

REPORT TO: Audit and Governance Board

DATE: 18 March 2026

REPORTING OFFICER: Director of Finance

PORTFOLIO: Corporate Services

SUBJECT: External Auditor's Annual Report 2024/25 – 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 2024/25 Annual Report (AAR).

2.0 RECOMMENDED: That

(i) the progress update regarding the 2024/25 AAR Action Plan as presented in the Appendix, be noted; and

(ii) a further update be presented to the Board in June 2026.

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 2024/25 was presented to the Audit and Governance Board on 24 September 2025. The report included a number of key recommendations and improvement recommendations. It also included three statutory recommendations, which given their importance were required to be approved by Council on 22 October 2025. 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.
- 3.5 Given the many similarities, the recommendations from the Annual Auditor's Report along with the recommendations from the 2024 Peer Review and the 2025 Cipfa Financial Resilience Review, are currently being brought together into a single "Improvement Plan" for the Council. This will avoid duplication and enable progress with implementing all aspects to be overseen, monitored and reported upon in a joined-up manner

4.0 POLICY IMPLICATIONS

- 4.1 None.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The AAR 2024/25 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 2024/25.

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

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 2026:
	<p>The Medium Term Financial Strategy (MTFS) 2026-2030 and the Budget Report 2026/27 have been further developed to highlight risks regarding financial resilience and they reflect all significant forecast cost pressures that we are aware of. These are particularly highlighted within the S25 report.</p> <p>The MTFS has been extended to cover five years from 2026/27, 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 was reported to Executive Board in September 2026, two months earlier than usual given the significant financial challenges facing the Council. It was prepared in light of the Government's Fair Funding consultation carried out over the Summer.</p> <p>Alongside the MTFS, a Financial Recovery Plan was reported to Executive Board in September 2026 to outline the scale of the financial challenge facing the Council and provide Members with scenarios/options by which a sustainable budget position might be achieved by 2030/31 and thereby remove reliance upon Exceptional Financial Support (EFS).</p> <p>Extensive work has been undertaken in terms of benchmarking Halton's Services against nearest neighbour comparators, which were highlighted as part of the Financial Recovery Plan report and are being used as a basis for re-shaping of the Transformation Programme. This will provide the evidence base to focus work upon those areas where opportunities exist to develop significant budget savings proposals, by exploring with comparator councils how similar services are being delivered at lower cost.</p>

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<p>SR2</p>	<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
	<p>Management Response: Agreed</p>
	<p>Responsible: Interim Director of Transformation</p>
	<p>Progress as at March 2026:</p>
	<p>The reshaping of the Transformation Programme has been informed by comprehensive benchmarking utilising Grant Thornton's CFO Insights benchmarking tool. This has indicated key areas for examination and quantified budget variances against the average sector spend. These are being developed by the Transformation Delivery Board (officers) and the Transformation Programme Board (Members) to bring forward as part of the reshaped programme, with a key focus upon delivering budget savings.</p> <p>The Transformation Delivery Unit (TDU) and is being restructured and re-formed into the new Change and Innovation Group, with a greater focus upon specialist process and data analysis skills required to take the reshaped programme forward at pace. In particular, the approach utilised as part of transforming Children's Services over recent years will provide a model to be applied across other workstreams within the programme.</p> <p>External subject matter experts will be engaged in projects where technical knowledge and expertise is required quickly to fully understand the operating environment and associated cost reduction opportunities.</p> <p>The reporting, monitoring and governance arrangements associated with the Programme and it's individual workstreams are also being reviewed as part of the reshaping, to ensure they are effective and can support delivering at pace.</p>

