Grant Thornton

Auditor's Annual Report on Halton Borough Council

2022-23

March 2024

Contents

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

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

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

Executive summary (1 of 3)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020-21 was the first year that we reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below. Direction of travel relates to change since 2021-22.

Three significant weaknesses are identified in the Council's arrangements for value for money (VFM) resulting in three key recommendations relating to financial sustainability, governance and Improving economy, efficiency and effectiveness.

Taken together these three significant weaknesses are very serious and the Council needs to address them at pace and with sufficient senior level capacity to make a difference. It is important that the Council demonstrates resultant progress and improvement in these areas, avoiding the need for further use of auditor statutory powers.

Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified but one improvement recommendations made.	No significant weaknesses in arrangements identified but one improvement recommendation made.	One significant weakness in arrangements identified and four improvement recommendations made.	↓
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	Two significant weaknesses in arrangements identified and three improvement recommendations made.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but one improvement recommendation made.	No significant weaknesses in arrangements identified, but one improvement recommendation made.	One significant weaknesses in arrangements identified but no improvement recommendations made.	↓

- Green: No significant weaknesses in arrangements identified or improvement recommendation made.
- Amber: No significant weaknesses in arrangements identified, but improvement recommendations made.
- Red: Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (2 of 3)

Financial sustainability

On 17 February 2022, the Executive Board was told the Council would need to make revenue savings of £23.3m over the next three years to meet its expected budget gap. The gap included £11.7m in 2023-24. £2.347m of savings were agreed in the 2022-23 budget, of these £0.82m were one-off measures. We are concerned that these are not sufficient to meet the budget gap.

On 2 March 2022, Full Council agreed its net revenue budget for 2022-23 of £113.89m. This was balanced with £7.8m of reserves. The outturn position for 2022-23 showed net spending was over the revised budget of £111.7m by £5.161m. The Childrens Directorate net expenditure was £9.714m over budget. In 2022-23, the Council spent £13.6m on agency staff.

In 2022-23 the general reserve balance was £6.4m, this reduced to £5.1m by 2023-24. In addition to this balance, the Council only had £2.748m available to support the revenue budget, £2.424m to support transformation and £2.203m to support Adult Social Care pressures by 31 March 2023 as the rest of the reserves were specifically earmarked. **We are concerned about the Council's reserve levels given the overspend in 2022-23 and 2023-24 and the lack of savings from the transformation programme and we make a key recommendation on page 6.**

On 19 January 2023, the Executive Board agreed a three-year transformation programme that was expected to deliver £2m in 2023-24. This was still an expectation in October 2023, when the Executive Board were told the transformation programme would deliver £2m in 2023-24, £8m in 2024-25 and £10m in 2025-26. However, on 16 November 2023 the Executive Board were advised the programme was reprofiled to deliver £4m in 2024-25, and £8m in both 2025-26 and 2026-27. In 2023-24 the programme was forecast to cost £1.9m and save just £0.179m in year.

In January 2023, the Executive Board agreed the principle of a three-year transformation programme which was forecast to save £20m to £25m once savings were developed. The Executive Board was told the funding gap from 2024-25 to 2026-27 was £24.095m in February 2023. However, in February 2023, Full Council approved savings of £2.83m for 2023-24 and a cumulative £6.881m of savings over the three-year period. By November 2023, £1.718m of the £2.83m were flagged as delivered or on track in 2023-24. We remain concerned about the Council's financial sustainability and its limited progress on transformation.

On 8 March 2023, Full Council agreed its 2023-24 net revenue budget as £140.88m. This was balanced with £8.422m of reserves. By September 2023, net spending was £3.572m over budget and by November 2023, the outturn forecast for the year estimated that net spending will be over budget by £8.108m. The Children's Directorate spending was £4.0m over budget and was forecast to be £9.3m over budget by year end. The latest forecast position to the year-end shows a reduction in the overspend to £7.1m.

The Council's savings and transformation plans are not sufficient to meet its medium-term financial gap and are taking too long to materialise which is impacting its financial sustainability, and we make a key recommendation on page 6. The Council should ensure its transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves

We also make four improvement recommendations relating to financial sustainability from pages 17 to 20.

Governance

The Council has a Corporate Risk Management Strategy, updated in May 2023. The strategy does not consider programme and project risks which we would expect to see. It also needs a clear risk escalation and de-escalation process setting out between corporate and directorate risk registers. In addition, there is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy. We also identify improvements which are needed to the Corporate Risk Register (CRR) including the addition of a target risk score, direction of travel and mapping to corporate objectives. There is no indication of whether it is a dynamic or static risk. These risks are not reviewed sufficiently by officers or members.

The Council's arrangements for risk management needs significant improvement. We make a key recommendation on page 7. The Council's risk toolkit (updated April 2019) explaining how risk management is integrated into the business processes will also need updating to reflect the key recommendation made relating to risk management.

Executive summary (3 of 3)

Governance (continued)

The Council needs to ensure services and projects and programmes have their own effective risk management arrangements that mirror changes to the CRR.

Financial risks are not included sufficiently in the budget papers to members. We expect to see risks and their mitigations set out in the budget paper. Reports do not identify the key risks facing the business and what the Council is doing to address these and there is no tie in with the CRR risks which we would expect to see. Risk is not sufficiently embedded into committee reports, these should refer to identified risks in the CRR, giving members risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets.

CIPFA recommends that audit committees should include at least two co-opted independent members to provide appropriate technical expertise. **The Audit and Governance Board does not have independent representatives and the Council may want to address this through our improvement recommendation on page 24.**

The Council demonstrates good practice regarding counter-fraud. It has an Investigations Team of 3 counter-fraud specialists who share intelligence and good practice with other local authorities and regional fraud groups. In 2022-23 the team led 150 fraud investigations and five whistleblowing investigations; the whistleblowing cases were closed with no action. The value of these frauds was £0.217m. During 2022-23, an e-learning fraud awareness package for all staff and elected members was developed, tested and launched. Procurement staff completed their training in 2022-23 and a roll out to all staff and elected members was planned in 2023-24.

The Council uses scenario planning in its working papers but do not include best, worst and expected positions in the MTFS reporting to the Executive Board. **We make an improvement recommendation to include scenario planning on page 25.**

The Council has not undertaken a self-assessment against the CIPFA Financial Management Code in 2022-23 or up to January 2024, and we make an improvement recommendation on page 26 to undertake a self-assessment to help with improving financial sustainability.

Improving economy, efficiency and effectiveness

The Council had no up-to-date Corporate Plan in 2022-23 or in 2023-24. It will have a new plan in place for 1 April 2024. The existing six themes have a set of actions and performance measures, which are reported quarterly to each of the six Policy and Performance Boards. However, there is no corporate performance report for the Council as a whole and we identified a lack of consistency across Departments relating to the use of benchmarking. We also identified a lack of SMART targets and success measures. W**e identify a significant weakness in the Council's arrangements for performance management and make a key recommendation on page 8.**

However, the Council is making good progress on its core service improvements. Ofsted carried out a focused visit in November 2022 and identified improvement to its children's services. It found the new senior leadership team has begun to accelerate the much-needed pace of change to the Council's improvement journey. In June 2023, Ofsted inspected the Council's adult learning service and gave it another 'good' rating. Leaders have effective quality assurance and improvement processes in place.

While there was evidence of a failure to meet minimum service standards in adult social care in 2022-23 and in 2023-24, relating to two of the five Council run care homes, the Care Quality Commission (CQC), identified the Council responded immediately to make service improvements following the visits.

The Council has strong arrangements in place for procurement. The Council's Procurement Strategy 2020-25 is aligned to the National Procurement Strategy for Local Government in England 2018. Procurement Standing Orders are updated annually, these were last updated in May 2023. The Council's bespoke Electronic Procurement System provides automated workflow and full visibility for all waiver and extension requests and assists contract management by ensuring that evidence is held to confirm that suppliers are complying with contractual requirements in terms of insurance, safeguarding and information governance. The system also provides visibility of future pipeline opportunities that will require pre-procurement support to assist spending departments identify the best route to market.

