

# Halton Borough Council

Auditor's Annual Report for the  
year ended 31 March 2024

6 November 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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



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

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# Introduction



## Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Halton Borough Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

## Responsibilities of the appointed auditor

### Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

### Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

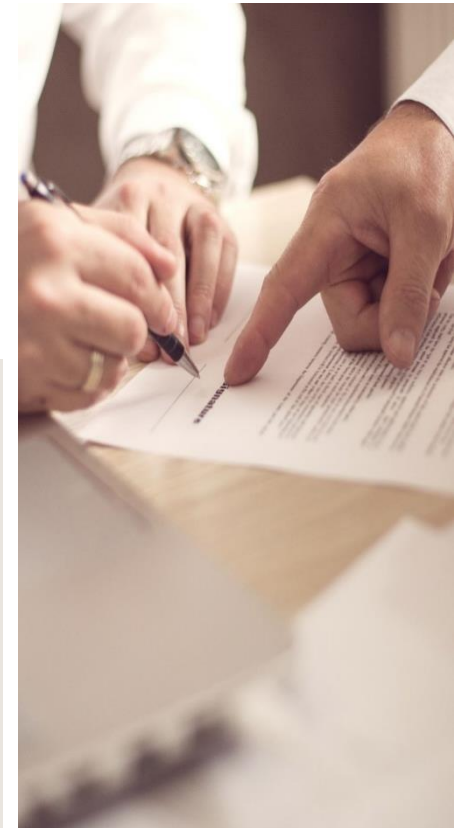
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

### Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 18 with a commentary on whether any of these powers have been used during this audit period.



# Executive summary



# Executive summary

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. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out on pages 6-12. Our statutory recommendations and management responses are on pages 14-15 with the key and improvement recommendations and responses summarised in the section starting on page 38. We recognise that management has had a relatively limited time to implement our 2022/23 recommendations which were reported to Council in March 2024.

## We identify seven significant weaknesses in the Council's arrangements for Value for Money (VfM) resulting in two statutory and five key recommendations.

The two statutory recommendations relate to financial sustainability and the Council's need to improve its short and medium-term financial planning and the need to develop and implement the transformation programme at scale and pace to address the significant structural deficit.

The five key recommendations relate to the requirement for the Council to put sufficient plans in place to address its escalating forecast Dedicated Schools Grant (DSG) deficit, while delivering the necessary improvements to its SEND services; needing to significantly improve its risk strategy, improve the Corporate Risk Register and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting; needing to urgently update its arrangements for business continuity and disaster recovery planning; improving its performance management arrangements; and significantly improving its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by putting in place, and delivering, an improvement plan to address the wider children's services inspection findings.

Our conclusions are summarised on the pages 6 and 7 and set out in detail on pages 19 to 37.

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

### Our Responsibilities

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

### What does the Council need to do next?

Schedule 7 of the Local Audit and Accountability Act 2014 requires the following actions:

The Council must consider the recommendation at a meeting held before the end of the period of one month beginning with the day on which it was sent to the Council.

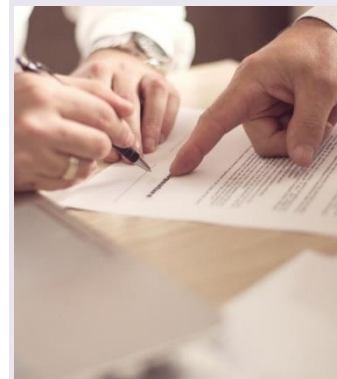
At that public meeting the Council must decide

- whether the recommendations are to be accepted; and
- what, if any, action to take in response to these recommendations.

Schedule 7 specifies the meeting publication requirements that the Council must comply with.



We have substantively completed our audit of your financial statements and intend to issue an unqualified audit opinion following the Audit and Governance Board meeting on 20 November 2024. Our findings are set out in further detail on pages 16 to 14



# Executive summary

## Financial sustainability



The Council is in a very difficult financial position and is in discussions with MHCLG about Exceptional Financial Support (EFS) which the S151 Officer hopes will avoid the need to issue a S114 notice in 2024/25. The Council's 2023/24 revenue budget outturn was an overspend of £5.6m (4% of net revenue expenditure). The Council set a balanced budget for 2024/25 but reported a £3.4m overspend to 31 May 2024 and a projected £20.4m full year overspend. Available reserves stand at £11.5m, which is well below that required to help provide a balanced budget position for 2024/25 based on the current forecasts. The Council has a Transformation Programme which was intended to deliver £20m of savings by 2026/27. The Programme failed to deliver any of the original budgeted savings planned for 2023/24 and in August 2024, the programme was only forecast to deliver £0.07m of its planned £4m savings for 2024/25. The Programme is currently being rescoped in recognition that the original £20m target will not be sufficient to address the Council's forecast budget gaps. Additionally, the Council has an escalating forecast Dedicated Schools Grant (DSG) deficit which its current plans are not sufficient to address. Three significant weaknesses in arrangements have been identified and two statutory and one key recommendations made on pages 23-25.

## Governance



In our 2022/23 Auditor's Annual Report (AAR), we identified a significant weakness relating to risk management and made a key recommendation for the Council to improve its arrangements. We have identified no improvement in risk management in our work for 2023/24 and retain our key recommendation. We also reported in our 2022/23 AAR the need for a more robust budget setting approach and the need for public budget engagement and included this in our key recommendation on financial sustainability. We have not seen any evidence of progress to date or clear plans to progress this recommendation and have included it again in our now statutory recommendation on short and medium-term financial planning in the financial sustainability section of this report. In our AAR for 2022/23 we also made a key recommendation relating to the Council's savings and transformation programme. We identified this programme as a risk of significant weakness for 2023/24 and undertook additional testing. We conclude that effective programme governance was not in place for the Council's three-year £20m transformation programme in 2023/24 and this has continued into 2024/25. We have included this in our statutory recommendation on the programme in the financial sustainability section. Additionally, we identified that the Council's business continuity and disaster recovery plans are out-of-date and have raised a key recommendation. Four significant weaknesses in arrangements have been identified and two key recommendations made on pages 29-30.

## Improving economy, efficiency and effectiveness



In our 2022/23 AAR, we raised a key recommendation on performance management. In 2023/24 the Council had no corporate plan and was not reporting performance to the Executive for each of its directorates or in a consistent manner. The Council engaged residents on its priorities in 2023/24 and launched its new Corporate Plan in April 2024. In November 2023, Ofsted and the Care Quality Commission delivered an area SEND inspection of Halton Local Area Partnership which identified widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently. They will undertake a monitoring inspection in 18 months. In May 2024, the Council also received an inadequate Ofsted report on its children's services. We repeat our key recommendation on performance management and make an additional key recommendation on children's services. The Council has good arrangements in place for procurement evidenced by its social value work, and its preparation for the implementation of the Procurement Act. It has a robust process in place to agree waivers involving finance and other corporate services. However, it needs to improve contract management. Two significant weaknesses in arrangements identified and two key recommendations made on pages 35-37.

# Executive summary (continued)

## Overall summary of our Value for Money assessment of the Council's arrangements

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. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel		
Financial sustainability	R	One significant weakness in arrangements identified in relation to the Council's savings and transformation plans and four improvement recommendations made.	Two risks of significant weakness identified in relation to savings and transformation plans and the Dedicated Schools Grant (DSG) deficit.	R	Three significant weaknesses in arrangements identified resulting in two statutory recommendations and one key recommendation made in relation to short and medium-term financial planning, the Council's transformation programme, and the Dedicated Schools Grant (DSG) deficit. We raised a key recommendation on the Council's savings and transformation plans in our 2022/23 report, issued in March 2024 and limited progress has been made to address the weaknesses identified and this has now been issued as a statutory recommendation.	↔
Governance	R	One significant weakness in arrangements identified in relation to risk management and three improvement recommendations made.	Three risks of significant weakness identified in relation to risk management, transformation programme governance and joint commercial venture governance.	R	Two significant weaknesses in arrangements have been identified in relation to risk management and business continuity and disaster recovery. The transformation programme governance and budget setting weaknesses identified in the financial sustainability section also have governance implications.  We also raise five improvement recommendations. These relate to internal audit, whistleblowing, scrutiny, Audit and Governance Board and declarations of interest.	↔
Improving economy, efficiency and effectiveness	R	One significant weaknesses in arrangements identified in relation to performance management but no improvement recommendations made.	Three risks of significant weakness identified in relation to children's services, provision for children with special educational needs or disabilities (SEND), and capacity.	R	Two significant weaknesses in arrangements identified and two key recommendations raised in relation to performance management and children's services.  We also raise one improvement recommendation relating to contract management.	↔

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key and/or statutory recommendations made.