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<p>SR3</p>	<p>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.</p> <p>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.</p> <p>In time for budget setting 2026/27 we would expect to see a well developed medium-term corporate savings and transformation programme to manage MTFs funding gaps and to reduce future reliance on EFS, with clear responsibilities and timescales.</p>
	<p>Management Response: Agreed</p>
	<p>Responsible: Interim Chief Executive</p>
	<p>Progress as at March 2026:</p>
	<p>The Interim Chief Executive and Leader have conveyed very clearly to managers, staff and Members that the Council’s key priority must be to address the financial challenges it faces. As a result, a clear sense of urgency has been instilled across all departments. The impact of this has been reflected in the much improved current year spending position, where a significant overspend was forecast at mid-year but is now expected to deliver a significant underspend by year-end.</p> <p>The Interim Chief Executive has led monthly financial recovery meetings with each directorate’s leadership team, to review progress with current year spending and to explore the development of savings proposals for next year and beyond. The latter savings proposals are being developed into a Financial Recovery Plan over the five year period of the MTFs and will include savings being developed via the Transformation Programme workstreams.</p> <p>Alongside this the Leader has held similar sessions with each Executive Director and relevant Portfolio Holders, to scrutinise their plans for curbing spending and the development of budget savings proposals.</p> <p>The first year savings proposals have formed the basis for the 2026/27 budget, with a number of approved proposals still to be finalised and implemented in-year. As the Financial Recovery Plan continues to be developed it will be used to inform the MTFs to assist with reducing the medium-term funding gaps and thereby reduce the reliance upon EFS.</p>

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KR1	The Council should urgently address its increasing DSG deficit, and work at pace with its partners, to deliver a deficit management plan to restrict further deficit increases, while delivering the improvements to its SEND services. This plan must include the key actions that should be reported frequently to a clearly designated forum capable of holding officers to account.
	Management Response: Agreed
	Responsible: Executive Director, Children's
	Progress as at March 2026:
	<p>The Council is part of the DfE pilot for Delivering Best Value in SEND, for which a Delivery Plan was approved by the DfE and is being implemented, with support from partners, the DfE and Cipfa to address the spiralling demand and costs of High Need SEND pupils. Progress with delivery of the programme is being monitored by the Children & Young People's Policy and Performance Board.</p> <p>The MTFS 2026-2030 includes 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 2026/27 Budget Report.</p> <p>The DSG deficit issue affects many councils across the country. Whilst the Council is taking urgent steps to curb High Needs costs going forward, Government has recognised that a national solution is required and is proposing to fund 90% (£25m) of the accumulated deficit with grant funding during 2026/27. This will require the Council to submit a SEND Reform Plan to the DfE by June 2026, setting out the steps to be taken in order to curb the cost of High Needs SEND pupils. The DfE have also provided a specialist Adviser to support the Council with addressing the delivery of SEND services.</p> <p>Following the publication of the Schools White Paper, it is hoped that Government will also fund a proportion of the accumulated deficit arising over the next two years until the statutory override expires at 31st March 2028 and the funding of SEND moves under central control. In the meantime, the Council will strive to minimise the deficit through implementation of the SEND Reform Plan, to ensure the impact for the Council is limited and does not add to the EFS burden.</p>
KR2	The Council needs to work at pace to finalise and test its arrangements for business continuity and disaster recovery planning. It also needs to ensure all staff and members are trained in cyber security and it develops a process to validate how its ICT systems comply with cyber security arrangements.
	Management Response: Agreed
	Responsible: Director of ICT Services

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	Progress as at March 2026:
	Business Continuity Plans have been updated and the format revised to reflect emerging threats in the current operating environment. These incorporate disaster recovery factors, particularly around ICT security and are to be tested. Online training has been rolled out to ensure all officers and Members are fully conversant with cyber security and the associated risks and mitigations. The 2026 update of each service's Business Continuity Plan is currently in progress.
KR3	<p>The Council needs to improve its performance management arrangements by;</p> <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: Interim Director of HR & Corporate Affairs
	Progress as at March 2026:
	A new performance management framework has been rolled out, with a core set of Key Performance Indicators incorporated into the quarterly performance reporting regime, linked to the new corporate priorities and built upon Departmental business plans and performance monitoring. A corporate data project is being implemented to pull together relevant performance data and provide links to service data, with increased use of benchmarking in setting targets and monitoring outcomes. The intention is for this data to then be streamed to relevant stakeholders for review and scrutiny through tailored dashboards.
KR4	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 delivering the improvement plan to address the wider children's services inspection findings.
	Management Response: Agreed
	Responsible: Executive Director, Children's