Key recommendation 1

Financial sustainability and Governance

Key recommendation 1	The Council should ensure its transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves. It needs to: • reduce spending by looking at different ways of delivering services. • use the developing corporate strategy to identify its budget priorities and review service budgets. • develop an understanding of the cost of delivering its core statutory services and discretionary spend where it meets clear Council priorities and identify reductions to non-essential spending. • identify any discretionary activity that could be reduced or curtailed where it does not contribute to corporate business plan priorities. • consult on service changes and future spending plans with the public and include public engagement annually as part of business planning. • ensure the requisite skills are in place to manage the programme, lead change and explore new ways of working. • significantly reduce the Council's reliance on agency staff. • ensure it has a programme of savings and transformation projects that exceed its forecast gap to enable it to replenish reserves and minimise the risk of programme slippage.
Why/impact	The Council does not have a robust programme identified yet that will enable it to address its financial gap in the medium-term and is making planned and unplanned use of reserves.
Auditor judgement	The Council's planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited MTFS savings in 2022-23 and in 2023-24 are significant risks to the Council's financial sustainability.
Summary findings	In 2022-23 the general reserve balance was £6.4m, this reduced to £5.1m by 2023-24. In addition to this balance, the Council only had £2.748m available to support the revenue budget, £2.424m to support transformation and £2.203m to support Adult Social Care pressures by 31 March 2023 as the rest of the reserves were specifically earmarked. However, the Council used £7.8m to balance its 2022-23 budget, %.161m to find the 2022-23 out-turn and £8.422m of reserves to balance 2023-24. On 17 February 2022, the Executive Board was told the Council would need to make revenue savings of £23.3m over the next three years to meet its expected budget gap. The gap included £11.7m in 2023-24. Only £2.347m of savings were agreed in 2022-23 budget, of these £0.82m were one-off measures. On 19 January 2023, the Executive Board agreed a three-year transformation programme that was expected to deliver £2m in 2023-24. This was still an expectation in October 2023, when the Executive Board were told the transformation programme would deliver £2m in 2023-24, £8m in 2024-25 and £10m in 2025-26. However, on 16 November 2023 the Executive Board were advised the programme was reprofiled to deliver £4m in 2024-25, and £8m in both 2025-26 and 2026-27. In 2023-24 the programme was forecast to cost £1.9m and save just £0.179m in year. On 16 February 2023, the Executive Board was told the funding gap from 2024-25 to 2026-27 was £24.095m. However, on 1 February 2023, Full Council only approved savings of £2.83m for 2023-24 and a cumulative £6.881m over the three-year period. By November 2023, £1.718m of the £2.83m were flagged as delivered or on track in 2023-24.

Key recommendation 1

Management response

Agreed - The Transformation Programme is a dynamic programme with constituent projects developed within themed areas, based upon initial analysis and subsequent demand mapping – much of which has taken place in 2023/24 since programme inception. The majority of current projects are focused on external service delivery where the outcomes required are dependent upon the types and levels of demand created by people in given scenarios (Children's & Adults), influenced by public behaviour (Waste Management - recycling), or internal processes that are heavily influenced by external conditions (Use of agency workers / effective recruitment and labour market conditions). As such the lead in time to budget savings delivery will vary as the benefits and risks associated with service change are evaluated and balanced.

The issues highlighted within the recommendation are recognised as the key reasons behind why the Council chose to implement the Transformation Programme, in order to provide a sustainable solution to the financial challenges. It is the Council's intention to implement all aspects of the Programme at the earliest opportunity and further projects will be added to the Programme as it progresses, but it should be noted that the complexities of the those projects are not static.

Key recommendation 2

Governance

Key recommendation 2	The Council needs to improve risk management by: • updating the Risk Management Strategy to add an escalation process between the corporate and departmental risk registers, including risk data transfer and ownership and adding in risk treatment and proximity. • ensuring there is a senior manager with responsibility for risk management. • formatting the CRR so there is a single table with strategic risks, issues and causes established with risk owners, split by risks, causes and impact and include assurances, direction of travel, planned completion date, linked risks, risk type, risk proximity, target risk date, date last updated, links to corporate objectives. • reviewing the three risks relating to capacity. • adding a risk on net zero which is a key priority but the risk of not achieving it is not identified in the CRR. • ensuring services and projects and programmes have their own effective risk management arrangements that mirror changes to the CRR. • integrating corporate risks, their references and their scores into all report writing for committee papers giving members risk assurance and helping them to understand the impact of their decision-making on risk and include risk considerations in committee paper sign-off. • ensuring the management team review corporate risks at least quarterly • integrate risk, performance and financial reporting and report these quarterly to the Executive Board. • ensuring risks identified in the annual budget report are sufficiently detailed and consistent with the CRR revised format. • adopting the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks as part of risk management improvement.
Why/impact	Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.
Auditor judgement	The Council's arrangements for risk management needs significant improvement.
Summary findings	The Council's Risk Management Strategy, updated May 2023 does not consider programme and project risks which we would expect to see. It also needs a clear risk escalation and de-escalation process setting out between corporate and directorate risk registers. There is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy. Financial risks are not included sufficiently in the budget papers to members. Reports do not identify the key risks facing the business and what the Council is doing to address these and there is no tie in with the CRR risks which we would expect to see. Risk is not sufficiently embedded into committee reports, these should refer to identified risks in the CRR. giving members no risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets. The CRR does not split risk by risk, cause and impact, it does not set out assurances, risk type, risk proximity or include a target risk date, or direction of travel, date last updated, and does not map risks to corporate objectives. There are no residual scores after risk treatment and controls to reduce risk further. There is no indication of whether it is a dynamic or static risk. These risks are not reviewed sufficiently by officers or members.

Key recommendation 2

Management response

Agreed - Programme and project risks are managed at programme / project level, with separate risk registers produced where they are considered necessary e.g. for the Transformation Programme. The Council's approach to risk management was reviewed in 22/23 by Zurich Municipal and recommendations made were taken on board. The Council's formal risk management process is only one of a number of ways in which risk is managed on an ongoing basis, through a variety of means. The Corporate Risk Register does include residual scores following mitigation measures, which are reported to the Audit and Governance Board as part of the six-monthly reviews of the Register. However, it is understood that the recommendation relates to establishing target risk scores, which will be considered along with reporting more frequently on an exception basis.

The standard format for all Committee papers does include consideration of associated risks and completion of a risk section within every report. It is accepted that the approach by report authors could be made more robust and steps will be taken to address this.

The Council recognises the importance of managing risk and whilst it is considered it has reasonable arrangements in place, the opportunity will be taken to review its arrangements and seek to make further improvements in line with all of the recommendations made.

Key recommendation 3

Improving economy, efficiency and effectiveness

Key recommendation 3	The Council needs to improve its performance management arrangements by: • establishing a golden thread for the Council, by improving the performance management framework at corporate and service levels linking outcomes to expected annual measures to track success and reporting these to the public. • agreeing performance outcomes, that can be measured, at least annually as part of the enhanced performance management framework. • improving performance reporting to include benchmarking with 'nearest neighbours' data where possible; integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board. • ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked. • ensuring the Executive Board receives quarterly performance, finance and risk reports to enable it to hold officers to account.
Why/Impact	The Council needs to significantly improve its arrangements for performance management and ensure it has a golden thread in place and performance is consistently reported alongside nearest neighbours. In both 2022-23 or in 2023-24 the Council did not have a corporate plan in place. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting.
Auditor judgement	The Council's arrangements for performance management are not adequate.
Summary findings	The Council had no up-to-date Corporate Plan in 2022-23 or in 2023-24 but plans to launch a new Plan on 1 April 2024. The Council used the previous six themes for reporting in 2022-23 and 2023-24 and reported performance to the six Policy and Performance Boards. However, there was no corporate performance report for the Council going to the Executive Board in either year. Objectives and milestones in the performance reports are not written as smart objectives and milestones have no date attached as we would expect to see. The Council's use of performance benchmarking is not consistently applied across the themes. In Adult social care reports are not benchmarked to national and nearest neighbours but there is some benchmarking for children and young people. We think the Council needs to be reporting a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. We identify gaps in performance reporting in 2022-23 that continued in to 2023-24, a lack of a consistent approach to benchmarking and a lack of measurable outcomes. Combined with no corporate plan in 2022-23 or in 2023-24 we identify a significant weakness in the Council's arrangements for performance management.
Management comments	**Agreed** - During 2022/23 the Council consciously determined to take a thorough and transparent approach to the development of a new Corporate Plan, seeking public engagement over an appropriate period of time to ensure that a genuine consultation took place. This was largely to ensure that community needs and aspirations in the post-pandemic operating environment were taken into account. In the interim period the Council placed a 'Statement of Intent' in the public domain to outline its approach. The 'Big Conversation' ran from Spring to Winter 2023. The Council is currently adopting its new Corporate Plan for implementation from 1 April 2024, which will be underpinned by a core set of Key Performance Indicators. In February 2024, following Executive approval of the new Corporate Plan, the KPI's have been placed in a draft Performance Management Framework which will link to the new Corporate Priorities and a reporting regime will be put in place, forming the first two levels of the 'Golden Thread' within the Council. The Council acknowledges that the prevailing performance management regime had begun to lose effectiveness as the previous version of the Corporate Plan had aged, however, to ensure the best use of resources in the development of a new regime it implemented the iterative approach outlined above, which has been adhered to.

