

REPORT TO: Audit and Governance Board

DATE: 4 June 2025

REPORTING OFFICER: Director of Finance

PORTFOLIO: Corporate Services

SUBJECT: External Auditor's Annual Report 2023/24 – Action Plan Update

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

- 1.1 To consider a progress update regarding the actions being taken to address the recommendations arising from the External Auditor's 2023/24 Annual Report (AAR).

2.0 RECOMMENDED: That the progress update regarding the 2023/24 AAR Action Plan as presented in the Appendix, be noted.

3.0 SUPPORTING INFORMATION

- 3.1 The Council's External Auditor, Grant Thornton UK LLP, is required to consider annually whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor's Annual Report details the Council's overall arrangements, as well as providing recommendations regarding any significant weaknesses identified during the review. In addition, improvement recommendations are made which the Council may also decide to implement.
- 3.2 The External Auditor is required to report under three specific criteria, being:
- Financial Sustainability
 - Governance
 - Improving Economy, Efficiency and Effectiveness
- 3.3 The Auditor's Annual Report 2023/24 was presented to the Audit and Governance Board on 25 November 2024. The report included a number of key recommendations and improvement recommendations. It also included two statutory recommendations, which given their importance were required to be approved by Council on 05 December 2024. In addition, the External Auditor highlighted a number of recommendations made for the previous year which were still being addressed.

- 3.4 An Action Plan was prepared to manage the work being undertaken in response to the External Auditor's recommendations. Good progress has been made with addressing all of the recommendations and the Appendix presents details of progress in relation to the Action Plan.

4.0 POLICY IMPLICATIONS

- 4.1 None.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The AAR 2023/24 provided an external viewpoint on the financial sustainability of the Council. As is now the case for many local authorities, there are significant financial challenges for the Council in balancing future year budgets and managing spending within budgets.
- 5.2 The report identified a number of significant weaknesses regarding the arrangements the Council has in place to secure financial sustainability, governance, and improving economy, efficiency and effectiveness. A number of recommendations were made, for which the Action Plan is being used to manage their implementation.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

- 6.1 Improving Health, Promoting Wellbeing and Supporting Greater Independence
- 6.2 Building a Strong, Sustainable Local Economy
- 6.3 Supporting Children, Young People and Families
- 6.4 Tackling Inequality and Helping Those Who Are Most In Need
- 6.5 Working Towards a Greener Future
- 6.6 Valuing and Appreciating Halton and Our Community

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

7.0 RISK ANALYSIS

- 7.1 The risks that have been considered as part of the Council having in place arrangements to secure economy, efficiency and effectiveness, were detailed in the AAR 2023/24.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None.

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None.

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

10.1 None under the meaning of the Act.

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SR - Statutory Recommendations

KR – Key Recommendations

IR – Improvement Recommendations

PYR – Previous Year Recommendations

	FINANCIAL SUSTAINABILITY
SR1	<p>The Council should improve its short and medium-term financial planning by;</p> <ul style="list-style-type: none"> • Ensuring that financial plans appropriately account for significant cost pressures, including developing comprehensive plans to address continued 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 S25 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
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	<p>The Medium Term Financial Strategy (MTFS) 2025-2029 and the Budget Report 2025/26 have been further developed to highlight risks regarding financial resilience and they reflect all significant forecast cost pressures that we are aware of.</p> <p>The MTFS has been extended to cover four years from 2025/26, to reflect the Council's challenging financial circumstances and financial risks. It outlines the particular pressure of agency staff costs and the work being undertaken corporately and across service directorates to address these pressures. Similar details and significant additional financial provision have been included within the Strategy for the key demand-led services experiencing significant financial pressures including; children's residential placements, independent fostering, home to school transport, adults community care, direct payments and in-house care homes.</p> <p>The MTFS report now includes details of the scenario planning for demand-led spending areas which is undertaken when preparing and maintaining the Strategy, and also includes sums to replenish reserves.</p> <p>The approach to budget setting has been re-focused to make it more robust. Immediate budget savings proposals were sought by Management Team for 2025/26, for consideration by the Budget Working Group, Executive Board and Political Groups, whilst longer-term proposals are being identified and developed via the re-shaped and re-prioritised Transformation Programme.</p> <p>Extensive work has been undertaken in terms of benchmarking Halton's Services against nearest neighbour comparators, as a basis for the re-shaping of the Transformation Programme. This will provide the evidence base to focus work upon those areas</p>

