies in particular areas facing pressure.

Halton Council have a good track record of delivering to budget. Based on our 2020/21 benchmarking data, this shows that Halton Council have slightly lower than average long-term borrowing as a proportion of long-term assets at 19.3%, which is positive. Halton have an above average ratio of reserves as a proportion of net cost of services. They ranked 3 out of 34 Unitary Authority Councils, which is very high. They are ranked 19 out of 34 Unitary Authority Councils.

In addition to this, we noted that the highest unit costs were in Adult & Social Care and Cultural and Related Services. We reviewed the breakdown of these unit costs with very high costs across Adult and Social Care such as commissioning and service delivery, learning disability support, physical support, sensory support and social care activities. For cultural and related the highest unit costs were within community centres and public halls, open spaces and sports and recreation facilities. Although these are rated high the Council delivered within budget and these high costs are in line with the objectives of the Corporate Plan.

Improving economy, efficiency and effectiveness

Evaluation of services provided to assess performance and identify areas for improvement

We have explored how the Council evaluates its services to continuously improve. This is done through key regulator inspections, performance reporting and internal audit reviews. There is regular review and monitoring of service delivery through performance management reports at directorate level and Executive Board. Recommendations are made through the external audit process which are considered at the Audit and Governance Committee and Executive Board.

Performance Management Reports are produced on a quarterly basis for Adult Social Care and Health, Children and Young People, Corporate Services, Enterprise Community & Resources and Environment and Urban Renewal. These reports aim to set out the issues and progress against key service objectives, milestones and performance targets each quarter. The reports are comprehensive and provide sufficient detail for the reader. There is a section for progress against the Council's Key Performance Indicators (KPI) for the relevant directorate and the performance against them is rated using a traffic light progress symbol and direction of travel indicators. Where high risk areas are identified from the Council risk register, there are separate high risk reports on performance reported. Overall, the Council appears to be on course or too early to say at this stage to achieve the majority of its objectives. For each target there is supporting commentary on the progress. Where it is likely that the objective will not be achieved the commentary provides detail of the reasons for this. Overall, performance across directorates tends to be good and on track with most objectives having a green or yellow rating. Per review of the quarterly performance reports an area with several objectives that are unlikely to be met is within Children and Young People. Where this is the case there is commentary on why this has happened. Each objective is updated on a quarterly basis with progress.

The Council's Internal Audit Annual Report for 2020/21 reported that the Council continues to maintain an adequate and effective risk management, control and governance process. Assurance opinions for reviews during 2020/21 are:

- Substantial Assurance – 46
- Adequate Assurance - 5
- Limited Assurance – 1

Service Inspection

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

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

The review concluded that the Council should prepare an improvement plan within 70 days. At the time of our review the Council has submitted this improvement plan to Ofsted and is awaiting approval. We have recognised that as this plan has been put in place it should continue to be monitored going forward once a conclusion has been reached on the plan by Ofsted.

The action plan consists of three key areas for development being:

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

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

Improving economy, efficiency and effectiveness

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

The Council's Corporate Plan sets out the objectives and visions for the Council which has been developed with partners. However, as noted at recommendation 2 within this report the Corporate Plan is due a refresh.

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

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

Procurement of services

The Council has a procurement strategy in place which covers the period 2020-2023. This strategy is regularly updated and has oversight from the Business Efficiency Board with the update reports reported through the Executive Board. We have not found any evidence of the body failing to operate a fair procurement strategy. All contracts over £1m or those not in line with the standards are presented to the Executive Board for scrutiny and approval of the procurement. The decision for each item is clearly set out. Anything over £1,000 at the Council must go through procurement. Procurement update reports are presented at the Audit and Risk Committee. The purpose of these is so the Council can have oversight over the procurement arrangements and its activity. For example, the Agency Worker Contract for procurement was presented at the Executive Board in November 2021 as the value was likely to exceed £1m.

Where there is any outsourcing, partnerships or shared service agreements these are generally managed at the service level. Oversight of these are provided at the relevant committee for the service line that would review any issues.