Use of auditor's powers

We bring the following matters to your attention:

	2022-23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly	We did not make any statutory recommendations.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not apply to the Court under Section 28.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not apply for a judicial review.

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

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

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

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

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

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 11 to 30.

The current Local Government landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in several council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023-24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023-24 and by £900m in 2024-25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at several councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current Local Government landscape (continued)

Local context

Halton Borough Council (the Council), in North-west England, was created on 1 April 1974 as part of a wider reorganisation of local government in England. Its largest towns are Runcorn and Widnes. It became a unitary council on 1 April 1998. Halton is also part of the Liverpool City Region Combined Authority. This is one of the few City Regions to have secured a Devolution Agreement with the Government, meaning decision making and resources around key priorities are managed locally.

Council elections are by thirds. This means that a third of the 54 councillors are elected every year over a four-year cycle (with no elections in the fourth year). Halton is a Labour controlled Council.

Halton is the fifth smallest unitary council, and it has a population of 128,964 of which 30% live in areas that are deprived. Halton has the second highest rate of looked after children in the City Region after Liverpool which explains its challenges with children’s social care spending. It is facing a growing demand for children’s social care combined with the national impact of increasing placement costs and the high level of agency use in both children's services and adult social care.

The Mersey Gateway Bridge is a toll bridge between Runcorn and Widnes in Cheshire, England, which spans the River Mersey and the Manchester Ship Canal. The crossing opened in October 2017. The funding arrangements between the UK Government and Halton Borough Council were agreed on the basis that users of the Mersey Gateway and the Silver Jubilee Bridges will contribute most funding through the payment of tolls. When the contracts were signed, Halton Borough Council entered a Public Private Partnership with the Merseylink consortium.

Financial sustainability (1 of 4)

We considered how the Council:

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

2022-23 budget and MTFS

On 2 March 2022, Full Council agreed its net revenue budget for 2022-23 of £113.89m and set Council tax of £1,595.97 for a Band D equivalent property. This is an increase of 2.99% (£46.33 per annum). The Council tax base (Band D equivalent) was set at 35,831. The ring-fenced Dedicated Schools Grant (DSG) budget was £102.18m for the Schools Block, an increase of £3.1m on 2021-22. The High Needs Block budget was £19.87m, an increase of £1.54m.

The Council's Government settlement funding allocation was £52.924m. This is made up of £46.857m of business rates baseline funding and top-up grant of £6.067m. The Council tax requirement was £57.174m.

The Council balanced its 2022-23 budget with £7.8m of reserves. This presents a risk to future years' budgets, as permanent savings will need to be made to replace this funding over the medium-term.

2022-23 outturn

On 15 June 2023, the Executive Board received the outturn position for 2022-23. It showed that operational net spending was over the revised budget by £5.161m. The budget was revised to £111.7m between the budget report being issued and the start of the year due to the carried forward deficit on business rates not being identified at the time of the budget report.

The main area of overspending was the Childrens Directorate where net expenditure for the year was £9.714m over budget on 31 March 2023. On 31 March 2023, there was a DSG deficit of £2.9m (£1.9m on 31 March 2022).

2023-24 budget and forecast position

On 8 March 2023, Full Council agreed its 2023-24 net budget as £140.9m. This was funded from £60.7m of council tax (an increase of 4.99% on the 2022-23 Band D level), business rates of £57.3m, top-up funding of £3.3m, share of the collection fund surplus of £3.1m and Government Grant to fund business rate reliefs of £16.5m. The DSG settlement was £143.393m, which included £26.135m for the High Needs Block. The Council balanced its 2023-24 budget with £8.422m of reserves.

By September 2023, net spending was £3.572m over budget and the outturn forecast for the year reported to the Executive Board on 16 November 2023, estimated that net spending would be over budget by £8.108m.

The Children's Directorate spending was £4.0m over budget in November 2023 and forecast to be £9.3m over budget by year end. Work is ongoing across all Directorates to reduce or defer spending where possible, to minimise the outturn overspend. On 31 December 2023 the forecast outturn overspend had reduced to £7.1m. All spending is limited to only essential items.

Mersey Gateway

In 2022-23 the Council achieved an income of £69.386m from the Mersey Gateway and it cost £39.233m. The Mersey Gateway is a toll bridge over the Mersey between Runcorn and Widnes.

Financial risks and Section 25

Financial risks are not included sufficiently in the budget papers to members. Reports do not identify the key risks facing the business and what the Council is doing to address these and there is no tie in with the CRR risks which we would expect to see. However, the finance team does have a risk register that it updates monthly. **We include in our key recommendation on risk management on page 7 the need to include a section on risk in the budget papers and review the reserves risk score given the reserve level and its impact on the Council's financial sustainability.**

The Section 25 statement in the Full Council budget papers referenced the reserve levels and external impacts on the estimated budgets and confirmed reserve levels were appropriate A contingency budget was set at £3.5m in 2023-24 and the general reserve balance was £6.4m, this reduced to £5.1m by 2023-24. **We are concerned about the Council's reserve levels given the overspend in 2022-23 and 2023-24 and the lack of achieved savings from the transformation programme and we make a key recommendation on page 6.**

Climate change

On 14 April 2022, the Executive Board formally approved a Climate Change Strategy and Action Plan, but this is not costed, and **we make an improvement recommendation to cost its climate programme on page 17.**

Financial sustainability (2 of 4)

How the body plans to bridge its funding gaps and identifies achievable savings

On 17 February 2022, the Executive Board report identified the Council would need to make revenue savings of £23.3m over the next three years to meet its expected budget gap. The gap included £11.7m in 2023-24. It identified that a robust process for identifying savings would be implemented by 31 March 2023. Only £2.347m of savings were agreed in the budget for 2022-23, of these £0.82m were one-off measures. The actual gap in 2023-24 was £8.422m met from reserves.

On 17 November 2022, the Medium-Term Financial Strategy (MTFS) paper to the Executive Board identified that revenue savings of £21.1m, £1.9m and £2.0m were required over the next three years. As a result, a total of £25.0m would need removing from the Council's budget, by reducing spending or increasing income. This represented 22.4% of the 2022-23 net budget.

On 16 February 2023, the Executive Board report identified the total funding gap over the subsequent three financial years (2024-25 to 2026-27) was forecast as £24.095m. However, on 1 February 2023, Full Council only approved savings of £2.83m for 2023-24 and a cumulative £6.881m over the three-year period. By November 2023, £1.718m of the £2.83m were reported to the Executive Board as delivered or on track in 2023-24.

Savings delivery were not clearly set out in the 2022-23 outturn or monitored by the Executive Board in 2022-23.

Transformation programme

In July 2022, the Council began assessing options for a three-year transformation programme to provide a strategic and deliverable response to the forecast financial challenges. It also established essential only spend controls which continued in 2023-24. This meant Directors were asked to limit their non statutory spending to reduce cost in each service area but this is not tracked in the Council.

The Council has benchmarked itself on cost and quality from a range of sources against its statistical neighbours, to identify where it could deliver better or similar outcomes for less cost. It used the benchmarking to identify key lines of enquiry to explore with service managers. We recognise this is good practice. It has aligned opportunities with existing initiatives, to outline a three-year programme that could deliver between £20m to £25m. The three-year transformation programme was agreed by the Executive Board on 19 January 2023 and was expected to deliver £2m in 2023-24. This was still an expectation in October 2023, when Executive Board report from the Corporate Director: Chief Executive's Delivery Unit identified the transformation programme would deliver £2m in 2023-24, £8m in 2024-25 and £10m in 2025-26. However, on 16 November 2023 the Executive Board report from the Corporate Director: Chief Executive's Delivery Unit identified the programme was reprofiled to deliver £4m in 2024-25, and £8m in both 2025-26 and 2026-27.