# Executive summary (continued)



## Significant weaknesses identified in arrangements for delivering financial sustainability

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. We reviewed the Council's arrangements to deliver financial sustainability and have concluded that there were three significant weaknesses in arrangements.

### Short and medium-term financial planning

- In our 2022/23 AAR, we identified a significant weakness in arrangements to secure financial sustainability and raised a key recommendation.
- The Council set a balanced budget for 2024/25 but reported a £3.4m overspend to date as at 31 May 2024 and a projected £20.4m overspend forecast for 2024/25.
- The use and cost of agency staff across all departments continues to be one of the main contributing factors to the overspend position but was not factored into the 2024/25 budget.
- We have not seen any evidence of progress to date or clear plans to progress our 2022/23 recommendation to implement a more robust budget setting approach. Whilst we recognise that management has had a relatively limited time to implement our 2022/23 recommendations, which were reported to Council in March 2024, we would expect to see clear plans for improvement in place.
- The Council holds £11.5m in usable reserves which means reserves are at risk of being depleted in 2024/25. However, this risk was not highlighted in the S151 Officer's section 25 report included in the budget set in February 2024 and it is not clear how the assessment that reserves should provide sufficient resilience to meet the financial consequences of any unforeseen events was reached.
- The Council did not have a corporate plan in place in 2023/24 and so financial plans were not linked to corporate priorities. The Council published its new corporate plan in April 2024.

We have therefore identified a significant weakness in arrangements in both financial sustainability and governance and raise the following statutory recommendation, which supersedes our 2022/23 recommendation.

### Statutory recommendation 1

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

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



# Executive summary (continued)



## Significant weaknesses identified in arrangements for delivering financial sustainability (continued)

### Transformation Programme

- In our 2022/23 AAR, we made a key recommendation relating to the Council's savings and transformation programme, which we found represented a significant weakness in the Council's arrangements to deliver financial sustainability.
- The Council's Transformation Programme was intended to deliver £20m of savings in three years. The Programme is currently being rescope in recognition that the original £20m target will not be sufficient to address the Council's forecast budget gaps.
- The Programme failed to deliver any of the original budgeted savings planned for 2023/24 and in August 2024, the programme was only forecast to deliver £0.07m of its planned £4m savings for 2024/25.
- The Programme delivered £0.5m in cost mitigation savings in 2023/24 and expects to deliver a further £0.2m in 2024/25.
- Effective programme governance arrangements have only recently begun to be put in place, nearly half-way into year two of the programme.
- While we recognise the positive steps taken in recent months, we are concerned about the lack of pace in the programme so far and the lack of focus on delivering budgeted savings as this was agreed as the driver for the programme's introduction and is crucial for the Council given its current financial context.

We have therefore identified a significant weakness in arrangements in both financial sustainability and governance and raise the following statutory recommendation, which supersedes our 2022/23 recommendation.

### Statutory recommendation 2

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

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

# Executive summary (continued)



## Significant weaknesses identified in arrangements for delivering financial sustainability (continued)

### Dedicated Schools Grant (DSG) deficit

- The Council's forecasts show its Dedicated Schools Grant (DSG) deficit is projected to rise significantly over the medium-term. The Council is part of the Delivering Better Value (DBV) programme. DBV projections show the Council's DSG deficit rising from £2.9m in 2023 to £33.9m by 2028 and even with mitigations, the stretch target for this is still £21.0m.
- In 2026 the deficit is forecast at £13.3m - more than the Council is currently holding in usable reserves.
- The Council is assuming that the Government's statutory override will remain after March 2026 but this is not guaranteed.
- Meanwhile, services for children and young people with special educational needs and / or disabilities (SEND) are also in significant difficulty and further investment is likely to be required to address these failing services.

We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

#### Key recommendation 1

The Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its SEND services. The Council's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.



# Executive summary (continued)



## Significant weaknesses identified in governance arrangements

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.

We reviewed the Council's governance arrangements and have concluded that there were four significant weaknesses in arrangements.

### Risk management

- In our 2022/23 AAR, we identified a significant weakness relating to risk management and made a key recommendation for the Council to improve its arrangements.
- We have identified no improvement in risk management in our work for 2023/24.
- The Audit and Governance Board received the last Corporate Risk Register (CRR) on 26 June 2024. The format of the risk register remains the same as that we reported in our AAR in 2022/23.
- We note children's services are not one of the top four risks in the Council despite the cost pressures facing the service and the need to drive immediate improvement on its special education needs and disabilities (SEND) service.
- We note the SEND risk register only has four risks and none of these relate to reputation, managing DSG cost pressure or statutory service performance which we would expect to see.

We have therefore identified a significant weakness in arrangements and retain our prior year key recommendation.

#### Key recommendation 2

The Council needs to significantly improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.

## Business continuity and disaster recovery

- Prior to April 2024 the Council had not reviewed business continuity arrangements since Covid-19 and these did not reflect the new way of working, but ICT did have a list of critical solutions.
- In 2023/24 the Council moved to Microsoft 365 which resulted in moving to the cloud. The Council did not update its arrangements for disaster recovery as part of this transition and these needed significant change in August 2024. Failure to have planning in place could impact the whole council if their systems were impacted by a disaster such as a cyber-attack.

We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

#### Key recommendation 3

The Council needs to urgently update its arrangements for business continuity and disaster recovery planning.

## Transformation programme governance

We identified a significant weakness in the Council's governance arrangements over its transformation programme. We have included our findings and recommendations in relation to this in our statutory recommendation 2 on the Transformation Programme in the financial sustainability section of this report.

## Budget setting

We identified a significant weakness in the Council's financial governance arrangements in relation to budget-setting. We have included this in our statutory recommendation 1 on short and medium-term financial planning in the financial sustainability section of this report.

# Executive summary (continued)



## Significant weaknesses identified in arrangements for improving economy, efficiency and effectiveness

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. We reviewed the Council's arrangements and have concluded that there were two significant weaknesses.

### Performance management

- In our AAR for 2022/23 we raised a key recommendation on performance management and set out why the Council needed to significantly improve its performance management and ensure it had a golden thread in place and performance is consistently reported alongside nearest neighbours.
- In 2023/24 the Council had no corporate plan and was not reporting performance to the Executive for each of its directorates or in a consistent manner. We note the Council engaged residents on its priorities in 2023/24 and launched its new Corporate Plan in April 2024.
- The Council needs to report a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. We identified gaps in performance reporting in 2023/24, that continued in 2024/25 and a lack of a consistent approach to benchmarking and a lack of measurable outcomes.
- Combined with no corporate plan in 2023/24 and systematic failings in its SEND service identified through the OFSED inspection in November 2023/24.

We have therefore identified a significant weakness in arrangements and retain our prior year key recommendation.

#### Key recommendation 4

The Council needs to improve its performance management arrangements by:

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

### Children's services

- In November 2023, Ofsted and the Care Quality Commission delivered an area SEND inspection of Halton Local Area Partnership which identified widespread and/or systemic failings.
- The inspection raised significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently. They will undertake a monitoring inspection in 18 months.
- In July 2024, the Council received an inadequate report from Ofsted in response to its May 2024 inspection. It identified significant deterioration in the quality of practice for children and young people. A lack of stable and effective leadership has led to shifting strategic priorities and an absence of continuous systematic improvement planning. This has been further compounded by weak governance arrangements, limited performance information and workforce instability. There has been insufficient pace in tackling the serious deficits identified at a focused visit in October 2021 for children in need of help and protection, and many of those weaknesses are still prevalent. There are serious and widespread weaknesses across the service.
- We have identified progress to address these weaknesses in 2024/25 although impact on outcomes is too early in our reporting.

We have therefore identified a significant weakness in arrangements and raise the following key recommendation..

#### Key recommendation 5

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

# Statutory recommendations



# Statutory recommendation 1



## Financial sustainability

### Statutory recommendation 1

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

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

### Management response

Agreed. The Council will further develop the medium-term financial plan and budget report to highlight risks regarding financial resilience, continue to reflect all significant cost pressures, and will ensure a robust budget setting process is in place. Within the budget report we will include narrative regarding how budget setting is linked to the Council's corporate priorities.

**Responsible Officer:** Director of Finance

**Executive Lead:** Head of Revenues & Financial Management

**Deadline:** 31st March 2025

# Statutory recommendation 2



## Financial sustainability

### Statutory recommendation 2

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

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

### Management response

Agreed. A reset of the transformation programme is being undertaken which will address the issues raised and will re-prioritise the programme, in order to address the need to identify significant budget savings as a matter of urgency. The new Transformation Board is meeting monthly to drive forward the re-purposed programme and provide the necessary robust monitoring and challenge going forward. Nearest neighbour benchmarking data is being utilised to focus and prioritise the programme towards those areas where the greatest financial benefit appears likely. Management Team is taking urgent action to adopt robust procedures to reduce spending across all departments as far as possible, to minimise the in-year overspend and protect the Council's reserves.