Improving economy, efficiency and effectiveness

Mersey Gateway Bridge

As part of the annual 2020/21 audit, we have performed an assessment of the arrangements that Halton Council has in place to improve the economy, efficiency and effectiveness of its arrangements around the Mersey Gateway Bridge.

The Mersey Gateway Bridge opened in October 2017. This was a major capital scheme which saw the completion of the new six lane toll bridge over the river Mersey. The new bridge provides a multitude of economic and regional benefits. The project was funded through a mixture of capital payments from the Council and monthly unitary charge payments to Merseylink paid using the toll income raised.

The Mersey Gateway Crossings Board (MGCB) was set up as required by the government for the day to day management of the Mersey Gateway Bridge project acting as an interface between the Mersey Gateway Bridge management and the Council.

Toll collection is undertaken through a contract with Emovis. They are responsible for the delivery of the open road toll system and carry the financial risk of collection of tolls. Whereas the Council carries the traffic risk where there is insufficient crossing. Where tolls are not collected, the tolling operator has to pay over to the Council the difference between theoretical and actual revenue raised.

Performance Monitoring, Governance and Risk Management

Project Finance Reports are produced which provide an overview of the financial performance of the Mersey Gateway Project. These reports are to be quarterly however we noted that there was a nine month project finance report which ran from March 2021 to December 2021.

The project finance report was sufficiently detailed providing background on the project and financial overview. This helps stakeholders understand the financial performance of the Mersey Gateway Bridge Project. We have reviewed the project finance report for the 9 months to December 2021 and can see that it is comprehensive and incorporates financial performance, capital borrowings and consideration of risks. In addition to this, the Council has a section for the Mersey Gateway project on the Council risk register.

In terms of learning from similar crossings, this is limited as there is no other local government organisations that operate an open road tolling scheme. The closest scheme is Dartford Crossing where MGCB and Dartford team are in regular contact. There is also UK Toll operators group to which the MGCB belongs to. Monthly progress meetings are held between MGCB and Emovis which discusses the progress of the DMPA contract. There is also an opportunity here to raise any issues and discuss improvements. The Council has member representation on both the Mersey Gateway Audit Committee and Mersey Gateway Crossings Board.

It was noted that the reports are provided to the Council and occasionally reported through committees. We identified through our review of the Executive Board minutes that these reports had not been presented in the year 2020/21 therefore we recommend that these are formally communicated through **Executive Board** to ensure appropriate oversight from the Council. This emphasises the point that there should be greater oversight from the Council over the performance of the toll collection operator.

There have been two internal audit reviews that had a focus on the Mersey Gateway Bridge that provided substantial assurance.

Recommendation:

There should be greater oversight from the Council over the performance monitoring of Emovis. It is clear that there is engagement between the Mersey Gateway Crossings Board and Emovis however this should be formally communicated through the Council and a reporting channel through the appropriate committee and Executive Board on an appropriate basis.

Improving economy, efficiency and effectiveness

Toll collection

Emovis are responsible for toll collection. The MGCGB produce quarterly statistics that detail toll collection rates and penalty charge notice statistics. The toll collection rate for Mersey Gateway Bridge is currently at 97%. We have assessed the toll collection rates and penalty charge notices against the Dartford Crossing statistics as a benchmark. The collection rate of 97% is relatively good compared to 'Dart Charge' data for the Dartford crossing which for 2021 had a compliance rate of 94.9%. We note that various improvements have been made to help increase toll payments such as the introduction of the smartphone App 'Merseyflow Quick Pay' that can be downloaded for payment. We have noted that there is continuous engagement between Emovis and Mersey Gateway Crossings Board on ways to improve toll collection. We identified that there have been collection issues due to external bodies not maintaining accurate driver records. It is evident from conversations with the MGCGB and the Council they acknowledge the issues and have plans to rectify them or have done in the past.

Recommendation:

A clear action plan should be put in place focused on toll collection outlining the issues and measuring the performance against these objectives on a regular basis to improve economy, efficiency and effectiveness in this area. This should be reported through the relevant committee at the Council to ensure appropriate oversight.