The budget was agreed for the programme at £7m over three-years funded vie flexible use of capital receipts as set out in the associated strategy.

In October 2023, the Local Government Association (LGA) delivered an Adult Social Care Finance Review. It identified the £10m Adult Social Care learning disability saving forecast as part of the £20m programme was unlikely to be achieved in the expected timescale but £4m would be more realistic requiring the service to look elsewhere to identify further savings.

By January 2024, the transformation programme was expected to cost £1.9m in 2023-24 and save just £0.179m in 2023-24. The risk of not delivering the programme is significant but even delivery of the £20m does not meet the medium-term financial gap.

The Council recognises its continued reliance on its reserves is unsustainable and it is taking steps to try to control its spending. For 2024-25 budget setting, it is applying a percentage reduction to the three most significant discretionary budgets: supplies and services, property maintenance, and highways maintenance. This will save £1.579m in 2024-25. However, these steps are insufficient to meet the financial challenge at the Council.

The Council's savings and transformation plans are not sufficient to meet its medium-term financial gap and are taking too long to materialise which is impacting its financial sustainability, and we make a key recommendation on page 6. The Council needs to deliver a robust savings and transformation programme, ensure it reports delivery to the Executive Board and ensuring it has sufficient projects to meet the medium-term budget gap and enable the Council to replenish its reserves.

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

The Council had a three-year MTFS which is annually updated. The plan does not make a distinction between statutory and discretionary services which we would expect to see in a Council of this size. **The Council will need to review both discretionary spending and the levels at which statutory services are provided as part of its transformation programme, and we include this in our key recommendation of savings and transformation on page 6.**

The Council did not have an updated Corporate Plan in 2022-23 or in 2023-24 which made financial planning difficult in both years. **We discuss business planning and performance on page 27 and make a key recommendation on performance management on page 8.**

On 17 February 2022, the Executive Board agreed the Council's Capital Strategy which helps it to plan and fund capital expenditure over three years. The 2023-24 Capital Strategy was agreed by the Executive Board on 16 February 2023.

Financial sustainability (3 of 4)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council did not have a corporate Workforce Strategy 2022-23 instead it had a one-page organisational development strategy. Adult and Children's Services do both have workforce strategies, but these are not costed, and we **make an improvement recommendation on page 18 to develop a fully costed Workforce Strategy for the Council to align with its work on reducing agency costs.**

On 14 April 2022, the Executive Board received a report on the Runcorn Old Town Investment Plan. Runcorn was one of 101 towns invited by the Government to develop proposals for a 'Town Deal. Following submission of the Town investment Plan in 2021, it was offered £23.6m across 2021-22 to 2025-26. Towns have until the end of 2025-26 to spend their funding. The Council is the accountable body to the Department for Levelling-Up, Housing and Communities (DLUHC) and is part of the Town Deal Board which is independently chaired and has its own website and clear governance arrangements. The Council organised the Board and is represented on it by the Chief Executive an the Director for Economy, Enterprise and Property and the Deputy Leader. In 2021-22 the Programme spent just £0.097m, it spent £0.67m in 2022-23 and by September 2023 it spent £0.508m against a forecast spend of £1.9m.

The Town Deal is a three-way agreement between the Government, the Council, and the Town Deal Board. The objective of the Towns Fund programme is to drive the sustainable economic regeneration of towns to support long term economic and productivity growth. The Runcorn Old Town Investment Programme has seven projects: Runcorn Station Quarter, Creative and Digital Skills Centre, Brindley Theatre Extension, Unlock Runcorn, Town Centre New Homes High Street Connectivity and Health and Education Hub. Project adjustment requests are approved by DLUHC for four of these projects (High Street Connectivity, Town Centre New Homes, Unlock Runcorn, and the Creative and Digital Skills Centre). A new partner is also onboard to deliver Town Centre New Homes due to the loss of the private sector partner in Autumn 2022.

The 2022-23 capital expenditure outturn shows the Council spent £27.5m on capital schemes in 2022-23 compared with planned expenditure of £36.9m. The Environment and Regeneration Directorate spent £23.937m against its budget of £32.011m. This masks overspending on projects in this directorate. The local cycling and walking infrastructure plan at Dukesfield was budgeted to spend £1.8m but spent £3.169m. The Foundry Lane Residential Area had a budget of £2.117m but spent £3.569m. Runcorn Town Centre Fund was due to spend £3.239m but only spent £1.451m.

Capital spending on 30 September 2023 totalled £20.118m, which represented 90% of the planned spending of £22.336m at this stage. The total 2023-24 Capital Programme was £84.378m with slippage of 20% assumed moving £16.876m into 2024-25.

We make an improvement recommendation of page 19 to more effectively plan and monitor capital spending to reduce the slippage into future years and explain reasons for changes to the Executive Board.

On 8 March 2023, Full Council approved the Treasury Management Strategy for 2023-24. On 31 March 2023 long-term borrowing totalled £172m including Public Works Loan Board of £162m and a Lenders Option Borrowers Option (LOBO) loan of £10m. Of the £172m, £142m relates to the contribution from the Council towards the Mersey Gateway Bridge construction costs. **The paper also identified that elected members were last trained in treasury management in 2018 and we make an improvement recommendation on page 20.**

On 15 June 2023, the Executive Board received the outturn for 2022-23. The Council reported net spend for the year of £116.9m, £5.2m over the revised budget of £111.7m. The overspend was met from earmarked reserves. The Council spent £13.6m on agency staff in 2022-23.

Total net expenditure for the Childrens Services Department was £9.714m over budget on 31 March 2023. Employee costs were £1.962m above budget, driven by the continued long-term reliance on agency staff. Social worker recruitment is still proving difficult due to an extremely competitive market and highly inflated agency payment rates. Spending on agency staff in 2022-23 just for Childrens services was £6.315m or 50% of the employee budget. There was further pressure on the budget from the costs of the Innovate managed agency team which was brought in because of the Ofsted inspection outcome. In 2022-23, the team cost £1.468m, funded from central reserves. Out of Borough Residential Care was the main budget pressure for the Children and Families Department. This budget was provided with additional growth of £1m for 2022-23 to help alleviate the pressure, however, residential care was still £4.607m over budget in 2022-23.

In 2022-23 the Adult Social Care net budget was £53.02m and it was over budget by £1.817m. The Department also had significant agency spending of £3.974m. Recruitment of staff at all levels continues to be extremely difficult across the care homes and this has resulted in the use of expensive agency staff and overtime to cover vacancies.

Financial sustainability (4 of 4)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system (continued)

On 16 November 2023, the Executive Board were advised that net spending on 30 September 2023 was £3.572m over budget. The outturn forecast for the year estimates that net spending will be over budget by £8.108m. Work was ongoing across all Directorates to reduce or defer spending where possible, to minimise the outturn overspend. One of the main contributory factors to the forecast deficit position was the cost of agency staff. The Council was expected agency costs to be the same as in 2022-23.

We recognise the Council is trying to reduce its reliance on agency costs in both Children and Adult Services, however, the continued use of agency staff at these levels is unsustainable and is putting significant pressure on the Council's financial sustainability.

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

By 31 March 2023, the Council had earmarked reserves of £109.1m, a decrease of £22.8m from £131.9m at the same point in 2022. This included the Mersey Gateway reserve of £73.5m which cannot be used for Council purposes. Excluding the Mersey Gateway reserve, the Council's earmarked reserves on 31 March 2023 were £35.6m, these included schools' capital and schools' other of £6.917m and £7.207m respectively.

In addition to the general fund balance of £5.149m on 31 March 2023, the Council only had £2.748m available to support the revenue budget, £2.424m to support transformation and £2.203m to support Adult Social Care pressures by 31 March 2023 as the rest of the reserves were specifically earmarked.

The Council balanced its 2022-23 budget with £7.8m of reserves and used a further £5.12m of reserves to fund the 2022-23 overspend. It also used £8.422m of its earmarked reserves to balance its 2023-24 budget. The Council has built into its 2025-26 and 2026-27 £2m in each year to try to replenish its reserves but it is unclear if this is deliverable.