**Responsible Officer:** Corporate Director, Chief Executives Delivery Unit

**Executive Lead:** Senior Delivery Officer TDU

**Deadline:** 31st December 2024

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





# Opinion on the financial statements



## Audit opinion on the financial statements

We intend to issue an unqualified opinion on the Council's financial statements following the Audit and Governance Board on 20 November 2024.

The full opinion will be included in the Council's Statement of Accounts 2023/24, which can be obtained from the Council's website.

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Findings from the audit of the financial statements

The Council did not provide draft accounts in line with the national deadline, however these were published by the end of June 2024 in time for the audit process.

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

- Audit work has not identified any significant issues.
- Review of the accounting for the excess revenue generated from operation of the Mersey Gateway Bridge and subsequent allocation of surpluses between the Council and the Department of Transport has resulted in a prior period adjustment in order to better reflect the agreements in place. This has not impacted the level of reserves available for use by the Council.
- We expect to issue an unqualified opinion on the financial statements following the Audit & Governance board on 20 November 2024, beyond the national timetable date of 30 September.

## Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A version of our report was presented to the Council's Audit and Governance Board on 20 November 2024. Requests for this Audit Findings Report should be directed to the Council.

# Use of auditor's powers

We bring the following matters to your attention:

2023/24

## 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 issued two 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 have not issued 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 have not made an application to the Court.

## Advisory notice

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

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

We have not issued 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 have not made an application for judicial review.

# **Value for Money Commentary on arrangements**



# The current local government landscape



## National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600m for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.



## 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. The Council 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.

The Council is a small unitary council, with a population of 128,964. 30% of the population live in areas that are deprived. The Council has the second highest rate of looked after children in the City Region after Liverpool which contributes to 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.

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). The 2024 Halton Borough Council election was held on Thursday 2 May 2024, alongside the other local elections in the United Kingdom held on the same day. Labour retained its longstanding majority on the Council with 50 of the 54 currently elected councillors being Labour.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

# Financial sustainability



We considered how the audited body:

## Commentary on arrangements

## Assessment

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

The Council's 2023/24 revenue budget outturn was an overspend of £5.6m against a budget of £141.8m. This was funded from reserves, with a Department for Transport (DfT) review providing £7.9m from the Mersey Gateway reserve. The Council's 2024/25 budget and MTFs recognise the need to move away from the short-term approach of using reserves to provide a balanced budget position and avoiding making permanent budget savings. The use and cost of agency staff across all departments continues to be one of the main contributing factors to the revenue overspend position but this has not been factored in to the 2024/25 budget and as at May 2024, the Council was already reporting overspends on agency staffing costs. The Council set a balanced budget for 2024/25 but reported a £3.4m overspend to date as at May 2024 and a projected £20.4m overspend forecast for the 2024/25 financial year. Available reserves to the Council (General and Earmarked) stand at £11.5m, which is well below that required to help provide a balanced budget position. The Council is in discussions with MHCLG about Exceptional Financial Support (EFS) and the S151 Officer hopes that this will avoid the need to issue a S114 notice in 2024/25. We have raised a statutory recommendation in relation to short and medium-term financial planning on page 23.

Additionally, the Council's forecasts show the Dedicated Schools Grant (DSG) deficit rising from £2.9m in 2023 to £33.9m by 2028 and even with mitigations, the stretch target for this is still £21.0m. In 2026 this would be £13.3m - more than the Council is currently holding in usable reserves. This presents a significant risk if the Government's statutory override is not extended beyond March 2026. We have raised a key recommendation with regard to this on page 25.

R

plans to bridge its funding gaps and identifies achievable savings

In our AAR for 2022/23 we made a key recommendation relating to the Council's savings and transformation programme. We identified this programme as a risk of significant weakness for 2023/24 and undertook additional testing. We conclude that the Transformation Programme remains a significant weakness in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources in 2023/24 and have raised a statutory recommendation on page 24.

The failure of the Transformation Programme to deliver planned budgeted savings to date puts significant further strain on the Council's finances. The Council did deliver the majority of its planned efficiency savings in 2023/24, achieving £2.5m of its £2.83m target. However, even if efficiency and Transformation Programme savings were being delivered in full, the planned savings are still not sufficient to bridge the funding gaps identified. The Council's latest medium-term forecast as at 31 May 2024, shows a budget gap of £20.1m over the next three financial years, after proposed savings in 2025/26 of £9.3m and in 2026/27 of £8m are taken into account, which the Council does not have plans to address. As noted above, the Council is now at risk of depleting its reserves within the 2024/25 financial year and is in discussions with MHCLG about the potential for Exceptional Financial Support (EFS). The Council does not expect to receive the EFS before the next budget-setting cycle. We have included this in our statutory recommendation on short and medium-term financial planning on page 23.

R

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key and/or statutory recommendations made.

# Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

<p>plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>In our 2022/23 AAR, we reported that the Council had no up-to-date corporate plan in 2022/23 or in 2023/24. During 2023/24, the Council began a consultation exercise with key stakeholders to develop a new Corporate Plan by 1 April 2024. The new Corporate Plan was agreed and adopted at Full Council on 6 March 2024 for launch on 1 April 2024 and is now available on the Council's website. As this was not available when setting the 2024/25 budget or MTFS, the Council cannot demonstrate a coherent link between assumptions within the corporate objectives and the 2024/25 budget and MTFS. The Council should ensure that going forward, its financial plans are linked to the Council's corporate priorities as set out in its new Corporate Plan and we have included this in our statutory recommendation on short and medium-term financial planning on page 23.</p>	<p>R</p>
<p>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</p>	<p>We raised a number of improvement recommendations in our 2022/23 AAR around the Council's arrangements to ensure that its financial plan is consistent with other plans. This included recommendations to produce costings for the Climate Change Strategy and Action Plan, to produce a costed workforce strategy, and to ensure that elected members are appropriately trained in treasury management. Management did not accept our recommendation to cost its Climate Change Strategy and Action Plan. We have not re-raised this improvement recommendation but again note the lack of costings for the plan. Management advised us that work is underway as part of the Transformation Programme's 'Employer of Choice' project which will lead to the development of the Council's workforce strategy. Management also advised that treasury management training will be provided for all members during Autumn 2024. We have therefore not re-raised our prior year recommendations but we will follow up in our 2024/25 report to assess progress in these areas. See Appendix C for further details.</p>	<p>G</p>
<p>identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<p>In our 2022/23 AAR, we reported that financial risks are not included sufficiently in the budget papers to members and we included this in our key recommendation on risk management. The Council has not made any progress against this recommendation and does not have clear plans in place to address it. We have therefore included this again in our key recommendation on risk management on page 29 in the Governance section of this report. Also see further details at Appendix C. Risks to financial resilience have not been sufficiently highlighted in the 2024/25 budget papers, including in the S151 Officer's section 25 report where it is not clear how the assessment that reserves should provide sufficient resilience has been reached. We have included this in our statutory recommendation on short and medium-term financial planning on page 23.</p> <p>We also raised an improvement recommendation in 2022/23 to introduce scenario planning including best, worst and expected positions in its MTFS reporting. Management have advised that sensitivity analysis produced from scenario planning will be included in reporting on the MTFS in November 2024. We have therefore not re-stated this recommendation but note that this was not in place for 2023/24 and we will follow up again in 2024/25 to assess progress.</p>	<p>R</p>

# Financial sustainability (continued)



## Significant weaknesses identified

### Short and medium-term financial planning

The Council is in a very difficult financial position and is in discussions with MHCLG about Exceptional Financial Support (EFS) which the S151 Officer hopes will avoid the need to issue a S114 notice in 2024/25. The Council's 2023/24 revenue budget outturn was an overspend of £5.6m. The Council set a balanced budget for 2024/25 but reported a £3.4m overspend to date as at 31 May 2024 and a projected £20.4m overspend forecast for 2024/25. The use and cost of agency staff across all departments continues to be one of the main contributing factors to the revenue overspend position. Agency costs increased by 9.15% from 2022/23 rising from £13.6m to £14.3m. The Council's budget assumptions for 2024/25 did not include any allowance for use of agency staff and set the expectation that agency costs would be covered from existing departmental budgets. This does not appear to be realistic based on past experience and 2023/24 agency spending levels and as at 31 May 2024, the Council was already reporting overspends on agency staffing costs. The Council have set up a joint venture with Commercial Services Group in 2024/25 in an attempt to reduce agency costs, which we will follow up in our 2024/25 report. It is not clear what the benefits of the joint venture will be at this stage but further plans will need to be developed to fully address this issue.