Penalty Charge Notice

A penalty charge notice (PCN) is issued if a toll has not been paid within 24 hours which can be caused by a variety of issues. Crossings are paid through prepayment, exemption, emergency, local user discount scheme or paying on time with the app. If the PCN is not paid within the required timescale, it is registered as a debt and passed to debt collection. There is a cost to the Council for registering this debt which should be reviewed by the Council against the recoverability of the PCN debt. A PCN is issued for around 2.5% of crossings which is a considerably low rate. Per the Dartford Crossing data for 2021, the total amount of PCNs issued per total number of crossings is around 3.7%. Therefore the rate for the Mersey Gateway Bridge is considerably low provided this is an open road tolling system.

Recommendation:

Although the penalty charge notice rate is low, when a debt is registered this is a cost each time to the Council. The Council should put in place a process of reviewing how many PCN's proceed to debt registration and review this against recoverability.



Improving economy, efficiency and effectiveness – Cross cutting review – Waste management

Waste Disposal Contract – focused review

As part of the annual 2020/21 audit, we have performed an assessment of the arrangements that Halton Council has in place to improve the economy, efficiency and effectiveness of its waste management services.

Halton is not a Merseyside Council but has been working in partnership with the Merseyside Recycling & Waste Authority and the 5 District Authorities in Merseyside on waste management matters since 2006.

In particular, we have focused on how well the Council is working with authorities in Merseyside to optimise costs across the region and to achieve its own environmental objectives.

Waste collection arrangements

Waste and recycling collections are undertaken in-house by Halton Council. Residual waste is disposed of via a Resource Recovery Contract whilst kerbside collected recyclables and garden waste are processed via a Waste Management and Recycling contract; that also includes the management of Halton's two Household Waste Recycling Centres.

Weekly collections alternate between residual and comingled dry recyclates, with a small number of properties retaining a weekly sack collection due to issues with storage of wheeled bins. Garden waste is chargeable (introduced in 2015) for 44,000 properties across 40 weeks, i.e. 20 collections a year.

Local intermediate storage facilities are used to bulk up residual waste prior to delivery directly to the Merseyside Recycling & Waste Authority. These storage and onward transport arrangements are procured and managed directly by Halton.

At the time of this audit being undertaken, a “pilot” food waste service was operating in Halton and serving 3,000 properties. However, following a review, this service was withdrawn at the end of January 2022.

Waste disposal arrangements

MWDA dispose of the Council's waste via two main contracts:

1. Waste management and recycling contract (WMRC) that provides management of the Household Waste Recycling Centres (HWRCs), Materials Recycling Facilities (MRFs) and transfer stations and any subsequent haulage of the waste to treatment or disposal. This contract is with Veolia and expires in 2029; and
2. The disposal of the residual waste is via energy from waste (EfW) and landfill of untreatable wastes. This contract is with Merseyside Energy Recovery Limited (MERL)¹ and expires in 2044.

Contractual Relationship with MRWA

The relationship between Halton Borough Council and MRWA differs from that which exists between MRWA and the Districts. As a Unitary Authority, there is no statutory obligation for Halton and MRWA to work together on waste disposal matters. Instead, the relationship between the Authorities is detailed within formal, legally binding, Inter Authority Agreements. The financial arrangements between Halton and MRWA also differs from that between MRWA and the Merseyside District Councils. Halton is not party to the Levy and instead pays MRWA on a ‘cost pass-through’ basis for all costs directly associated with the services provided to Halton under the RRC and WMRC.

For garden waste there is a set tonnage fee, whereas for household waste centres there are set fees depending on the service charge for each centre plus tonnage based fee. Recyclates are charged based on facilities management fee plus a proportion of the overall costs based on throughput (tonnage). No profit share mechanism exists on any sale of recyclates.

Halton indicated that they were comfortable with this relationship and fee structure.

Waste management (continued)

Local Partnerships' Strategic Review of Waste Management (2016)

In 2016, Local Partnerships were commissioned to perform a Strategic Review of Waste Management across the Liverpool City Region. Key findings of this report were that:

- MWDA run an efficient waste disposal service (limited savings potential)
- Significant economies could be gained from 'joining up' the entire waste management system

In particular, there was a recommendation to consider the formation of a Joint Waste Authority, which would become part of the Liverpool City Region Combined Authority using a governance model similar to that already in place for Mersey Travel. Implementation of common collection practices and policies is noted at the first step for future innovation, including asset sharing and optimisation of vehicle rounds. Halton officials worked with the Local Partnerships team in their preparation of this report at the time.