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	<p>where opportunities exist to develop significant budget savings proposals, by exploring with comparator councils how similar services are being delivered at lower cost. Consideration will also be given to how public engagement in the budget setting process might be accommodated by reference to the approach being taken by other councils.</p> <p>The opportunity was taken within the MTFS 2025-29 to highlight financial resilience issues, including the forecast DSG deficit and the impact if the statutory over-ride were removed. The Section 25 report within the 2025/26 Budget Report was also enhanced to highlight current and future financial risks. The MTFS highlighted the significant scale of funding gaps over the four-year period, compared to the level of budget savings proposals identified and available useable reserves. As a result, the MTFS recommended that the Council apply for the Government's Exceptional Financial Support arrangement, for which an application was submitted in December 2024 and provisional approval was received from Government in February 2025, enabling the Council to set a balanced budget for 2025/26.</p> <p>When considering budget savings proposals, Members considered the Council's priorities and particularly the impact upon social care services and thereby vulnerable residents. Further work is required to consider how the budget setting process can be linked to the delivery of the Council's priorities as set out within the new Corporate Plan.</p>
SR2	<p>The Council should develop and Implement the Transformation Programme at scale and pace to address the significant structural budget deficit. This should include;</p> <ul style="list-style-type: none"> • 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
	Responsible: Corporate Director, Chief Executive's Delivery Unit

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	Progress as at March 2025:
	<p>The reshaping of the Transformation programme has been informed by comprehensive benchmarking in conjunction with Grant Thornton (CFO insights). This has indicated key areas for examination and quantified budget variances against the average sector spend. Viability assessments have been undertaken against some of the areas identified, and are in progress against others. These are being considered by the Transformation Delivery Board (officers) and the Transformation Programme Board (Members), to ensure that all levels of governance are satisfied that the potential for business improvement and cost effectiveness is sufficient to justify the inclusion of work in the Programme. This work is also aligned with the budget savings agreed within the setting of the 2025/26 budget, ensuring a focus on budget reduction and directing capacity towards the generation of savings.</p> <p>The additional process and data analysis skills that have been brought into the Transformation Delivery Unit (TDU) are accelerating the scoping of projects in areas where cost benchmarking has been applied, to ensure a coherent understanding of cost variances and how they translate into opportunities to effect cost reductions.</p> <p>Subject matter experts are being engaged in projects where technical knowledge and expertise is required quickly to fully understand the operating environment and associated cost reduction opportunities.</p> <p>Benefit tracking continues to be developed as part of the governance reporting regime for the Programme.</p> <p>Significant work is in progress on the development of a new risk management approach for the Council (refer KR2). An adapted version of this, specific to the Programme, will be finalised in Q1 of 2025/26 to deliver a robust approach to risk management and issue reporting within the Programme governance arrangements</p>
KR1	The Council should put sufficient plans in place to address its escalating forecast DSG deficit, while delivering the necessary improvements to its SEND services. The Council's plans should ensure it has appropriate contingency in place if the Government's statutory override is not extended in March 2026.
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	The MTFS 2025-2029 included details of the forecast DSG deficits and the issues surrounding the statutory over-ride. This was also highlighted in the Section 25 Statement within the 2025/26 Budget Report.