We noted in our 2022/23 AAR the need for a more robust budget setting approach and the need for public budget engagement and included this in our statutory recommendation on financial sustainability. We have not seen any evidence of progress to date or clear plans to progress this recommendation

The S151 Officer's section 25 report in the 2024/25 budget states that reserves should provide sufficient resilience to meet the financial consequences of any unforeseen events. This does not appear to be realistic, given the situation the Council finds itself in in 2024/25 where it is at risk of depleting all its reserves in year and it is not clear from the report how this assessment was reached.

The Council's latest medium-term forecast as at 31 May 2024, shows a budget gap of £20.1m over the next three financial years, after proposed savings in 2025/26 of £9.3m and in 2026/27 of £8m are taken into account. This is a £37.4m gap before taking into account proposed savings, the vast majority of which are planned to come from budgeted savings from the Council's transformation programme which is yet to deliver any budgeted savings as at August 2024 (see statutory recommendation 2 on the Council's transformation programme). However, even if budgeted savings were delivered in full, the Council still has a £20.1m budget gap over the next three financial years which it has no plans in place to address.

The Council's 2024/25 budget and MTFs recognise the need to move away from the short-term approach of using reserves to provide a balanced budget position and avoiding making permanent budget savings and the MTFs 2024/25 - 2026/27 includes £2m a year in 2025/26 and 2026/27 which will be provided to replenish reserves. However, it is not clear how this will be achieved with significant budget gaps remaining to be closed.

In our 2022/23 AAR, we reported that the Council had no up-to-date corporate plan in 2022/23 or in 2023/24. During 2023/24, the Council began a consultation exercise with key stakeholders to develop a new Corporate Plan by 1 April 2024. The new Corporate Plan was agreed and adopted at Full Council on 6 March 2024 for launch on 1 April 2024 and is now available on the Council's website. As this was not available when setting the 2024/25 budget or MTFs, the Council cannot demonstrate a coherent link between assumptions within the corporate objectives and the 2024/25 budget and MTFs. We have raised a statutory recommendation below.

#### **Statutory Recommendation 1** - The Council should improve its short and medium-term financial planning by:

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

# Financial sustainability (continued)



## Significant weaknesses identified (continued)

### Transformation programme

The Council has a Transformation Programme in place which was intended to deliver £20m of savings by 2026/27. The Council originally had a target to deliver £2m savings in 2023/24, £8m in 2024/25 and £10m in 2025/26. However, in 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. As at September 2024, the Programme is being rescoped in recognition that the original £20m target will not be sufficient to address the Council's forecast budget gaps.

The Council spent £2.3m on the Transformation Programme in 2023/24, including £405k of project management costs and £368k of redundancy costs. The Programme failed to deliver any of the original budgeted savings planned for 2023/24 and in August 2024, the programme was only forecast to deliver £0.07m of its planned £4m savings for 2024/25. Management informed us that further savings are in stream for 2024/25, including an additional £0.6m in Children's Services and £0.3m in supported living but these are not fully approved. The Council has delivered some cost mitigation savings. It delivered £0.5m in cost mitigation savings in 2023/24 and expects to deliver a further £0.2m in 2024/25. While these support the Council in reducing its overspend position, they do not allow the Council to bridge the funding gaps identified. Management informed us that some schemes, such as Connect2Halton (the Council's joint venture intended to reduce agency costs), had been planned for earlier implementation but this had not been supported by Members.

Whilst the Council has taken some of the steps expected to identify savings for its Transformation Programme, making use of benchmarking to identify opportunities, we note it has not reviewed discretionary vs statutory spending or consulted stakeholders on its transformation programme savings. The Council is in the process of updating its benchmarking to respond to changes in demand and cost, particularly in adults and children's services and to reprioritise the programme given the need for urgent delivery of savings.

Effective programme governance was not in place for the Transformation Programme in 2023/24 to ensure savings were delivered and monitored which has significantly impacted on the Council's financial sustainability in the short-term. In August 2024 nearly half-way into year two of the programme the Council has just started to introduce programme management arrangements, but these are still in their infancy. The Executive agreed to establish a Transformation Programme Board in July 2024 but we are concerned that this not public and it lacks transparency. The Transformation Programme Board is a Member Board. We note there is no strategic officer board for this programme, which we would expect to see, despite the Council's challenging financial position. Arrangements such as status reports and benefits trackers were being introduced in August 2024 which we will follow-up in our 2024/25 reporting. However, we would have expected programme management arrangements to be live from the start of the programme. An Interim Head of Transformation started in post in June 2024 on a six-month contract.

While we recognise the positive steps taken in recent months, the absence of capability in the organisation to deliver effective programme management arrangements and a lack of grip on its target for the programme is very significant and contributing to the Council's poor financial position in 2023/24 that is continuing in 2024/25. The lack of focus on budgeted savings in this programme is a significant weakness, as this was agreed in January 2023 as the driver for its introduction and it was expected to deliver £20m in three years. We have therefore identified a significant weakness in arrangements in both financial sustainability and governance and raised a statutory recommendation below.

**Statutory Recommendation 2** – The Council should develop and implement the transformation programme at scale and pace to address the significant structural budget deficit. This should include:

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



# Financial sustainability (continued)



## Significant weaknesses identified (continued)

### Dedicated Schools Grant (DSG) deficit

The Council's forecasts show its Dedicated Schools Grant (DSG) deficit is projected to rise significantly over the medium-term. Services for children and young people with special educational needs and / or disabilities (SEND) are also in significant difficulty and further investment is likely to be required to address these failing services (see further detail on this at KR7 in the improving economy, efficiency and effectiveness section of this report).

In December 2023, the Council applied to join the Government's Delivering Better Value (DBV) programme working to identify and implement local opportunities to improve the outcomes for children and young people with SEND across 54 local authorities and their partners. Halton is taking part in this programme to help it achieve financial sustainability. In March 2024 it was successful and received a grant of £1m. The Council appointed a programme lead for this in June 2024.

We are concerned the use of out of borough education, health and care plan (EHCP) placements are not expected to reduce until 2026/27 and these are the most expensive. The DBV projections in Table 1 show the Council's DSG deficit rising from £2.9m in 2023 to £33.9m by 2028 and even with mitigations, the stretch target for this is still £21.0m. In 2026 this would be £13.3m - more than the Council is currently holding in usable reserves. The Council is assuming that the statutory override will remain after March 2026 but this is not guaranteed. We consider this presents a significant risk to the Council's financial sustainability.

We have therefore raised a key recommendation below.

**Key Recommendation 1** – The Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its SEND services. The Council's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.

Table 1: Dedicated Schools Grant forecast cumulative deficit and targets

	2023	2024	2025	2026	2027	2028
Unmitigated cumulative deficit	£2.9m	£5.7m	£10.8m	£17.8m	£25.8m	£33.9m
Target cumulative deficit	£2.9m	£5.2m	£8.8m	£13.5m	£18.4m	£22.1m
Stretch cumulative deficit	£2.9m	£5.2m	£8.8m	£13.3m	£17.8m	£21.0m

Source: Delivering Better Value grant application, December 2023

# Governance



We considered how the Audited Body:

## Commentary on arrangements

## Assessment

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

In our 2022/23 AAR we identified a significant weakness relating to risk management and made a key recommendation for the Council to improve its arrangements. We have identified no improvement in risk management in our work for 2023/24. The Audit and Governance Committee received the last Corporate Risk Register (CRR) on 26 June 2024. The format of the risk register remains the same as that we reported in our AAR in 2022/23. We note that children's services are not one of the top four risks in the Council despite the cost pressures facing the service and the need to drive immediate improvement on its special education needs and disabilities (SEND) service. We note the SEND risk register only has four risks and none of these relate to reputation, managing DSG cost pressure or statutory service performance which we would expect to see. We note no progress on strengthening financial risks as recommended in prior year. We have raised a key recommendation on page 29.

We also identified some improvements to internal audit and make an improvement recommendation on page 31. The Council's most recent external PSIAS assessment was in February 2024. It identified the Council mainly conforms to standards, but it needed to develop an internal audit manual and make specific linkages between the audit plan and its significant risks and strategic objectives and that it should retain planning records to demonstrate these linkages. The Code of Ethics and Declarations of Interest Statement could be adapted to include a conflict-of-interest management strategy and manager sign-off.