In recent years, the Council has made significant use of reserves to help balance the Council's budget and avoid making permanent budget savings.

On 30 September 2023, the balance of earmarked reserves was £95.928m, this included the Mersey Gateway reserve of £73.524m. Only £1.926m was available to support the Council's general fund revenue budget.

The Council identified a forecast overspend of £8.108m it was planned to fund from reserves. The Merseyside Gateway funding has been reviewed and final agreement has been given to redistribute £52m of the reserve. The Department for Transport will receive £44m and the Council will receive £8m. The reserve will be ring-fenced for purposes relating to the local transport plan and as specified in the Mersey Gateway Bridge Road User Charging Scheme Order.

The Council's planned and unplanned use of reserves is not financially sustainable and is a significant weakness in the Council's arrangements. The lack of progress to achieve planned savings from the transformation programme and limited savings are risks to the Council's financial reliance. We **make a key recommendation on page 6 to ensure the Council's transformation programme is sufficiently developed to meet the medium-term financial gap and help the Council to replenish its reserves.**

Improvement recommendation 1

Financial sustainability

Improvement recommendation 1	The Council should cost the delivery of its climate change strategy and action plan and ensure its plans are deliverable.
Why/impact	Costing the climate change strategy and its action plan over the medium to long-term will enable finance to build assumptions into the MTFS.
Auditor judgement	Developing a costed climate change strategy and action plan will enable the Council to understand the cost of delivery and focus resource to achieve its priorities.
Summary findings	On 14 April 2022, the Executive Board formally approved a Climate Change Strategy and Action Plan, but this is not costed which it should be given its priority for the Council.
Management comments	**Not agreed** - Given the complexity, extent and timescales relating to the Council's Climate Change Strategy, alongside the lack of any long-term Government funding certainty, it is considered that the broad Strategy could not feasibly be costed. However, proposed schemes are costed on a case-by-case basis as they come forward for consideration, and are then included in the financial forecast when approval has been given by Members. This is considered to be a more realistic approach to the forecast position, rather than including many schemes which may be desired but which finances, technology and resources may not permit at this point in time.

Improvement recommendation 2

Financial sustainability

Improvement recommendation 2	The Council should develop a Workforce Strategy that is fully costed to reflect future skills requirements.
Why/impact	Costing the workforce requirements over the medium to long-term will enable finance to build assumptions into the MTFS.
Auditor judgement	Developing a costed strategy will enable the Council to plan its future workforce requirements and build in medium-to long-term assumptions for budget planning.
Summary findings	The Council did not have a costed Workforce Strategy in place in in 2022-23.
Management comments	**Agreed** - The Council's Medium Term Financial Strategy has regard to a range of workforce related costs, such as the use of contingent labour to cover vacancies and longer-term absence (mainly agency workers and potential pay awards (although these have become increasingly difficult to predict due to prevailing economic conditions and the protracted length of time taken for national collective agreements to be reached). A notable change in labour market conditions since the COVID-19 pandemic has resulted in work being required to shift the approach to recruiting and retaining staff to the Council's workforce. The Council's existing performance management framework contains information around vacancy rates and trends, as well as the cost and level of agency worker placements, which is considered by the Corporate Policy and Performance Board on a quarterly basis. Changes to workforce dynamics were also the subject of a detailed report to the Corporate Policy and Performance Board in September 2022 and November 2023. A specific 'Employer of Choice' project has therefore been established within the Transformation Programme, which is focused upon the development of several aspects of a revised strategic approach to securing and retaining a stable workforce in the current operating environment. The Council's workforce strategy will emerge from this work and as the future shape of the Council's services begins to be known the strategy will be costed.

Improvement recommendation 3

Financial sustainability

Improvement recommendation 3	The Council needs to enhance the measures it has in place to control capital spending and improve capital monitoring information to elected members.
Why/impact	The Council is significantly underspending its capital budget in 2022-23.
Auditor judgement	The Council needs to enhance the effectiveness and reporting of its capital monitoring to reduce its significant underspending.
Summary findings	The 2022-23 outturn shows the Council spent £27.5m on capital schemes in 2022-23 compared with planned expenditure of £36.9m. The Environment and Regeneration Directorate spent £23.937m against its budget of £32.011m. This masks overspending on projects in this directorate. The local cycling and walking infrastructure plan at Dukesfield was budgeted to spend £1.8m but spent £3.169m. The Foundry Lane Residential Area had a budget of £2.117m but spent £3.569m. Runcorn Town Centre Fund was due to spend £3.239m but only spent £1.451m. Changes to the capital programme are not reported to members as part of capital monitoring. In 2022-23, capital reports did not provide members with any performance and outcome measures for capital or reasons for budget variances. The Council needs to improve capital reporting to elected members and provide them with expected outcomes and reasons for variances.
Management comments	**Agreed** - There does tend to be a greater focus upon revenue rather than capital spending. Consideration will therefore be given to introducing measures to improve the control of spending and reporting arrangements, in order to enhance the monitoring of capital spending and delivery of the capital programme.

Improvement recommendation 4

Financial sustainability

Improvement recommendation 4	The Council needs to ensure elected members are trained in treasury management, especially those on the Audit and Governance Board and those responsible for finance.
Why/impact	Elected members were last trained in treasury management in 2018.
Auditor judgement	The Council needs to ensure elected members are trained in treasury management, especially those on the Audit and Governance Board and those responsible for finance.
Summary findings	On 8 March 2023, Full Council approved the Treasury Management Strategy for 2023-24. The paper identified that elected members were last trained in treasury management in 2018.
Management comments	**Agreed** - Arrangements will be made with Link Group to offer treasury management training to all Members, particularly those currently on the Audit and Governance Board.

Governance (1 of 3)

We considered how the Council:

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

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

Effective risk management enables councils to improve governance, stakeholder confidence and trust; set strategy and plans through informed decision making; evaluate options and deliver programmes, projects, and policy initiatives; prioritise and manage resources, manage performance, resources and assets; and achieve outcomes.

The Council has a Corporate Risk Management Strategy, last updated in May 2023. This sets out aims and objectives, categories of risks (strategic or operational), risk scoring, roles and responsibilities. The risk types are confused for example it identifies finance as an operational risk when the Council's financial sustainability is a strategic risk. Given the spending the Agency spending workforce capacity is also strategic not operational.

The Strategy does not consider programme and project risks which we would expect to see. It also needs a clear risk escalation and de-escalation process setting out between corporate and directorate risk registers. There is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy.

The Strategy says the management team should review the Corporate Risk Register (CRR) annually. We think this needs to be quarterly. The Council also only updates the Audit and Governance Board bi-annually on risk management which is not sufficient. In 2023-24 so far, the Board has only seen a risk update once. We would expect it to be quarterly and aligned with performance and finance reporting to the Executive Board. At Directorate level monitoring of risk also bi-annually in line with Directorate Business Plans. Monitoring of risk is not sufficiently timely.

The Council has a risk toolkit (last updated in April 2019) explaining how risk management is integrated into the business processes. This is available to staff through the Council's intranet.

Risk is not sufficiently embedded into committee reports, these should refer to identified risks in the CRR. giving members no risk assurance or understanding of the risk impact on decision-making. Risk management considerations are not included in Committee sign-off sheets.

The lead for risk is the Council Health and Safety Officer in HR who annually assists the Divisional Manager, HR Operations to review and update the CRR.

The CRR format requires improvement so there is a single table with strategic risks, issues and causes established with risk owners. We note that Zurich also made this point in its review in September 2022.

The CRR includes risk reference, risk title, risk lead, description, impact, risk category, likelihood, score, existing controls, residual risk scores, risk owner, Council priority. The CRR does not split risk by risk, cause and impact, it does not set out assurances, risk type, risk proximity or include a target risk date or assurances, or direction of travel, date last updated, and does not map risks to corporate objectives. There is no indication of whether it is a dynamic or static risk.

Three of the CRR risks relate to capacity and could be reviewed and the Council has identified net zero as a key priority but the risk of not achieving it is not identified in the CRR.

Risks were not reported to the Executive Board in either 2022-23 or in 2023-24 which we would expect to see alongside performance and finance reporting.