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	If the statutory override is not extended, this would have a significant impact for the Council and require additional capitalisation under the Exceptional Financial Support arrangement. However, the Government are fully aware of the difficulties this would cause for many councils and have indicated that clarification regarding the position going forward will be provided as part of the 2025 Spending Review and the Government's commitment to significant funding reform from 2026/27 onwards.
PYR4	The Council should develop a Workforce Strategy that is fully costed to reflect future skills requirements
	Management Response: Agreed
	Responsible: Corporate Director, Chief Executive's Delivery Unit
	Progress as at March 2025:
	<p>This continues to be work in progress. The "Employer of Choice" projects within the Transformation programme have concluded and returned to the operational HR service. The Council has implemented revised recruitment procedures and market engagement strategies, along with an new EVP. A focused project is in train to continue to reduce agency worker load across the organisation. The scope of a Managing Attendance project has been considered by Transformation Programme Board and is moving towards implementation. A new Employee Performance Framework is being implemented through the Organisational Development function, and large scale engagement with managers on succession planning is commencing. This will consolidate a view of future skills requirements, however it must be noted that the Council continues to be challenged by the dynamics of the employment market generally. Representations around the wider Local Government T&C model continue to be fed through to the LGA via the Regional Employers Organisation, and Liverpool City Region partners.</p> <p>A full staff survey is to be undertaken in May / June 2025.</p>
PYR5	The Council needs to enhance the measures it has in place to control capital spending and improve capital monitoring information to elected members
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	An increased focus has been given to reporting capital spending on a regular basis to capital project managers. Additional details have been included within bi-monthly budget monitoring reports to Executive Board and Policy and Performance Boards, regarding the reasons for significant variances against capital programme allocations.

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PYR6	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
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	A treasury management training session was provided for all Members on 26 th February 2025, presented by the Council's advisers Link Group (now MUFG). The session provided a comprehensive introduction to treasury management. It has been agreed with Members for Link to provide similar training on an annual basis, which will also enable the sessions to focus upon current topical issues at that time.
	GOVERNANCE
KR2	The Council needs 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.
	Management Response: Agreed
	Responsible: Corporate Director, Chief Executive's Delivery Unit
	Progress as at March 2025:
	<p>The Council is in the process of completely overhauling its approach to risk management. A new policy has been drafted in conjunction with subject matter experts at Zurich Municipal (the Council's Insurers). The new approach has been constructed around advice from the Council's external auditors following agreement of this recommendation in 2024.</p> <p>Once the policy has been agreed, a new risk register and monitoring regime will be implemented. This will be supported by training for officers and Members.</p>
KR3	The Council needs to urgently update its arrangements for business continuity and disaster recovery planning
	Management Response: Agreed
	Responsible: Corporate Director, Chief Executive's Delivery Unit and Director of ICT & Customer Services

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	Progress as at March 2025:
	The Council has revised the format of Business Continuity plans to bring them in line with emerging threats in the current operating environment. These incorporate disaster recovery factors, particularly around IT security, and a training exercise based upon this has taken place.
IR1	The Council needs to enhance its internal audit arrangements by: <ul style="list-style-type: none"> • 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.
	Management Response: Agreed
	Responsible: Head of Audit, Procurement & Operational Finance
	Progress as at March 2025:
	The recommendations made have been addressed as follows: <ul style="list-style-type: none"> • The Internal Audit team's audit manual is currently in the process of being updated. • Explicit linkages to the Council's significant risks were included in the 2025/26 Internal Audit Plan, which was approved by the Audit and Governance Board at its March 2025 meeting. • Planning records have been maintained in support of how the audit plan has been developed. The process involved consultation with Executive Directors and other senior managers to identify priority areas for internal audit coverage. • The Code of Ethics and Declarations of Interest Statement has been amended to include a conflict of interest management strategy and manager sign-off.
IR2	The Council needs to update its Whistleblowing Policy and ensure it is subject to annual reviews. It also needs to ensure it is understood and that officers follow the correct processes.
	Management Response: Agreed
	Responsible: Head of Audit, Procurement & Operational Finance
	Progress as at March 2025:
	The Council's whistleblowing arrangements are reviewed annually as part of the overall review of the Constitution, and several changes were made to the Whistleblowing Policy during the 2024 review.

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	<p>The policy is published on both the Council's website and intranet, ensuring it is easily accessible. Contact details are also provided for individuals wishing to make disclosures or seek guidance on the policy's operation.</p> <p>Additionally, the Council's whistleblowing arrangements are incorporated into the mandatory e-learning fraud awareness training for all staff to further raise awareness of the correct processes.</p>
IR3	<p>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.</p>
	Management Response: Agreed
	Responsible: Director of Legal and Democratic Services
	Progress as at March 2025:
	<p>The Council's scrutiny processes are being reviewed via the Members' Scrutiny Chairs Group, to develop and enhance the Council's scrutiny arrangements. Council will be asked at its May 2025 annual meeting to approve amended Policy and Performance Board titles and terms of reference which will reflect the new priorities in the Corporate Plan. Work will also be carried out with external advisors to further enhance scrutiny.</p>
IR4	<p>The Council should enhance the effectiveness of its Audit and Governance Board by:</p> <ul style="list-style-type: none"> • 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 • Formalising reporting on standards investigations
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	<p>At their meeting on 20th November 2024, the Audit and Governance Board reviewed the Board's Terms of Reference and agreed revisions in order to align them with the Cipfa 2022 Code of Practice. This included changes to the composition of the Board, with a reduction in the number of Members to 8 in total including an appropriately qualified independent member. These changes are recommended for approval by Council on 16th May 2025 as part of the annual review of the Constitution, after which arrangements will be made to appoint an independent member.</p>