We note the Whistleblowing Policy is dated June 2021 and is not updated to reflect the current organisational structure and has not been the subject of an annual review as stated. The Council received a Whistleblowing allegation from Ofsted in June 2023. The Council did not follow initially its own process as it did not inform its human resources team, and it was originally investigated by an officer reporting to the Director being complained about. There was a subsequent review and a report to Ofsted which was partially upheld. We make an improvement recommendation on Whistleblowing on page 31.

approaches and carries out its annual budget setting process

In our 2022/23 AAR, we reported the need for a more robust budget setting approach and the need for public budget engagement and included this in our statutory recommendation on financial sustainability. We have not seen any evidence of progress to date or clear plans to progress this recommendation. Budget holders are consulted as part of the budget setting process and the Council has a budget working group which reviews approved savings proposals. However, we would expect to see a more challenging process given the Council's financial position and the issues identified with unrealistic budget assumptions contributing to the Council's overspend position. We have therefore included this again in our statutory recommendation on short and medium-term financial planning on page 23 in the financial sustainability section of this report.

R

R

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key and/or statutory recommendations made.

# Governance (continued)



We considered how the Audited Body:

## Commentary on arrangements

## Assessment

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including significant partnerships

Executive Board receive quarterly reports on the Council's capital and revenue net spending and forecast outturn position. These include a clear summary of the in-year and forecast outturn position and reasons for any variances to plan. In our 2022/23 AAR, we reported that capital reports did not provide members with any performance and outcome measures for capital or reasons for budget variances and we raised an improvement recommendation. Management have advised that going forward, reporting to Executive Board and Policy and Performance Boards will contain expanded details regarding capital spending and narrative regarding the reasons for any significant variances against capital programme allocations. We will follow this up in our 2024/25 report to assess progress.

The Council provides monthly reports for budget holders and in 2023/24 the Chief Executive introduced monthly transformation challenge items at the management team. Budget holders have this responsibility included in their job description. Budget guidelines are issued annually, and each manager has a dedicated finance officer to provide guidance and support.

We noted a weakness in the Council's arrangements for monitoring savings in the financial sustainability section of this report and have included developing robust and transparent monitoring arrangements in our statutory recommendation on page 24.

G

ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from Audit and Governance Board

In our AAR for 2022/23 we made a key recommendation relating to the Council's savings and transformation programme. We identified this programme as a risk of significant weakness for 2023/24 and undertook additional testing. We conclude that effective programme governance was not in place for the Council's three-year £20m transformation programme in 2023/24 and this continued into 2024/25. We find the lack of effective programme management has significantly impacted on the Council's financial sustainability in the short-term. We make a statutory recommendation on page 24 in the financial sustainability section of this report.

We have identified the need for some improvements to the Council's arrangements to ensure it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. The Lead Member for Scrutiny meets regularly with the Scrutiny Officer and chairs the Scrutiny Chairs Group. This appointment is made annually. The Group meets quarterly to review their work programmes and prioritise staff capacity to support scrutiny and identify areas to improve and share emerging issues. However, we have identified improvements to the Council's scrutiny arrangements. We note there were no call in decisions in 2023/24 suggesting the lack of challenge. These Policy and Performance Boards meet after the Executive Board and only receive its minutes. Effective scrutiny requires earlier input and more detailed reporting to help inform decision-making and we make an improvement recommendation on page 32.

R

In our 2022/23 AAR we made an improvement recommendation to recruit independent members onto the Council's Audit and Governance Committee. We note this is under consideration for 2025/26. The Council has 12 elected members on this Committee currently and it may wish to review its size alongside the adoption of two independent members to align with CIPFA's recommended guidance from 2022 and alongside a review of its terms of reference to also align with the CIPFA 2022 position statement on Audit and Governance Boards in local authorities. We make an improvement recommendation on page 32.

# Governance (continued)



## We considered how the Audited Body:

### Commentary on arrangements

### Assessment

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

Prior to April 2024 the Council had not reviewed business continuity arrangements since Covid-19 and these did not reflect the new way of working, but ICT did have a list of critical solutions. In 2023/24 the Council moved to Microsoft 365 which resulted in moving to the cloud. The Council did not update its arrangements for disaster recovery as part of this transition and these needed significant change in August 2024. We identify a significant weakness and make a key recommendation on page 30.

We have identified areas for improvement in the Council's arrangements for how it monitors and ensures appropriate standards and where it procures or commissions services. In our 2022/23 AAR we recommended the Council undertakes a self-assessment against the CIPFA Financial Management Code. We note this was not completed in 2023/24. The Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. We make a further improvement recommendation on page 32.

We note the role of the Standards Committee is undertaken by the Audit and Governance Committee. Members did not receive a formal written update on standards in 2023/24. Procurement waivers were not reported in the annual procurement update to the Audit and Governance Committee. We reviewed a sample of the member declarations of interest and those we reviewed were out of date by 3 years. We note declarations of interest were provided retrospectively for CMT members by email in April 2024. We have raised improvement recommendations on these points on page 32.

R

# Governance (continued)



## Significant weaknesses identified

### Risk Management

Effective risk management is an essential part of the Council's control environment. It 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.

In our 2022/23 AAR we identified a significant weakness relating to risk management and made a key recommendation for the Council to improve its arrangements. We have identified no improvement in risk management in our work for 2023/24.

The Audit and Governance Board received the last Corporate Risk Register (CRR) on 26 June 2024. The format of the risk register remains the same as that we reported in our AAR in 2022/23. We note that children's services are not one of the top four risks in the Council despite the cost pressures facing the service and the need to drive immediate improvement on its special education needs and disabilities (SEND) service. We note the SEND risk register only has four risks and none of these relate to reputation, managing DSG cost pressure or statutory service performance which we would expect to see.

The CRR format requires improvement so there is a single table with strategic risks, issues and causes established with risk owners. It needs to include assurances, risk type, risk proximity and a target risk date and a date last updated. 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. Risks are not reported to the Executive Board in either 2023/24 or in 2024/25 which we would expect to see alongside performance and finance reporting. The Risk Management Policy was last reviewed in May 2023. It does not consider programme and project risks or risk escalation and de-escalation processes. There is no identification of risk type or risk tolerance, treatment or proximity which we would expect to see in the Strategy. The Council has a risk toolkit which it has not reviewed since April 2019. This will need improvement alongside the Policy. The Policy says the management team should review the CRR annually. We think this needs to be at least quarterly. The Council also only updates the Audit and Governance Board bi-annually on risk management which is insufficient. At Directorate level risk monitoring is bi-annually in line with Directorate Business Plans which is not sufficiently timely. We note no progress on strengthening financial risk reporting as recommended in prior year.

We have identified a significant weakness relating to risk management and we retain our key recommendation on risk management.

**Key Recommendation 2** - The Council needs to significantly improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.

# Governance (continued)



## Significant weaknesses identified (continued)

### Business continuity and disaster recovery

We note prior to April 2024 the Council had not reviewed business continuity arrangements since Covid-19 and these did not reflect the new way of working, but ICT had a list of critical solutions. We acknowledge some work was done in 2024/25 to improve its business continuity arrangements by including ICT. However, we identify this was a significant weakness in 2023/24.

In 2023/24 the Council implemented Microsoft 365. Prior to the implementation the Council had disaster recovery arrangements in place. However, these were not updated to reflect the new ICT arrangements, and we note these required significant change still in August 2024.

We have identified a significant weakness for the Council's arrangements for business continuity and disaster recovery planning and make a key recommendation.

**Key Recommendation 3** - The Council needs to urgently update its arrangements for business continuity and disaster recovery planning.



# Governance (continued)



## Areas for improvement

### Internal audit

Internal audit services are required to have an external assessment against the standards every five years. The Council's most recent external assessment was in February 2024. The Council had received a draft report which showed it conforms to the standards. However, it identified the current planning approach is heavily reliant on the knowledge and experience of the Divisional manager and is not documented and it recommended the development of an internal audit manual. It also found the annual plan should be enhanced to make linkage to the organisation's risks and strategic objectives and that planning records should be retained to demonstrate these linkages. The Code of Ethics and Declarations of Interest Statement could be adapted to include a conflict-of-interest management strategy and manager sign-off.

**Improvement recommendation 1** - The Council needs to enhance its internal audit arrangements by:

- putting in place an audit manual which is a core part of the Council's control process.
- making specific linkages between the audit plan and the Council's significant risks and strategic objectives.
- Retaining planning records to demonstrate these linkages.
- adapting the Code of Ethics and Declarations of Interest Statement to include a conflict-of-interest management strategy and manager sign-off.

### Whistleblowing

We note the Whistleblowing Policy is dated June 2021 and is not updated to reflect the current organisational structure and has not been the subject of an annual review as stated. The Council received a Whistleblowing allegation from Ofsted in June 2023. The Council did not initially follow its own process. The Human Resources team was not informed of the complaint against a Director, and it was originally investigated by an officer reporting to the Director being complained about. There was a subsequent review and a report to Ofsted which was partially upheld.

