

**REPORT TO:** Council

**DATE:** 22 October 2025

**REPORTING OFFICER:** Director of Finance

**PORTFOLIO:** Corporate Services

**SUBJECT:** External Auditor's Annual Report 2024/25

**WARD(S):** Borough-wide

## **1.0 PURPOSE OF REPORT**

- 1.1 To consider the Auditor's Annual Report 2024/25 shown in Appendix 2, which will be presented by the Council's External Auditor, Grant Thornton UK LLP.

## **2.0 RECOMMENDED: That;**

- (i) the contents of the Auditor's Annual Report 2024/25 shown in the Appendix 2 be noted;**
- (ii) the three Statutory Recommendations highlighted within the Auditor's Annual Report 2024/25 be noted;**
- (iii) the Council's responses to the Statutory Recommendations as detailed in Appendix 1, be approved.**

## **3.0 SUPPORTING INFORMATION**

- 3.1 The External Auditor is required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor's Annual Report details the Council's overall arrangements, as well as providing Key Recommendations regarding any significant weaknesses identified during the review. In addition, Improvement Recommendations are made which the Council may also decide to implement.
- 3.2 The External Auditor is required to report under three specific criteria, being:
- Financial Sustainability
  - Governance
  - Improving Economy, Efficiency and Effectiveness
- 3.3 The report in Appendix 2 provides details of the findings from the External Auditor's review, which were presented to the Audit and Governance Board on 24<sup>th</sup> November 2025.

- 3.4 A number of Key Recommendations and Improvement Recommendations are shown within the report, along with management's responses to those recommendations.
- 3.5 In addition, three Statutory Recommendations have been made, which the Council is required to consider, confirm whether the recommendations are accepted, and if so how they will be addressed. The first two Statutory Recommendations continue from the 2023/24 report.
- 3.6 The Annual Auditor's Report 2024/25 will be presented to Council by the External Auditor, Grant Thornton UK LLP, as required by regulations within 30 days of issuing statutory recommendations.
- 3.7 The three Statutory Recommendations are presented in Appendix 1 along with management's responses.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 None.

#### **5.0 FINANCIAL IMPLICATIONS**

- 5.1 The report provides an external viewpoint on the financial sustainability of the Council. As is now the case for many local authorities, there are significant financial challenges for the Council in funding future year budgets and managing spending within those budgets.
- 5.2 The report identifies a number of significant weaknesses regarding the arrangements the Council has in place to secure financial sustainability, governance, and improving economy, efficiency and effectiveness. Recommendations are made in respect of each and management's responses to those recommendations are included within the report.

#### **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 direct implications, however the revenue budget and capital programme support the delivery and achievement of all the Council priorities.

## **7.0 RISK ANALYSIS**

- 7.1 The risks that have been considered as part of the Council having in place arrangements to secure economy, efficiency and effectiveness, are detailed in the attached report.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

- 8.1 None.

## **9.0 CLIMATE CHANGE IMPLICATIONS**

- 9.1 None.

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

- 10.1 None under the meaning of the Act.

## **Statutory Recommendations**

### **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

### **Management Response:**

The Medium-Term Financial Strategy (MTFS) 2026-2031 has been further developed to highlight risks regarding financial resilience and reflect all significant forecast cost pressures we are aware of.

The MTFS has been extended to cover five years, to reflect the Council's challenging financial circumstances and financial risks. It highlights all key areas of financial pressure and the work being undertaken corporately and across service directorates to address these pressures.

Three scenarios have been developed in preparing the MTFS, to reflect continuation of the current position, a median scenario reducing costs to the benchmarked nearest neighbour average, and best-case scenario whereby costs are reduced sufficiently to deliver a balanced budget by 2030/31 without reliance upon EFS.

The approach to budget setting has been re-focused to make it more robust, with budget savings proposals being sought by Management Team for 2026/27 onwards to achieve the best-case scenario. These include longer-term proposals being developed via the re-shaped Transformation Programme. The proposals will be presented for consideration by the Transformation Board, Budget Working Group, Executive Board and Political Groups.

The Section 25 report within the 2026/27 Budget Report will be further enhanced to highlight current and future financial risks, the level of useable reserves, and progress with delivering the MTFS best case scenario.

When considering budget savings proposals, Members will consider the Council's priorities and particularly the impact upon social care services and thereby vulnerable residents. Further work will be undertaken to consider how the budget setting process can be closer linked to the delivery of the Council's priorities as set out within the new Corporate Plan.

Responsible Officer: Director of Finance

Due Date: 31 March 2026

## **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 the Project Management Office (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:**

The Transformation Board are reshaping the Programme to prioritise the achievement of savings for implementation as a matter of urgency. Benchmarking against comparators is being used to focus upon service areas exhibiting significant variances against comparator average spend. Viability assessments are being presented to the Board seeking approval to progress with full reviews.

The resourcing, skills and knowledge within the Transformation Delivery Unit is being considered, to enable the Programme to be driven forward at pace.

The Transformation Delivery Board (officers) and the Transformation Programme Board (Members) continue to provide governance and oversight of programme delivery, ensuring a focus upon budget reductions and directing capacity towards the generation of savings to meet the MTFS funding gaps over the forthcoming five years. Benefit tracking is being improved as part of the governance reporting regime for the Programme.

Responsible Officer: Interim Director of Transformation

Due Date: 31 March 2026

### **Recommendation 3**

Senior officers and elected members need to take effective corporate control of the issues highlighted by this report and prioritise at pace corporate effort in managing the issues identified in relation to financial sustainability and embed strengthened governance into the Council.

The Council must ensure it has capacity and capability in its management team to achieve this and address the significant weaknesses we have identified in relation to financial sustainability.

In time for budget setting 2026/27 we would expect to see a well-developed medium-term corporate savings and transformation programme to manage MTFP funding gaps and to reduce future reliance on EFS, with clear responsibilities and timescales.

#### **Management Response:**

The Interim Chief Executive's key priority is to ensure the Council's financial challenges are addressed as a matter of urgency, with full co-operation of all officers and Members. Governance arrangements will be strengthened to ensure the effective delivery of actions required to bring the Council onto a sustainable financial footing over the period of the MTFS. The senior officer leadership group is being fully engaged to implement spending constraints, changes to service delivery, use of innovation, and delivery of savings proposals.

Work is underway to develop savings proposals for 2026/27 onwards including those from the reshaped Transformation Programme, for consideration by Members, to address the funding gaps highlighted by the MTFS and eventually remove the reliance on EFS.

Responsible Officer: Interim Chief Executive

Due Date: 31 March 2026