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	<p>Procurement waivers exceeding £100,000 are approved by Executive Board. Waivers of less than £100,000 are approved by the Head of Audit, Procurement and Operational Finance, who will bring a report to Audit and Governance Board following each year-end summarising those waivers approved during the previous financial year.</p> <p>The Audit and Governance Board currently receive an update on Standards matters at each of their meetings, which includes details of any investigations undertaken.</p>
IR5	The Council needs to improve its arrangements for Member and officer declarations of interest, by updating Member and officer declarations annually at the start of each year
	Management Response: Agreed
	Responsible: Director of Legal and Democratic Services
	Progress as at March 2025:
	The Council recognises the importance of having an up to date declaration of interests and is taking steps to ensure its arrangements are robust. Legislation requires that Members register their interests upon election and then notify any subsequent changes within 28 days of them taking place. We will in future request Members to update their registrations of interest at the start of each municipal year in May.
PYR8	The Council may want to introduce scenario planning including best, worst and expected positions in its MTFS reporting to the Executive Board
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	Scenario planning of key demand-led services and cost drivers is already undertaken as part of preparing the MTFS and then maintaining it on a rolling basis throughout the year. However, for the 2025-2029 MTFS report to Executive Board, details were included of the scenario planning undertaken for demand-led spending areas, in order to support the assumptions provided within the Strategy and to assist Members in understanding the scale and sensitivity of the financial forecasts provided.

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PYR9	The Council should undertake a self-assessment against the Cipfa Financial Management Code and use that to develop an improvement plan.
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	Work is underway to make an assessment of the Council's financial arrangements compared with the Cipfa Financial Management Code. This will be completed by mid-Summer in order to establish an action plan and adopt any changes required for the second half of the financial year and the budget setting process.
	Improving Economy, Efficiency and Effectiveness
KR4	The Council needs to improve its performance management arrangements by; <ul style="list-style-type: none"> 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 Executive Board Ensuring consistency across directorates regarding the reporting of corporate performance data to enable outcomes to be tracked
	Management Response: Agreed
	Responsible: Corporate Director, Chief Executive's Delivery Unit
	Progress as at March 2025:
	This continues to be work in progress. A core set of Key Performance Indicators were incorporated into the quarterly performance reporting regime. As the revised Risk Management approach is approved and implemented (refer KR2), the Performance Management Framework will be augmented to include relational KPIs with agreed review intervals linked to the management of corporate risk and aligned to corporate priorities.

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	A corporate data project is to deliver a unified platform in Q1 of 2025/26. Once in place, pertinent performance data will be sourced from around the Council and can be held then streamed to relevant stakeholders for review and scrutiny through tailored dashboards. This will include officers, Members, residents and other interested parties.
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 finding.
	Management Response: Agreed
	Responsible: Executive Director, Children's
	Progress as at March 2025:
	<p>Following the Ofsted Inspection and inadequate rating, an Improvement Plan was developed as a matter of urgency and approved by Council along with £4.2m of additional resources to fund implementation of Ofsted's recommendations. The independently chaired Children's Improvement Board meet monthly and undertake robust monitoring of all aspects of the Improvement Plan to ensure its effective implementation.</p> <p>The Council is also implementing changes to the delivery of SEND via a Delivery Plan agreed with the DfE, for which the Council was awarded £1m of additional funding as part of the Delivering Best Value in SEND programme.</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 included in contract review meetings and are formally documented
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2025:
	The Transformation Delivery Unit are currently reviewing councilwide contract management arrangements, with a view to making recommendations to the Transformation Board to put in place more formal contract management review processes and documentation.