**Improvement recommendation 2** - The Council needs to update its Whistleblowing Policy and ensure its subject to annual reviews. It also needs to ensure it is understood and that officers follow the correct processes.

# Governance (continued)



## Areas for improvement (continued)

### Scrutiny

The Lead Member for Scrutiny meets regularly with the Scrutiny Officer and chairs the Scrutiny Chairs Group. This appointment is made annually. The Group meets quarterly to review their work programmes and to prioritise staff capacity to support scrutiny, identify improvement areas and share emerging issues. However, we have identified improvements to the Council's scrutiny arrangements. We note there were no call in decisions in 2023/24 suggesting the lack of challenge. These Policy and Performance Boards meet after the Executive Board and only receive its minutes. Effective scrutiny requires earlier input and more detailed reporting to help inform decision-making.

**Improvement recommendation 3** - The Council needs to review its overview and scrutiny arrangements to provide a greater focus on earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge.

### Audit and Governance Committee

The Council does not yet have any independent members on its Audit and Governance Committee. We note this is under consideration for 2025/26. The Council has 12 elected members on this Committee currently and it may wish to review its size alongside the adoption of two independent members to align with CIPFA's recommended guidance from 2022 and alongside a review of its terms of reference to also align with the CIPFA 2022 position statement on Audit and Governance Boards in local authorities. We note the role of the Standards Committee is undertaken by the Audit and Governance Board. Members did not receive a formal written update on standards in 2023/24. Procurement waivers were not reported in the annual procurement update to the Audit and Governance Board.

**Improvement recommendation 4** - The Council should enhance the effectiveness of its Audit and Governance Committee by:

- appointing independent members to provide expertise in areas like transformation.
- reviewing its terms of reference to align with the CIPFA 2022 Code of Practice on Audit and Governance Boards.
- ensuring procurement waivers are reported on an annual basis. and
- formalising reporting on standards investigations.

### Declarations of interest

We reviewed a sample of the member declarations of interest and those we reviewed were out of date by 3 years. We note declarations of interest were provided retrospectively for CMT members by email in April 2024.

**Improvement recommendation 5** - The Council needs to improve its arrangements for member and officer declarations of interest by updating member and officer declarations annually at the start of each year.



# Improving economy, efficiency and effectiveness



We considered how the audited body:

## Commentary on arrangements

## Assessment

uses financial and performance information to assess performance to identify areas for improvement

In our AAR for 2022/23 we raised a key recommendation on performance management and said the Council needed to significantly improve its performance management and ensure it had a golden thread in place and performance is consistently reported alongside nearest neighbours. In 2023/24 the Council had no corporate plan and was not reporting performance to the Executive for each of its directorates or in a consistent manner. We note the Council engaged residents on its priorities in 2023/24 and launched its new Corporate Plan in April 2024.

The Council needs to report a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. We identified gaps in performance reporting in 2023/24, that continued in 2024/25 and a lack of a consistent approach to benchmarking and a lack of measurable outcomes. Combined with no corporate plan in 2023/24 and systematic failings in its SEND service identified through the OFSED inspection in November 2023 we identify a significant weakness in the Council's arrangements for performance management and make a key recommendation on page 35.

R

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

In 20 to 24 November 2023, Ofsted and the Care Quality Commission delivered an area SEND inspection of Halton Local Area Partnership which identified widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently. The report was published on 26 January 2024. They will undertake a monitoring inspection in 18 months.

In July 2024, the Council received an inadequate report from Ofsted in response to its May 2024 inspection. It identified significant deterioration in the quality of practice for children and young people. A lack of stable and effective leadership has led to shifting strategic priorities and an absence of continuous systematic improvement planning. This has been further compounded by weak governance arrangements, limited performance information and workforce instability. There has been insufficient pace in tackling the serious deficits identified at a focused visit in October 2021 for children in need of help and protection, and many of those weaknesses are still prevalent. There are serious and widespread weaknesses across the service. We have identified progress to address these weaknesses in 2024/25 although impact on outcomes is too early in our reporting. We have raised a key recommendation on page 36.

R

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key and/or statutory recommendations made.

# Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

## Commentary on arrangements

## Assessment

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

In September 2023, the Council became a member of the Integrated Care Partnership for Cheshire and Merseyside, to be known as the Cheshire and Merseyside Health and Care Partnership. This is a statutory joint committee and forms part of the structure of the new Integrated Care System set out in the Health and Care Act 2022.

In July 2024 Ofsted identified partnerships were underdeveloped and weak governance arrangements have meant partners are not fully held to account for their role in helping children and young people. We refer to this in our key recommendation on children's services so do not repeat it here. Governance arrangements are being strengthened so that corporate parents and the safeguarding partnership can provide more robust challenge and scrutiny. An independent scrutineer has been appointed. Partnership arrangements were reviewed and codesigned with partners. The new arrangements launched in March 2024. There was a joint priority setting day in June 2024 with an agreed approach to partnership priorities over the next 3 years. We include this Ofsted finding in our key recommendation on performance for children and young people, so we do not report it here.

G

commissions or procures services, assessing whether it is realising the expected benefits

The Council has good arrangements in place for procurement evidenced by its social value work, and its preparation for the implementation of the Procurement Act 2023 which comes into force in October 2024. It has a robust process in place to agree waivers involving finance and other corporate services. However, there were more waivers in 2023/24 than in 2022/23: 107 waivers were approved in 2023/24 compared with 74 in 2022/23 and an internal audit report on the new leisure centre identified non-compliance with the Procurement Contract Regulations 2015. Property Services managed the procurement but did not publish the contract award on Contract Finder.

The Council's contract management arrangements are variable, and these are not managed centrally. We reviewed the six highest value waivers from 2023/24 and only one included details of contract management and regular performance review. There is evidence of using contractors over longer periods rather than using competitive processes. For example, the Integrated Sensory Support Service ran for six years to 30 June 2024. In March 2024, the Executive Board extended this for a further five years. This was also agreed prior to amending the service specification to reflect service priorities. An Internal Audit report on electric vehicle charging points identified no formal contractual arrangements with the supplier of on-street charging points. We make an improvement recommendation on page 37.

A

However, there is also some evidence of the Council securing value for money. In 2023/24 the Council implemented Microsoft 365 but extracting its cyber data was considered too costly, so the Council bought an MDR solution for a five-year period using a framework and negotiated with the top two providers to reduce cost.

# Improving economy, efficiency and effectiveness (continued)



## Significant weaknesses identified

### Performance management

In our AAR for 2022/23 we raised a key recommendation on performance management and said 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 and in 2023/24 the Council had no corporate plan. The Council needs to have a suite of corporate performance information reported to the Executive Board aligned with risk and finance reporting. We note the Council did hold resident engagement on its priorities in 2023/24 and launched its new Corporate Plan in April 2024.

The Council needs to report a corporate set of outcomes, SMART measures and KPIs quarterly to the Executive Board, integrated with risk and finance reporting. We identified gaps in performance reporting in 2023/24, that continued in 2024/25 and a lack of a consistent approach to benchmarking and a lack of measurable outcomes. We note in August 2024 the Council was still developing its performance management framework and no council wide performance reports were developed or shared with the Executive or the Performance Boards. The very limited performance reports presented twice yearly in 2023/24 were not for all the Council's directorates.

**Key Recommendation 4** - The Council needs to improve its performance management arrangements by:

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



# Improving economy, efficiency and effectiveness (continued)



## Significant weaknesses identified (continued)

### Children's Services

In 20 to 24 November 2023, Ofsted and the Care Quality Commission delivered an area SEND inspection of Halton Local Area Partnership which identified widespread and/or systemic failings leading to significant concerns about the experiences and outcomes of children and young people with special educational needs and/or disabilities (SEND), which the local area partnership must address urgently. They will undertake a monitoring inspection in 18 months. The local area partnership is required to prepare and submit a priority action plan (area SEND) to address the identified areas for priority action. The team identified the significant changes to the senior leadership of Halton's SEND services since the previous inspection. These included a new chief executive, several interim directors of children's services, a newly appointed operational director for education, inclusion, and provision, and a new head of service for SEND. A permanent director of children's services started in November 2023.

Too many children and young people with SEND in Halton wait an unacceptable time to have their needs accurately identified and assessed. For example, children and young people wait too long to access a neurodevelopmental assessment. Most children and young people wait more than 18 months. Leaders have been too slow to respond to the rising numbers and increasing complexity. The outcome of this Inspection was not reported to the Audit and Governance Board until March 2024. We note the annual governance statement for 2023/24 identifies a plan will be in place by March 2025 to address its findings.