Performance: Recycling Rates

The table below describes the recycling rates by year in Halton Borough Council, taken from WasteDataFlow.

	17-18 recycling %	18-19 recycling %	19-20 recycling %	20-21 recycling %
Halton Borough Council	43.50%	38.90%	37.50%	39.30%
National average	39.30%	40%	40.20%	39.10%
Difference	4.20%	-1.10%	-2.70%	0.20%

It can be seen that Halton Council's recycling rate is above the national average (by 0.2% in 2020-21). For comparison, the Merseyside Councils' average recycling rate is 13.0% below the national average for the same time period.

Historically there has been an EU target for the UK to recycle at least 50% of household waste by 2020. More recently, The government's Circular Economy Package (July 2020) includes a target to recycle 65% of municipal waste by 2035.

Recommendation: The Council should consider its annual recycling rates in line with the national average and in the context of national targets (65% by 2035). It should put in place plans for improving efficiency and effectiveness in this area.

Performance: Financial

The table below sets out the cost (or forecast cost) to the Council for waste collection and disposal, including on a cost per tonne basis.

	2019/20 [Prior Year]	2020/21 [Current Year]	2022/23 [Forecast]	2023/24 [Forecast]
Cost (£) - collection	£0.949m	£0.939m	£1,100m	£1,150m
Cost (£) - disposal	£7.933m	£7.952m	£8,420m	£8,600m
Budget (£) - collection	£1.147m	£1.042m	£1,105m	£1,127m
Budget (£) - disposal	£7.941m	£7.975m	£8,409m	£8,577m
Tonnage* (tonnes)	60,535	63,363	61,512	61,803

We can see that tonnages have increased (e.g. due to Covid 19 changes in behaviour) and that the overall cost of waste collection and disposal is expected to increase.

Recommendation: The increase in waste tonnages collected could create a budget pressure in the coming years which could impact the Council's ability to set a balanced budget in future. It should consider opportunities for savings and / or how this pressure will be managed, to ensure continuity of service to residents.



Waste management (continued)

External Governance (interaction with MWDA and other Councils)

MWDA Board

MWDA is a local government body consisting of nine elected Members representing the five Merseyside Councils. The board of nine elected members include three from Liverpool City Council, two from Sefton MBC, two from Wirral Council and one each from Knowsley MBC and St Helens MBC. Members meet to consider high level matters such as policy, strategy and budget in relation to waste treatment/disposal. However, their decision making ability is limited and many decisions will need to be ratified separately by all five Merseyside Councils.

Halton has a different relationship with the MWDA and, as such, Halton Council's representative only has observer status on the MWDA Board.

The observer is an elected Halton Councillor whose portfolio includes responsibility for waste. The observer meets regularly with the Divisional Manager who has responsibility for waste.

Recommendation: Consideration should be given to formalising the relationship between MWDA observer and the official responsible for waste, while the current relationship works well, this is not guaranteed if either party was to change role.

Recommendation: It would be useful to provide Members with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.



Liverpool City Region Strategic Waste Management Partnership (2021)

The Liverpool City Region Strategic Waste Management Partnership's purpose is to collectively address regional waste management issues and provide a single voice on waste management affairs. Areas of particular consideration include implications of new waste management legislation, housing growth, the environment and climate emergency and the financial pressures on regional waste management.

The partnership agreed Terms of Reference in June 2021, which have been signed up to by the Merseyside Councils plus Halton Borough Council. The partnership will meet quarterly and will work with the MWDA on regional waste management issues.

A key area highlighted for "increasingly urgent" action is an update to the current levy mechanism (which does not impact Halton).

The Terms of Reference contain a commitment to review the recommendations contained in the Local Partnerships' Strategic Review of Waste Management (2016).

Leaders and Mayors will be provided with quarterly updates from the Liverpool City Region (LCR) Strategic Waste Management Partnership. In the October 2021 briefing it is noted that there will be a £9m cost increase across the five councils in 2022/23 due to increases in household waste collected as a result of Covid-19 related shifts in behaviour. Again, Halton is not impacted by this change.