We also found that risks identified in the annual budget report to Full Council are not sufficiently detailed and need consistency with the CRR reporting format. We expect to see risks and their mitigations set out in the budget paper. **We make a key recommendation on risk management on page 7 to improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic risks at least quarterly reviews its fraud risk register.**

Internal audit delivered 812 days of audit work during 2022-23 against the 1,025 agreed Audit Plan. This represents completion of just over 79%. The team should have been 6 full-time equivalents (FTE) in 2022-23 but they were reduced to 3 due to capacity issues which continued into 2023-24 while new staff developed into their roles.

Governance (2 of 3)

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

On 5 July 2023, the Audit and Governance Committee report on Internal Audit showed it had delivered 47 reports in 2022-23, including 43 with substantial assurance told , two with adequate and one with limited assurance. This compared with 57 reports in 2021-22, of these 48 were substantial, seven were adequate and two were limited. Internal audit consults with services to agree its annual audit priorities which focused a lot on schools and grant claims and funding in 2022-23 which are not key priority or areas of challenge for the Council.

There is scope for Internal Audit to be more proactive in looking at areas that are key challenges in the Council such as agency spending, improvement in children's services and reasons why the transformation programme has slipped by a year. However, in January 2024, the transformation programme team requested that audit review grants to the voluntary sector.

Internal Audit progress reports went quarterly to the Audit and Governance Board in 2022-23 and up to January 2024. however, we note they are treated as exempt items and, in our view, unless they identify a risk to the Council these should be public papers. The Audit and Governance Board agreed the Audit Charter in 2022 and again in July 2023.

The Audit and Governance Board approved the 2023-24 Audit Plan at its meeting on 22 March 2023. The plan budgeted for 1,225 days of audit work to be completed based on a forecast staffing establishment of 6.8 FTE staff.

The last Public Sector Internal Audit Standards review (PSIAS) was in 2017-18 and concluded the Council's internal audit arrangements substantially conformed to the standards. These assessments are due every five years, and the Council did not have one in 2022-23. However, its PSIAS external assessment commenced on 15 January 2024 on a peer review basis. The peer review team were from Cheshire West and Salford Councils.

CIPFA recommends that audit committees should include at least two co-opted independent members to provide appropriate technical expertise. **The Audit and Governance Board does not have independent representatives and the Council should consider this through our improvement recommendation on page 24.**

On 27 September 2023, Audit and Governance Committee received the annual fraud update. The Council's Investigations Team of 3 counter-fraud specialists shares intelligence and good practice with other local authorities and regional fraud groups. In 2022-23 the team led 150 fraud investigations and five whistleblowing investigations. The value of these frauds was £0.217m.

The team investigated more council tax fraud or error in 2022-23 (106) than in 2022-22 (61) partly due to the NFI data matching and the Council's participation in national fraud week.

The fraud risk is included in audit planning. Following an Internal Audit review of the Council's anti-fraud and corruption arrangements it was agreed the counter fraud strategic risk assessment will be reviewed and updated. This is yet to be completed and has a target date of April 2024.

We include in our key recommendation on risk management on page 7 the need for the Council to adopt the CIPFA 2014 code of practice on managing the risk of fraud and corruption and integrate fraud and anti-corruption risks with the revised risk management approach.

The Council investigated five whistleblowing referrals in 2022-23 all were closed with no action required.

The Council also operates a confidential reporting system through which members of the public can report any concerns relating to fraud, misconduct or other issues. In 2022-23, 83 referrals were received through the Confidential Reporting System, similar with those in 2021-22 (88).

During 2022-23, an e-learning fraud awareness package for all staff and elected members was developed, tested and launched. Procurement staff completed their training in 2022-23 and a roll out to all staff and elected members is planned in 2023-24.

The Council has a comprehensive suite of linked policies which it reviews as part of its annual update on the constitution: Anti-Fraud, Bribery and Corruption Policy, Fraud Response Plan, Fraud Sanction and Prosecution Policy, Anti-Facilitation of Tax Evasion Policy, and a Whistleblowing Policy.

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

The Council uses scenario planning in its working papers but do not include best, worst and expected positions in the MTFS reporting to the Executive Board. **We make an improvement recommendation to include scenario planning on page 25.**

In August or September there is a forecast position of what the budget will look like for the following year. A request for savings is then made to operational directors with a target required.

Governance (3 of 3)

How the body approaches and carries out its annual budget setting process (continued)

Operational directors put forward savings proposals to the management team. Agreed proposals are shared with the budget working group made up of members of the Executive Board, Chairs of Policy and Performance Boards and the Audit and Governance Board. Details are then shared with the Labour Group and go forward to the Executive Board and then Full Council. We would expect a more challenging process such as the use of a Star Chamber given the Council's financial position, and we do note that the Council did a star chamber exercise in Summer 2023 to develop savings proposals. The Council does not consult the public on its budget. We include in our key recommendation on financial sustainability on page 6 the need or a more robust budget setting approach and the need for public budget engagement.

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

Budget holders have access to the finance system so they can see what they are spending, and reports are shared monthly with budget holders. However, departmental financial monitoring takes place quarterly showing budget versus send to date and the forecast outturn. The management team and the Executive Board also only saw quarterly reporting in 2022-23. Given the risk to the Council's financial sustainability and the spending controls in place we would expect monthly monitoring across departments enabling them to control their budgets more effectively. In 2023-24 the Chief Executive introduced monthly transformation challenge items at the management team driven by him wanting to increase accountability for savings across the Council.

In 2022-23, the Executive Board received quarterly reports on the Council's capital and revenue net spending and forecast outturn position. Revenue monitoring sets out the reasons for variances including demand and agency spending. However, Capital reports did not provide members with any performance and outcome measures for capital or reasons for budget variances. We make an improvement recommendation on page 19 to improve capital reporting to elected members and provide them with expected outcomes and reasons for variances.

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

The Council's senior management are accessible, and there is a supportive culture where staff can learn from their mistakes. The Council appointed a new Chief Executive who started in April 2022. He restructured the Council moving from having two strategic directors, to a new five directorate structure to build leadership capacity. This was effective from December 2022.

In the financial sustainability section of this report, we identify the Council was repeatedly reactive rather than proactive through its use of planned and unplanned reserves and by November 2023 it reprofiled its transformation programme savings by a year. In our view the Council needs to significantly improve member and senior officer challenge around budgetary control which we include in our key recommendation on financial sustainability on page 6.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour

The Council's constitution was last reviewed in May 2023 and incorporates codes of conduct for both members and officers which sets out how they are expected to conduct themselves. The Council's Local Code of Corporate Governance, part of the constitution, identifies the processes in place to ensure officers behave in ways that exemplify high standards of conduct and effective governance.

The Council has not undertaken a self-assessment against the CIPFA Financial Management Code in 2022-23 or up to January 2024, and we make an improvement recommendation on page 26 to undertake a self-assessment to help with improving financial sustainability.

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Improvement recommendation 5

Governance

Improvement recommendation 5	The Council should consider co-opting independent members onto its Audit and Governance Board to help it improve its effectiveness.
Why/impact	It is important that Audit Committees have the right skills to undertake their roles effectively and having independent members can help with good governance and complement the knowledge and experience of existing members.
Auditor judgement	The Audit and Governance Board does not have independent representatives and the Council may want to address this to improve its effectiveness.
Summary findings	CIPFA recommends that audit committees should include at least two co-opted independent members to provide appropriate technical expertise. The Audit and Governance Board does not have independent representatives and the Council may want to address this.
Management comments	**Agreed** - Discussions will be held with the Chair of the Audit and Governance Board to consider co-opting independent members onto the Board.

Improvement recommendation 6

Governance

Improvement recommendation 6	The Council may want to introduce scenario planning including best, worst and expected positions in its MTFS reporting to the Executive Board.
Why/impact	The Council has a very challenging medium-term position, and we think the use of scenario planning would help members in their decision-making.
Auditor judgement	We think it would help the members to see the use of scenarios in the financial planning papers.
Summary findings	The Council uses scenario planning in its working papers but do not include best, worst and expected positions in the MTFS reporting to the Executive Board. We think it would help the members to see the use of scenarios in the financial planning papers.
Management comments	**Agreed** - In developing the Medium-Term Financial Strategy, scenario planning is undertaken in respect of key forecast areas, but these are not formally reported. It is felt that it would be confusing for Members to provide a range of funding gaps and there would always be a tendency to hope for the best possible outcome rather than being prudent, therefore, it is not clear what benefit this might provide. Consideration will however be given to how the outcome of scenario planning might be reported in a narrative form, such as commenting upon the degree of sensitivity contained within the forecast.