In July 2024, the Council received an inadequate report from Ofsted in response to its May 2024 inspection. It identified significant deterioration in the quality of practice for children and young people. A lack of stable and effective leadership has led to shifting strategic priorities and an absence of continuous systematic improvement planning. This has been further compounded by weak governance arrangements, limited performance information and workforce instability. There has been insufficient pace in tackling the serious deficits identified at a focused visit in October 2021 for children in need of help and protection, and many of those weaknesses are still prevalent. There are serious and widespread weaknesses across the service.

The Ofsted report identified the permanent director of children's services (DCS) who joined in November 2023 and identified her leadership team have a solid understanding of many service weaknesses and are putting changes in place to sustain improvement. They are also reengaging staff and partners. Governance mechanisms are being strengthened and are supported by improved performance monitoring. In July 2024, plans and strategies to tackle the deficits are either in their infancy or have yet to be actioned. While there are some early signs of progress, it is too soon to see the impact for children and young people.

**Key Recommendation 5** - The Council needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by putting in place, and delivering, an improvement plan to address the wider children's services inspection findings.

# Improving economy, efficiency and effectiveness (continued)



## Areas for improvement

### Contract Management

The Council's contract management arrangements are variable, and these are not managed centrally. We reviewed waivers for the six highest value waivers from 2023/24 and only one included details of contract management and regular performance review. There is evidence of using contractors over longer periods rather than using competitive processes. For example, the Integrated Sensory Support Service ran for six years to 30 June 2024. In March 2024, the Executive Board agreed to extend this for a further five years. This was also agreed prior to amending the service specification to reflect service priorities.

An Internal Audit report on electric vehicle charging points identified no formal contractual arrangements with the supplier of on-street charging points. This had resulted in a dispute over income which Connected Kerb advised the Council owed to them. There was no fire risk assessment, and the team did not seek input from the Council's property insurers regarding the charging points installed at Council owned premises. Internal audit identified the need for a signed contract to establish the respective responsibilities and risk to both parties and to establish liability if an insurable incident occurred.

An Internal Audit report on children's services commissioning finalised in September 2024 but related to 2023-24 identified limited assurance and raised high level recommendations on contract and performance management. The Commissioning team manages approximately 30 contracts, with total expenditure in 2023/24 of £3.2m. We note no consistent performance management framework to link performance data to the outcomes specified in the contract. Contract and performance management arrangements require formalising to ensure consistency across all contracts. Although outcomes are specified in the contracts, there is no clear link to the performance data reported by the providers. Where targets are included, they are not always reported on. This makes it difficult to demonstrate whether the service provision is effective in achieving the required outcomes and whether the Council is achieving value for money. Arrangements for verifying the validity of performance data submitted by the providers are also inconsistent, with reliance being placed on the data submitted with no checks being carried out in some cases. The audit also identified one contract with a value exceeding £1m and two lower value contracts that had not been signed in accordance with Standing Orders.

**Improvement recommendation 6** - The Council needs to improve its contract management arrangements by putting in place formal contract management review processes and ensuring performance and financial management are including in contract review meetings and are formally documented.



**Value for Money  
Key and Improvement  
recommendations raised in  
2023/24**



# Recommendations raised in 2023/24

Recommendation	Type of recommendation*	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>KR1</p> <p>The Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its SEND services. The Council's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.</p>	Key	Financial sustainability	Review of key documents, including the Council's Delivering Better Value grant application.	The Council's forecast DSG deficit in 2026 is more than it currently holds in usable reserves. The Council does not have a contingency plan in place if the Government's statutory override is not extended in March 2026 which is not guaranteed. This presents a significant risk to the Council's financial sustainability in the medium-term.	<p><b>Actions:</b> Agreed. The financial aspects of the DSG deficit forecasts will form part of the Medium Term Financial Plan, including highlighting risks around the statutory override.</p> <p><b>Responsible Officer:</b> Director of Finance</p> <p><b>Executive Lead:</b> Head of Revenues &amp; Financial Management</p> <p><b>Deadline:</b> 31st March 2025</p>
<p>KR2</p> <p>The Council needs to significantly improve its risk strategy, improve the CRR and ensure officers and members are reviewing strategic and directorate risks at least quarterly and ensuring risk is adequately considered in financial reporting.</p>	Key	Governance	Review of risk policy and the CRR.	Effective risk management is an essential part of the Council's control environment. It 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.	<p><b>Actions:</b> Agreed. 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 improvements where appropriate in line with the recommendations.</p> <p><b>Responsible Officer:</b> Corporate Director, Chief Executives Delivery Unit</p> <p><b>Executive Lead:</b> TBC</p> <p><b>Deadline:</b> 31st December 2024</p>

\* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR3 The Council needs to urgently update its arrangements for business continuity and disaster recovery planning.	Key	Governance	Interview with ICT	The Council has no current arrangements for business continuity or disaster recovery which could impact the whole council.	<p><b>Actions:</b> Agreed. The Council will review and update its business continuity and disaster recovery plans to reflect current ICT arrangements as recommended.</p> <p><b>Responsible Officer:</b> Director of ICT &amp; Customer Services</p> <p><b>Executive Lead:</b> TBC</p> <p><b>Deadline:</b> 31st March 2025</p>
IR1 The Council needs to enhance its internal audit arrangements by: <ul style="list-style-type: none"> <li>• putting in place an audit manual which is a core part of the Council's control process.</li> <li>• making specific linkages between the audit plan and the Council's significant risks and strategic objectives.</li> <li>• retaining planning records to demonstrate these linkages.</li> <li>• adapting the Code of Ethics and Declarations of Interest Statement to include a conflict-of-interest management strategy and manager sign-off.</li> </ul>	Improvement	Governance	PSIAS external review	Internal audit is a key element of the Council's internal controls.	<p><b>Actions:</b> Agreed. The Council will review its Internal Audit arrangements and enhance them by taking on board the recommendations as considered appropriate.</p> <p><b>Responsible Officer:</b> Head of Procurement, Audit &amp; Operational Finance</p> <p><b>Executive Lead:</b> Audit &amp; Investigations Manager</p> <p><b>Deadline:</b> 31st March 2025</p>



# Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR2 The Council needs to update its Whistleblowing Policy and ensure its subject to annual reviews. It also needs to ensure it is understood and officers follow the correct processes.	Improvement	Governance	Whistleblowing Policy, Ofsted investigation	Whistleblowing is a key element of the Council's internal controls.	<p><b>Actions:</b> Agreed. The Council's whistleblowing arrangements will be reviewed annually and communicated to officers, to ensure it remains effective.</p> <p><b>Responsible Officer:</b> Head of Procurement, Audit &amp; Operational Finance</p> <p><b>Executive Lead:</b> Audit &amp; Investigations Manager</p> <p><b>Deadline:</b> 31st March 2025</p>
IR3 The Council needs to review its overview and scrutiny arrangements to provide earlier engagement of scrutiny to enhance decision-making and ensure scrutiny receive reports for consideration to provide an opportunity for challenge.	Improvement	Governance	Review of scrutiny meetings and reports and email from the monitoring officer.	Scrutiny is insufficiently developed and integrated into Council decision-making.	<p><b>Actions:</b> Agreed. The Council's scrutiny processes will be reviewed via the members scrutiny chairs group, to develop and enhance the Council's scrutiny arrangements.</p> <p><b>Responsible Officer:</b> Director of Legal &amp; Democratic Services</p> <p><b>Executive Lead:</b> Director of Legal &amp; Democratic Services</p> <p><b>Deadline:</b> 31st March 2025</p>

# Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council should enhance the effectiveness of its Audit and Governance Committee by:</p> <ul style="list-style-type: none"> <li>• appointing independent members to provide expertise in areas like transformation.</li> <li>• reviewing its terms of reference to align with the CIPFA 2022 Code of Practice on Audit and Governance Boards.</li> <li>• ensuring procurement waivers are reported on an annual basis. and</li> <li>• formalising reporting on standards investigations.</li> </ul>	Improvement	Governance	Review of committee papers, membership and terms of reference	Internal audit is a key element of the Council's internal controls and it needs to align its Committee with CIPFA 2022 Code of Practice on Audit and Governance Boards.	<p><b>Actions:</b> Agreed. The Audit and Governance Board will be asked to consider co-opting independent members onto the Board, its terms of reference will be reviewed against the CIPFA Code of Practice, a summary of procurement waivers will be reported annually, and standards matters will continue to be reported to the Board.</p> <p><b>Responsible Officer:</b> Director of Finance and Director of Legal &amp; Democratic Services</p> <p><b>Executive Lead:</b> Head of Procurement, Audit &amp; Operational Finance and Director of Legal &amp; Democratic Services</p> <p><b>Deadline:</b> 31st March 2025</p>
<p>The Council needs to improve its arrangements for member and officer declarations of interest by updating member and officer declarations annually at the start of each year.</p>	Improvement	Governance	Review of declarations of interest.	Not having up to date declaration of interest presents a risk to the Council	<p><b>Actions:</b> Agreed. The Council recognises the importance of having an up to date declaration of interests and will take steps to ensure its arrangements are robust.</p> <p><b>Responsible Officer:</b> Director of Legal &amp; Democratic Services</p> <p><b>Executive Lead:</b> Director of Legal &amp; Democratic Services</p> <p><b>Deadline:</b> 31st March 2025</p>

# Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>The Council needs to improve its performance management arrangements by:</p> <ul style="list-style-type: none"> <li>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.</li> <li>agreeing performance outcomes, that can be measured, at least annually as part of the new performance management framework.</li> <li>improving performance reporting to include benchmarking with 'nearest neighbours' data where possible;</li> <li>integrating performance, risk and finance reporting to drive improvement and sharing these reports quarterly with the Executive Board.</li> <li>ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked.</li> </ul>	Key	3Es	Review of committee papers, corporate plan, performance reports	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 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.	<p><b>Actions:</b> Agreed. Following implementation of the Council's new Corporate Plan and Values Framework which are underpinned by a core set of Key Performance Indicators, the Performance Management Framework has been developed which will link to the new Corporate Priorities and the reporting regime is in place which will form the first two levels of the 'Golden Thread' within the Council.</p> <p><b>Responsible Officer:</b> Corporate Director, Chief Executives Delivery Unit</p> <p><b>Executive Lead:</b> TBC</p> <p><b>Deadline:</b> 31st December 2024</p>

# Recommendations raised in 2023/24

Recommendation	Type of recommendation	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>KR5 The Council needs to significantly improve its services for children and young people by putting in place arrangements to improve its SEND services working with health partners and by putting in place, and delivering, an improvement plan to address the wider children's services inspection findings.</p>	Key	3Es	Ofsted SEND and Children's services inspection reports	The Council's services for children and young people were a significant weakness in 2023/24 that continued into 2024/25.	<p><b>Actions:</b> Agreed. Following the recent Ofsted Inspection, the Children's Improvement Board are developing an improvement plan to implement Ofsted's recommendations as a matter of urgency, which will be monitored robustly to ensure its effective implementation. The Council is also implementing changes to the delivery of SEND as part of the DfE's Delivering Best Value in SEND programme.</p> <p><b>Responsible Officer:</b> Executive Director, Children's</p> <p><b>Executive Lead:</b> Head of Children's Services</p> <p><b>Deadline:</b> 31st March 2025</p>
<p>IR6 The Council needs to improve its contract management arrangements by putting in place formal contract management review processes and ensuring performance and financial management are including in contract review meetings and are formally documented.</p>	Improvement	3Es	Review of waivers, and internal audit reports on contracts	The Council needs to improve contract management arrangements and ensure these are consistent across the Council.	<p><b>Actions:</b> Agreed. Consideration will be given to how the Council's contract management arrangements might be improved as recommended.</p> <p><b>Responsible Officer:</b> Director of Finance</p> <p><b>Executive Lead:</b> Head of Procurement, Audit &amp; Operational Finance</p> <p><b>Deadline:</b> 31st March 2025</p>

# 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.

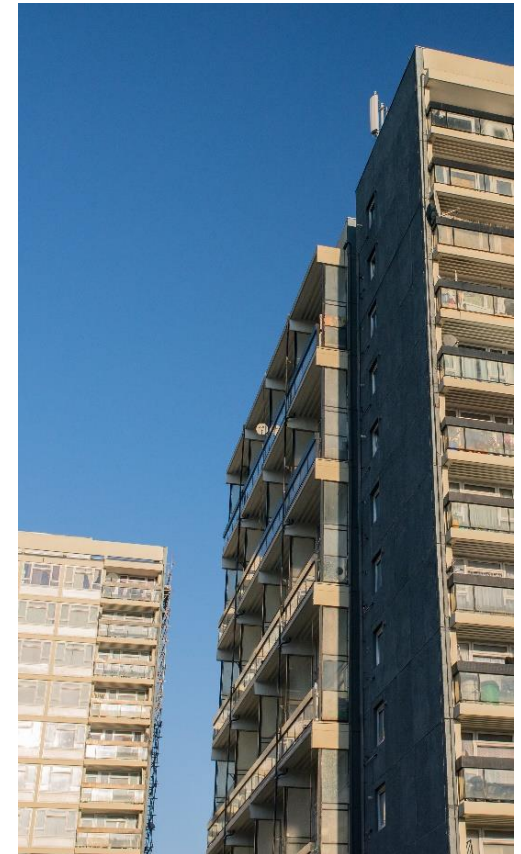
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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



# Appendix B: Value for Money Auditor responsibilities



## Value for Money arrangements work

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 audited body's responsibilities are set out in Appendix A.

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

Under 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 National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

### Financial Sustainability

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

### Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and 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.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

## Phase 1 – Planning and initial risk assessment

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

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

## Phase 2 – Additional risk-based procedures and evaluation

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

## Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

# Appendix C:

## Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
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	Key	March 2024	The Council has added additional capacity to the Programme to promote focus and pace. As projects have progressed and the complexity of the programme has developed, officers and Members have designed a revised governance model to drive scrutiny and accountability, this is in place from August 2024. In addition, through August – October 2024, a reprioritisation of transformation projects will be undertaken to ensure that resource is being targeted to the right areas. This will be determined by using up-to date benchmarking (2023/24 data), concentration on high-cost services , and bringing projects into the programme that are not mobilised.	No	Yes. Superseded by statutory recommendations 1 and 2.
2 The Council needs to improve its risk management	Key	March 2024	A review of risk management arrangements is being undertaken. The Council is also engaging with Zurich Municipal to provide specialist support to further develop our risk management arrangements. Consideration is being given to establishing target risk scores in the Corporate Risk Register, and to more frequent reporting to Members on an exceptional basis. In addition, steps are being considered to provide a more robust approach to highlight risks in Board reports. Consideration is also being given to where in the organisation the co-ordination of risk management is best situated.	No	Yes. Recommendation retained - see recommendation KR2.
3 The Council needs to improve its performance management arrangements.	Key	March 2024	The Council's new Corporate Plan was implemented from 1 April 2024. This includes developing a new set of focused key performance indicators, forming a 'corporate dashboard', and a values framework which has been developed via a series of officer and member workshops and briefings. This will provide a "golden thread" and the basis for performance reporting outcomes to both management team and member boards.	No	Yes. Recommendation retained - see recommendation KR4.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
4 The Council should develop a Workforce Strategy that is fully costed to reflect future skills requirements	Improvement	March 2024	The Transformation Programme “Employer of Choice” project is underway, with different aspects being addressed to help recruit and retain staff. This includes internal work around the Employer Value Proposition, as well as working collaboratively with the LGA via the Regional Employers Organisation, and Liverpool City Region partners around recruitment approaches. The Council’s Workforce Strategy will be developed from this work.	Partly	No, we will follow-up in 2024/25.
5 The Council needs to enhance the measures it has in place to control capital spending and improve capital monitoring information to elected members	Improvement	March 2024	Greater attention is being given to reporting capital spending on a regular basis to capital project managers. Reporting to Executive Board and Policy and Performance Boards will contain expanded details regarding capital spending and narrative regarding the reasons for any significant variances against capital programme allocations.	Partly	No, we will follow-up in 2024/25.
6 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	Improvement	March 2024	Arrangements are currently being made for the Council’s treasury management advisers Link Group (now MUFG) to provide training for all members during Autumn 2024.	Partly	No, we will follow-up in 2024/25.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

# Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
7 The Council should consider co-opting independent members onto its Audit and Governance Board to help it improve its effectiveness	Improvement	March 2024	Discussions are currently being held with the Chair of the Audit and Governance Board, to agree a process with the Board for co-opting an independent member onto the Board, in accordance with CIPFA's Audit and Governance Board Guidance.	Partly	Yes. We have included this in our recommendation on Audit and Governance Board effectiveness. See IR4.
8 The Council may want to introduce scenario planning including best, worst and expected positions in its MTFS reporting to the Executive Board	Improvement	March 2024	Scenario planning is being used to maintain the MTFS on a rolling basis during the year. However, when the MTFS is formally reported to Executive Board in November 2024, the outcome of the scenario planning will be described as part of the narrative to assist Members, such as by providing sensitivity analysis.	Partly	No, we will follow-up in 2024/25.
9 The Council should undertake a self-assessment against the CIPFA Financial Management Code and use that to develop an improvement plan.	Improvement	March 2024	A self-assessment against the CIPFA Financial Management Code is currently being undertake.	Partly	No, we will follow-up in 2024/25.

\*Explanations of the different types of recommendations which can be made are summarised in Appendix B.



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