Recommendation: The LCR Strategic Waste Management Partnership does not currently include the MWDA. As waste management relates to both collection and disposal, it could be beneficial to formally include the MWDA within the partnership and this alongside a framework to allow recommendations from the MWDA to be formally considered will enable collaborative working and decision making.

Recommendation: The MWDA, Merseyside Councils and Halton Council should work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.

Waste management (continued)

Waste Management Conclusion

As is a challenge for many authorities, the Council is seeing increases in municipal waste tonnages arising, leading to higher costs of waste disposal. There is also a challenge to improve recycling rates, which currently sit at 31.5%, 7.6% below the national average. Furthermore, national recycling targets have increased from 50%, to 65% by 2035. There are therefore significant challenges in achieving economy, efficiency and effectiveness for waste management services.

Due to the unique nature of Halton's relationship with the MWDA they are not subject to the perverse incentives caused by the waste levy that impacts the other councils. As such, they are better positioned to manage the pressures arising from increased municipal waste. Halton will need to work with the Merseyside councils to prepare for legislative changes.

The Liverpool City Region Strategic Waste Management Partnership has recently been established. This is a positive step to improve transparency and collaboration between the Merseyside Councils with Halton council. It has the aim of improving economy, efficiency and effectiveness for waste management services. This partnership currently does not include the MWDA itself, however, there is a commitment to work with the MWDA on regional waste management issues. While Halton is not directed by this Liverpool City Region initiative, the above recommendations would improve transparency for the council.



COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably on children's services and adult social care.

For 2020/21 the Council received four tranches of un-ring-fenced COVID-19 related grant funding to cover general costs, amounting to £12.8m. The Council has also utilised ring-fenced grant funding of £11.9m for specific services relating to COVID-19. Additionally, the Council acted as agent for the government in passporting funding across the Borough. This included providing funding of £24.4m in grants to support businesses that were disrupted due to COVID-19, plus a further £1.6m of grants provided on a discretionary basis. This funding helped the Council to support residents and businesses through the year, and provided immediate funding to help mitigate some of the financial pressures caused by the pandemic. The financial sustainability challenges from the COVID-19 pandemic will however continue through the medium term and this creates pressure to maintain effective financial sustainability arrangements due to the budget gaps and consequent pressure on reserves.

The main budgetary pressure has been the increasing costs and demand of providing children's social care services, particularly the cost and numbers of out of borough residential placements. Some of these costs have been mitigated by funding from COVID-19 grant.

There has been a reduction in some variable costs due to the pandemic, notably with closures to both leisure and cultural services.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early and subject to detailed monitoring and scrutiny. The MTFS was reviewed and updated during the year, and detailed quarterly reporting against the budget to Council was maintained throughout the year.

Despite the 'cushion' provided by governmental COVID-19 funding, which resulted in a £2.4m underspend against plan for 2020/21, the Council expects these financial pressures to be ongoing. Whilst it has set a balanced budget for 2021/22 and 2022/23, with savings and efficiencies built in, the Council will need to maintain its high level of monitoring and scrutiny over its finances in order to achieve this budget as explained in the financial sustainability section.

Governance

As a result of the lockdown restrictions announced on the 16 March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding Members' meetings online.

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. The Coronavirus (Flexibility of Local Authority and Police and Crime Panel Meetings) Regulations 2020 came into force on 4 April 2020. This put in place the ability for Councils to hold meetings virtually, so long as they meet certain criteria specified in the Regulations.

Financial performance and forecast of the Council's outturn continued to be reported quarterly to both the Executive Board and Policy & Performance Boards during 2020/21. For ease of understanding financial performance reports consisted of two elements; operational day to day spending with a second reporting separately on the costs and funding associated with the Covid-19 pandemic.

Procurement of goods, services or works required to deliver services continued to be undertaken in line with the Council's Procurement Strategy and within clearly defined rules set out in Procurement Standing Orders. Where emergency procurement activity took place in response to COVID-19 a detailed record of decisions and actions was maintained should any legal challenge emerge. The records set out the reason for the decision, alternative options considered and rejected, background documents and any consultation undertaken.