Improvement recommendation 7

Governance

Improvement recommendation 7	The Council should undertake a self-assessment against the CIPFA Financial Management Code and use that to develop an improvement plan.
Why/impact	CIPFA Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
Auditor judgement	The Council needs to undertake a self-assessment against the CIPFA Financial Management Code and use that to inform an improvement plan to aid financially sustainability.
Summary findings	The Council has not undertaken a self-assessment against the CIPFA Financial Management Code. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
Management comments	**Agreed** - It had been intended for some time to undertake a self-assessment against the Cipfa Financial Management Code, but lack of staff resources made this difficult to achieve. However, this will be included within the Finance Team's workplan to be undertaken during Summer 2024.

Improving economy, efficiency and effectiveness (1 of 4)

We considered how the Council:

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

How financial and performance information has been used to assess performance to identify areas for improvement

The Council had no up-to-date corporate plan in 2022-23 or in 2023-24. The Council's last plan was for 2018-2020. Following a joint meeting of Executive Board and the Council's Management Team in December 2022 it was agreed the Council would adopt an interim plan until March 2024 to provide adequate opportunity for meaningful consultation on the Council's future priorities to take place.

On 16 March 2023, the Executive Board agreed a statement of intent which it published but it did not produce an interim plan.

The Council has six strategic themes carried forward from the 2020 plan. The themes are Halton's Children and Young People, Employment, Learning and Skills in Halton, Environment and Regeneration in Halton, Healthy Halton, Safer Halton and Corporate Effectiveness and Efficiency. During 2023-24, the Council began a consultation exercise with key stakeholders to develop a new Corporate Plan by 1 April 2024. In January 2024, the Executive Board and Management Team drafted statements for each of the six priorities that emerged from the Autumn 2023 consultation process. The consultation had over 1,000 responses. The new Corporate Plan is scheduled to be agreed and adopted at Full Council on 6 March 2024 for launch on 1 April 2024.

The existing six themes have a set of actions and performance measures, which are reported quarterly to each of the six Policy and Performance Boards. These Priority Based Performance Reports also contain information concerning the key developments and emerging issues that have arisen during the period of reporting. However, there is no effective corporate join-up of these reports.

In 2022-23 or in 2023-24 up to January 2024, the Council had no corporate reporting on performance across all six themes. The performance of each theme was separately reporting to the six Policy and Performance Boards. The Executive Board received limited performance reporting in 2022-23 and it was received late. For example, Q1 and 3 performance reports in 2022-23 did not go to the Executive Board and Q2 was reported on 8 December 2022. Q4 reporting to the Executive Board did not include Children and Young People. In 2023-24, again the Executive Board saw no reporting in either Q1 or Q3. Q2 performance reported to the November 2023, Executive Board only included data for Children and Young People and the Chief Executive's Office.

The objectives and milestones are not written as smart objectives and milestones have no date attached as we would expect to see. The Council's use of performance benchmarking is not consistently applied across the themes. In Adult social care reports are not benchmarked to national and nearest neighbours but there is some benchmarking for children and young people.

The Council needs to be reporting a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. **We identify gaps in performance reporting in 2022-23 that continued in to 2023-24, a lack of a consistent approach to benchmarking and a lack of measurable outcomes. Combined with no corporate plan in 2022-23 or in 2023-24 we identify a significant weakness in the Council's arrangements for performance management and make a key recommendation on page 8.**

In January 2024, a new set of corporate KPIs were in development that take account of Office for Local Government (Oflog) requirements. These will be considered by the Management Team in February 2024. This will replace the existing arrangements with a streamlined corporate performance dashboard once it is agreed.

The Council has good performance data available on its website linked to the LGA tool, LG inform, which identifies how the Council is performing against the National Adult Social Care Framework which it could use to improve its own reporting.

The Council had their last Local Government Association (LGA) Corporate Peer Challenge in 2019. The LGA is the national membership body for local authorities working on behalf of member councils to support, promote and improve local government. It recommends councils have a Corporate Peer Challenge (CPC) every five years so the Council is due its next one which could help with its transformation programme implementation. We note this is planned for June 2024.

Ofsted carried out a focused visit in November 2022 and identified improvement to its children's services. Halton children's services' previous focused visit took place in March 2021. Inspectors made areas for priority action following the identification of significant weaknesses in social work practice and the lack of management support and supervision.

Improving economy, efficiency and effectiveness (2 of 4)

How financial and performance information has been used to assess performance to identify areas for improvement (continued)

Since then, the new Chief Executive has secured corporate commitment and significant financial investment to children's services to improve social work practice for children in need of help and protection. The new senior leadership team has begun to accelerate the much-needed pace of change to the Council's improvement journey.

Improvement activity is closely monitored and tracked by effective externally chaired improvement board meetings and robust Department of Education adviser led support, both of which provide additional scrutiny to leaders.

In June 2023, Ofsted inspected the Council's adult learning service and gave it another 'good' rating. Leaders have effective quality assurance and improvement processes in place. They have resolved the areas identified for improvement at their previous inspection. For example, leaders have improved the number of learners who achieve their English qualifications and have significantly reduced the number of learners who leave before completing their courses.

How the body evaluates the services it provides to assess performance and identify areas for improvement

There was evidence of a failure to meet minimum service standards in adult social care in 2022-23 and in 2023-24. This relates to two of the five Council run care homes that we discuss below. However, the CQC, also identified the Council responded immediately to make service improvements following the 2022 visit.

In November 2022, the Care Quality Commission (CQC) inspected St Patricks Care Home and identified areas requiring improvement. St Patricks Care Home is a care home providing personal and nursing care for up to 40 people. The service provides support to older people and people who are living with Dementia in one adapted building. At the time of the inspection there were 38 people using the service.

The CQC found not all risks were assessed and monitored which placed people at potential risk of harm. They identified breaches in relation to safe care and treatment and governance. Systems had not been sufficiently established to ensure good oversight of infection prevention and control. This placed people at risk of harm. This was a breach of regulation 12 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. The CQC also found failure to robustly monitor risks relating to the health, safety and welfare of people and medicines were not always managed safely. This was a breach of regulation 12 (Safe care and Treatment of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

The CQC also found failure to effectively monitor and improve the quality and safety of the service is a breach of regulation 17 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014.

In May 2023, the CQC inspected St Lukes Care Home, and it also required improvement. St Lukes Care Home provides accommodation and nursing/personal care to up to 56 older people across four units. There were 42 people living in the home at the time of the inspection. The last rating for this service was good (published on 4 February 2022).

This inspection was prompted in part due to concerns received by CQC from relatives about falls management, personal hygiene and the quality-of-care people received. The CQC received notification of an incident where a person had sustained a serious injury. This incident is subject to further investigation by CQC as to whether any regulatory action should be taken. As a result, this inspection did not examine the circumstances of the incident. However, the information shared with CQC about the incident indicated potential concerns about the management of risks associated with falls.

The CQC found the provider failed to ensure consistent and detailed records were maintained in relation to the monitoring and management of people's identified risks and needs. Governance systems were not always effective at identifying issues and driving necessary improvements to the safety and quality of the service. Both these findings breached Regulation 17 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014. Governance systems were not always effective at identifying issues and driving necessary improvements to the safety and quality of the service.

How the Council ensures it delivers its role in significant partnerships and engages with stakeholders it has identified, to assess if it is meeting its objectives

The Health and Wellbeing Board in Halton provides a key forum for public accountability of the NHS, Adult Social Care, Children's Services, Public Health and other commissioned services relating to the wider determinants of health. The Board met four times in 2022-23.

During 2022-23, Clinical Commissioning Groups were dissolved as a statutory requirement of the Health and Care Act 2022 and were replaced by Integrated Care Systems (ICS's). An ICS consists of an Integrated Care Board (ICB) and Integrated Care Partnership (ICP).

From 1 July 2022, Halton became part of the ICS and ICB covering the whole of Cheshire and Merseyside, which includes nine local authority areas. Each area is required to establish a Place Based Partnership (PBP). Locally, this is known as 'One Halton', which brings together Halton stakeholders to work collaboratively on health and care arrangements.