The response of Internal Audit to meet the COVID-19 emergency in 2020/21 meant that a substantial amount of normal audit time was spent on assisting with oversight and control of the governments business rates-based grant schemes. Time was also spent on other administrative tasks, which were an organisational priority. Internal audit has demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of changed circumstances.

COVID-19 arrangements (continued)

Improving economy, efficiency and effectiveness

Through the Council's partnerships across Cheshire and the Liverpool City Region, and as part of the Cheshire Resilience Forum, the Council worked to deliver a co-ordinated regional response to the pandemic and this has operated effectively. For example, working with local health partners, emergency services and the military, the Council put in place local testing arrangements and established arrangements to prevent and manage local outbreaks.

The Council prioritised supporting the most vulnerable in the community and monitoring of key performance indicators shows that critical services continued to be delivered successfully including accommodation for the homeless. The Council also worked with social care providers to look after people living in residential and nursing homes or in receipt of domiciliary care. Waste collection services continued to run to normal timetables throughout the year.

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. PPE was also sourced and provided to all Council staff where this was deemed necessary.

The Council has maintained its quarterly reporting of performance against the targets throughout the year. This has enabled those charged with governance to understand which of the Council's activities have been most impacted and the extent of this impact.

Partnership working is a key theme of the Council's plan, and work with community partners increased during the pandemic.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic.



Improvement recommendations



Financial sustainability

Recommendation 1	The latest Corporate Plan covers the period 2018-20 and is due for a refresh and alignment with other key/strategic plans and priorities.
Why/impact	The Council's strategies should cascade down from and have a clear linkage to the overall Corporate Strategy. This should feed down to the MTFS and annual budget based upon the priorities established in the Corporate Strategy.
Auditor judgement	Delays in updating the Corporate Strategy could lead to the Council losing sight of key priorities and the funding streams that accompany them.
Summary findings	The Corporate Strategy was last updated for the period 2018-20.
Management comment	The refresh of the Corporate Plan was delayed due to the pandemic and subsequently due to the departure of the Chief Executive. The new Chief Executive has now re-started the process with the intention of shortly working with Executive Board to re-establish the Council's priorities and prepare the updated Corporate Plan for approval by Council. The next update of the MTFS will be aligned to those updated priorities.
Recommendation 2	Consideration should be given to expanding the finance risk on the Corporate Risk Register to go beyond funding pressures but to explain expenditure pressures and the pressure on reserves.
Why/impact	Risk 9 on the Corporate Risk Register concerns the pressures on the Council's finances and focuses upon pressure from funding reductions. The financial risk goes beyond funding pressures alone and this is important enough to make clear on the Corporate Risk Register.
Auditor judgement	Risk 9 could be elaborated to include more detail on the financial challenges and budget gaps facing the Council as set out in the Medium Term Financial Plan 2022-2026. In particular the risk could set out the pressures arising from inflationary uplifts, interest rate rises and increased service demand pressure. The risk could reference the reducing reserves position of the Council and make clear that using reserves to balance the budget is not a sustainable option for the Council in the medium or long term.
Summary findings	We consider it right to include a finance risk on the Corporate Risk Register but this should be elaborated to pinpoint the funding, expenditure and service demand pressures and to emphasise that it is not a sustainable option to rely upon reserves to plug budget gaps.
Management comment	Agreed that at the mid-year review of the Corporate Risk Register, Risk 9 will be expanded to also reflect the expenditure pressures and also the pressure on reserves having utilised reserves to balance the 2022/23 budget.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations (continued)



Governance

Recommendation 3	Consider the creation of a central register of gifts, hospitality and interests for Members which is available for inspection on the Council's external website.
Why/impact	Whilst Member's gifts, hospitality and interests are available to view on the Council's external website this requires scrolling through the biography of each individual Member.
Auditor judgement	It is not immediately apparent if there are any disclosable of interests or gifts and hospitality by any particular board or political grouping.
Summary findings	Whilst a process operates to gather Member's interests, gifts and hospitality, transparency could be improved by making this information available in a single place on the Council's external website. Having to check against each Member separately is piecemeal and makes it less transparent to check the overall complexion of Member's disclosures.
Management comment	The Council will consider arrangements for the creation of a central register of gifts, hospitality and interests for Members.

Improvement recommendations (continued)



Improving economy, efficiency and effectiveness

Recommendation 4	We noted that benchmarking is not as consistent across the rest of the Council. This is something that the Council should consider particularly in Finance that would help identify areas for improvement by benchmarking costs and performance against similar bodies in particular areas facing pressure.
Why/impact	This could result in areas for improvement not being identified.
Auditor judgement	Benchmarking should be performed consistently across the Council as a whole particularly in Finance.
Summary findings	The Council undertakes benchmarking for its Adult and Social Care and Children and Young People directorates however this has not been as consistent across other areas of the Council.
Management comment	It is intended to develop cost and performance benchmarking data in collaboration with the LCR councils for key service areas, and utilising data provided by LG Futures, to support the Council's development of budget proposals for the next three years.

Improvement recommendations (continued)



Improving economy, efficiency and effectiveness

Recommendation 5

(based upon Mersey Gateway Bridge)

a) There should be greater oversight from the Council over the performance monitoring of Emovis. It is clear that there is engagement between the Mersey Gateway Crossings Board and Emovis however this should be formally communicated through the Council and a reporting channel through the appropriate committee and Executive Board on an appropriate basis.

b) A clear action plan should be put in place focused on toll collection outlining the issues and measuring the performance against these objectives on a regular basis to improve economy, efficiency and effectiveness in this area. This should be reported through the relevant committee at the Council to ensure appropriate oversight.

c) Although the penalty charge notice rate is low, when a debt is registered this is a cost each time to the Council. The Council should put in place a process of reviewing how many PCN's proceed to debt registration and review this against recoverability.

Why/impact

There are financial risks associated with the collection of tolls and penalty charge notices. This could result in inappropriate oversight from the Council over the Mersey Gateway Bridge performance. The Council should ensure there is appropriate monitoring over the toll collection rate and operator.

Auditor judgement

There are financial risks associated with toll collection and penalty charge notices.

Summary findings

We reviewed the arrangements in place around the Mersey Gateway Bridge performance management and toll collection.

Management comment

Discussions will be held with the Chief Executive of the Mersey Gateway Crossings Board, to agree an improved framework for reporting progress with MG related matters to Executive Board and the Council.

Improvement recommendations (continued)



Improving economy, efficiency and effectiveness

Recommendation 6

(based upon Mersey Waste governance and performance review)

a) The Council should consider its annual recycling rates in line with the national average and in the context of national targets (65% by 2035). It should put in place plans for improving efficiency and effectiveness in this area.

b) The increase in waste tonnages collected could create a budget gap / pressure in the coming years which could impact the Council's ability to set a balanced budget in future. It should consider opportunities for savings and / or how this pressure will be managed, to ensure continuity of service to residents.

c) Consideration should be given to formalising the relationship between MWDA observer and the official responsible for waste, while the current relationship works well, this is not guaranteed if either party was to change role.

d) It would be useful to provide Members with the performance context alongside the cost of waste management, e.g. KPIs which include benchmarking with national average / targets in relation to recycling rates / cost of waste management.

e) The LCR Strategic Waste Management Partnership does not currently include the MWDA. As waste management relates to both collection and disposal, it could be beneficial to formally include the MWDA within the partnership and this alongside a framework to allow recommendations from the MWDA to be formally considered will enable collaborative working and decision making.

f) The MWDA, Merseyside Councils and Halton Council should continue to work together to review and conclude upon the optimal governance model to ensure transparency and collaboration and to drive economy, efficiency and effectiveness for waste management services.

Why/impact

There are financial and environmental challenges with rising levels of residual waste and below average recycling rates across Merseyside. The Liverpool City Region Strategic Waste Management Partnership has recently been established. This is a positive step to improve transparency and collaboration between the Merseyside Councils with Halton council. It has the aim of improving economy, efficiency and effectiveness for waste management services. This partnership currently does not include the MWDA itself, however, there is a commitment to work with the MWDA on regional waste management issues. While Halton is not directed by this Liverpool City Region initiative, the above recommendations would improve transparency for the council.