Improving economy, efficiency and effectiveness (3 of 4)

How the Council ensures it delivers its role in significant partnerships and engages with stakeholders it has identified, to assess if it is meeting its objectives (continued)

One Halton is a Joint Committee to the ICS. The ambition is for services to be commissioned as close to residents as possible. The One Halton Partnership Board includes NHS bodies, local authority (including children's, adults, public health services), and non-NHS/non-statutory bodies. This Partnership Board is the vehicle for delivery of national priorities, local priorities and Halton's Joint Health and Wellbeing Strategy. Achieving One Halton's ambitions is the responsibility of all partners working together to achieve a set of shared strategic objectives for Halton.

The Operations and Delivery Sub-Committee for One Halton is focused on health and adult social care integration. It is responsible for overseeing the operational delivery of the integrated local health and adult social care system in Halton. It has workstreams aligned to the One Halton Health and Wellbeing Strategy themes of Living Well and Ageing Well.

The Halton Learning Alliance was launched in October 2022, with attendance from educational stakeholders including schools, governors, Early Years colleagues and Department of Education. The Alliance has five priority subgroups including Inclusive Practice; Early Years and Acquisition of Early Language and Literacy Skills; Future Schooling Health, Well-being and professional development of the workforce; and Priority Education Investment area agreed outcome-based priorities.

The Council is also part of Liverpool City Region. The area comprises six local authorities: the five metropolitan boroughs in the county of Merseyside (City of Liverpool, Knowsley, St Helens, Sefton, Wirral) and Halton in Cheshire. They are working together with the Combined Authority and directly elected mayor on economic development, regeneration, transport, employment and skills, tourism, culture, housing, spatial planning and physical infrastructure.

Veolia were awarded a twenty-year Waste Management and Recycling Contract with a value of £640 million by the Merseyside Recycling and Waste Authority (MRWA) on behalf of the Merseyside and Halton Waste Partnership in 2009.

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits

The Council has strong arrangements in place for procurement. The Council's Procurement Strategy 2020-25 is aligned to the National Procurement Strategy for Local Government in England 2018, which focuses on four key themes:

- showing leadership
- behaving commercially
- achieving community benefits.
- governance.

The Strategy has an action plan which is updated and annually reported to the Audit and Governance Board.

The Procurement Team is represented on the Council's Climate Change Group, which is led by the Executive Board member with responsibility for the Climate Change portfolio. The group is exploring how the Council's procurement activity can play a key role in reducing carbon emissions and achieving net-zero by 2040.

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

In November 2023, the Audit and Governance Board were advised that in 2022-23 the Council's revenue spend was £128.5m across 1,627 different suppliers, this compared to £114m in 2021-22 with 1,668 suppliers. The highest contract value in 2022-23 was for Managed Services for Temporary Agency Resources £16.0m. Micro, small and medium enterprises made up 87% of the Council's suppliers in 2022-23, like in 2021-22. Of the £128.5m, £21m was spent with 241 Halton-based suppliers, representing 16% of the spend.

Improving economy, efficiency and effectiveness (4 of 4)

Where the body commissions or procures services, how the body assesses whether it is realising the expected benefits (continued)

For procurements of £25k and above the PCR 2015 threshold means that services undertaking the procurement must request quotations (RFQ) via the Council's Electronic Procurement System. the Council's bespoke procurement system has taken place. The system provides automated workflow and full visibility for all waiver and extension requests and assists contract management by ensuring that evidence is held to confirm that suppliers are complying with contractual requirements in terms of insurance, safeguarding and information governance. The system also provides visibility of future pipeline opportunities that will require pre-procurement support to assist spending departments identify the best route to market.

Procurement is a key module included within the Council's training programme for managers. Training sessions are provided on a regular basis.

74 waivers of Procurement Standing Orders were approved in 2022-23 valued at £4.194m. All waivers of £100k or greater are approved by the Executive Board. Waivers of less than £100k in value are approved by the Divisional Manager for Audit, Procurement and Operational Finance or the Procurement Manager.

One VEAT notice was issued in 2022-23 regarding the award of the insurance policies for the Mersey Gateway Crossings Board. The Council's Procurement team facilitated the process on behalf of the Crossings Board. A direct award was made due to the unique nature of the cover requirements.

Halton is the lead authority for the Liverpool City Region (LCR) agency contract. The Liverpool City Region is a mayoral combined authority area in North-West England. The area comprises six local authorities: the five metropolitan boroughs in the county of Merseyside (City of Liverpool, Knowsley, St Helens, Sefton, Wirral) and the Borough of Halton in the county of Cheshire. A new contract was awarded to Matrix SCM for all six LCR local authorities via the MSTAR3 Framework Agreement. The contract commenced 1 May 2022 with an option to extend to 30 April 2024.

The Council's procurement team worked in partnership with Warrington BC and procurement partners across the LCR, to lead a compliant procurement process to award a new 10-year contract to Tarmac for the Highways Term Contract.

In 2022-23, the Council's Procurement team also worked with the LCR Director of Childrens Services Workforce workstream to agree and implement a capped collaborative rate for Children's Social Workers across LCR.

In compliance with PPN 03/22, new UK Data Protection requirements are included in contract terms and conditions, and the Council's Information Governance Team are consulted to ensure consistency with internal processes.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council must recognise the severity of the Council's medium-term financial outlook and the need to deliver the key themes of the transformation plan. The Council should: • review the process of setting savings schemes and monitor these throughout the financial year to build a greater element of contingency and allowance for slippage. • ensure corporate and member oversight and challenge of the proposed savings must be robust, with responsible managers held to account to ensure savings are credible and planned for delivery and assessed for quality impact and risk. • corporate and member monitoring of savings should be sufficiently regular and robust and help to develop mitigation actions when delays or risks are met.	Financial sustainability – improvement	May 2023 in the AAR 2021-22.	Very limited savings in 2022-23 or 2023-24 and no savings from the transformation programme in 2023-24.	No	Yes, we make a key recommendation regarding the Council's savings and transformation programme on page 6.
2	The latest Corporate Plan covers the period 2018 to 2020 and is due for a refresh and alignment with other corporate plans and the transformation programme.	Governance – Improvement	May 2023 in the AAR 2021-22.	Consultation on themes ongoing in 2023-24. No draft yet considered by members in January 2024, with a launch expected in April 2024	No	We include this in the key recommendation on performance management on page 8.
3	Review the areas where the Council is an outlier in service delivery costs compared to its nearest neighbours.	Economy, efficiency and effectiveness - Improvement	May 2023 in the AAR 2021-22.	The Council has undertaken cost benchmarking but now needs to use that to reduce its spending in those areas.	Partly	The Council needs to use the cost benchmarking it has undertaken to identify areas where it can reduce spending through its transformation programme.

Appendices

Appendix A – Responsibilities of the Council

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

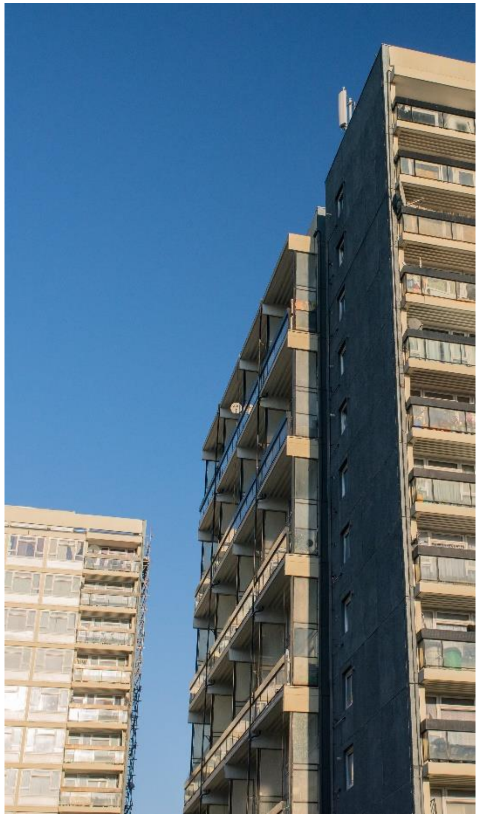
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	6-10
Improvement	These recommendations, if implemented should improve the arrangements in place at in the Council but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 19-22, 26-28

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