Auditor judgement

There are financial challenges with rising levels of residual waste and a lack of progress with improving recycling rates across Merseyside.

Summary findings

We reviewed the arrangements in place to manage performance on waste collection and the effectiveness of strategic waste partnership working across Merseyside.

Management comment

- a) Council will develop plans to meet future targets
- b) This will be considered as part of the Medium-Term Financial Strategy process
- c) The Council consider the arrangements in place to be sufficient
- d) Council recognise the benefit of performance data and will look to provide where possible
- e) This is a matter for the LCR Strategic Waste Management Partnership to decide
- f) Consideration of governance options will form part of the future work undertaken by Halton and its LCR partners

Opinion on the financial statements



Audit opinion on the financial statements

We have completed our audit of the Council's financial statements for the year ended 31 March 2021 and subject to the outcome of the CIPFA national review of accounting for infrastructure assets at Highway authorities, we expect to issue an unqualified audit opinion.

Other opinion/key findings

We have not identified any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report and Annual Governance Statement.

Audit Findings Report

More detailed audit findings can be found in our Audit Findings Report which was published and reported to the Council's Audit and Governance Board on 23 March 2022 and is published on the Council's website.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

There has been a delay by the National Audit Office in issuing the WGA consolidation packs to Councils. We will complete our work on the Whole of Government Accounts consolidation pack once the information for audit is available.

Preparation of the accounts

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

Issues arising from the accounts:

All adjusted and unadjusted misstatements identified for the Council's 2020/21 financial statements are disclosed within the 2020/21 Audit Findings Report at Appendix C.

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

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

There are no matters to report regarding these responsibilities.



Appendices

Appendix A - Responsibilities of the Council



Role of the Operational Director Financial Services (the Chief Financial Officer / section 151 Officer):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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.

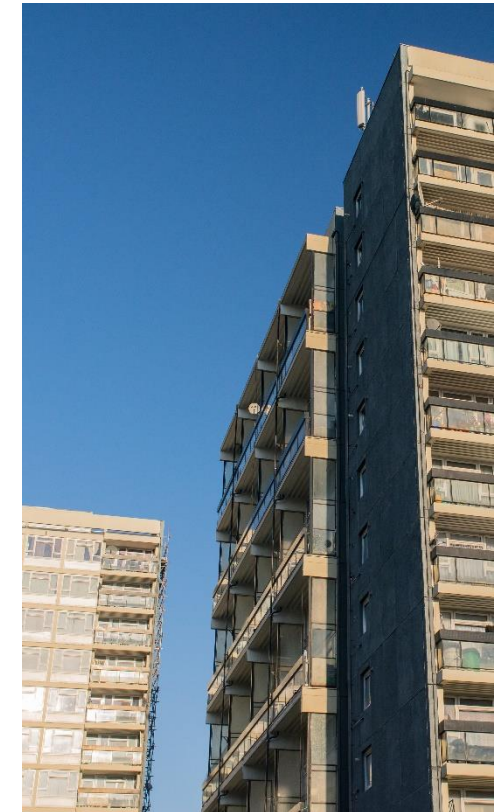
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B - An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	24 - 27

Appendix C -Use of formal auditor's powers

For information only, we bring the following matters to your attention:

Statutory recommendations

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

Advisory notice

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

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

We did not issue an advisory notice.

Judicial review

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

We did not apply for a judicial review.

Appendix D – Final proposed audit fees 2020-21

Scale fee published by PSAA	£81,076
<i>Ongoing increases to scale fee first identified in 2019/20 and 2020/21</i>	
Raising the bar/regulatory factors	£4,375
Enhanced audit procedures for Property, Plant and Equipment	£6,250
Enhanced audit procedures for Pensions	£3,750
Additional work on Value for Money	£20,000
ISA 540	£6,000
<i>Journals testing</i>	£7,000
Additional costs relating to PPE accounting (Assets held for sale) – non-recurrent	£1,000
Additional VFM cost – Waste Management review and responses to identified risks – non-recurrent	£7,000
Final 2020/21 fee (To be agreed by PSAA)	£136,451



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