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	<p>Progress as at March 2026:</p> <p>As outlined under KR1, the Council is required to submit a SEND Reform Plan to the DfE by June 2026, setting out the steps to be taken in order to curb the cost of High Needs SEND pupils and develop its approach to the delivery of SEND services. The DfE have also provided a specialist Adviser to support the Council with addressing the delivery of SEND services. Progress with delivery of the SEND Reform Plan will be monitored by the Children & Young People's Policy and Performance Board.</p> <p>The independently chaired Ofsted Improvement Board are continuing to monitor implementation of the Improvement Delivery Plan which will deliver improved outcomes for children and reduced costs. This work is continuing with support from corporate departments, partner organisations, and a DfE representative on the Board.</p>
IR1	<p>The Council should continue to improve its arrangements for risk management by:</p> <ul style="list-style-type: none"> • Improving the CRR format to include target risk score, assurance and risk treatment and risk appetite. • Reflecting changes to the CRR for directorate level risk management. • Ensuring the S25 statement includes quantified risks which are assessed as part of the robustness for estimates. • Embedding the new risk policy across the Council through training for officers and elected members on risk management. • Ensuring the CRR is reported quarterly to the Executive and to Audit and Governance Board aligned with performance and financial reporting.
	Management Response: Agreed
	Responsible: Interim Director of HR & Corporate Affairs
	<p>Progress as at March 2026:</p> <p>The Council has reviewed its approach to risk management, with external support from Zurich Municipal (the Council's Insurers). A new risk management policy was approved by Executive Board on 11th September 2025, following which a new corporate risk register and monitoring regime is being implemented, supported by training for officers and Members. A new post of Risk Management Officer is currently being recruited to, who will lead on Risk Management for the Council.</p>
IR2	<p>The Council should further enhance its internal audit arrangements by:</p> <ul style="list-style-type: none"> • Improving audit reporting to demonstrate transparency and provide members with reasons why some audits have limited assurance in the progress report and the recommendations being made together with the timescale. • Ensuring the AGS identifies the statutory and key recommendations made by external audit together with actions and timescales to address these. • Strengthening the Audit and Governance Board to include formal reports on standards, making internal audit reports Part A to improve transparency, and providing reporting on the Financial Management Code and on Treasury Management.

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	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2026:
	<p>Copies of all Internal Audit reports are already provided in full within the progress reports submitted to the Audit and Governance Board. Members therefore have access to complete information for each audit, including the reasons for any limited assurance opinion. Each Internal Audit report presented to the Board also includes the agreed management actions and the associated timescales for implementation.</p> <p>Internal Audit's reporting arrangements have been reviewed. A summary progress report is presented in Part 1 of the Audit and Governance Board agenda to enhance transparency. Individual audit reports continue to be presented in Part 2 because they may contain sensitive details of control weaknesses which, if publicly available, could expose the Council to increased fraud or security risks.</p> <p>The final version of the Annual Governance Statement for 2024/25, presented to the Audit and Governance Board at its September meeting, included the statutory and key recommendations made by external audit, together with the actions and timescales to address them.</p> <p>An assessment against the CIPFA Financial Management Code was reported to the Audit and Governance Board at its meeting in September 2025.</p> <p>Updates on Standards are provided to the Audit and Governance Board whenever relevant matters arise.</p> <p>Regular updates on Treasury Management activities are now reported to the Audit and Governance Board, in addition to reporting to the Executive Board.</p>
IR3	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.
	Management Response: Agreed
	Responsible: Director of Legal and Democratic Services

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	Progress as at March 2026:
	Scrutiny processes are being reviewed via the Members' Scrutiny Chairs Group, to develop and enhance the Council's scrutiny arrangements. Policy and Performance Board titles and terms of reference have been amended which reflect the Council's new priorities in the Corporate Plan. Scrutiny training has been provided by external advisors for both officers and Members, to further enhance the Council's scrutiny processes.
IR4	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 2026:
	The Council recognises the importance of having an up-to-date declaration of interests and has taken 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. However, all Members are now asked to update their registrations of interest at the start of each municipal year in May.
IR5	The Council should 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. It also needs to ensure that the inter authority agreement with MRWA is formally agreed and signed by both parties and the waste contract is amended to enable the Council to fulfil its statutory duties.
	Management Response: Agreed
	Responsible: Director of Finance
	Progress as at March 2026:
	The Transformation Delivery Unit have reviewed council-wide contract management arrangements and will be making recommendations to the Transformation Board to put in place more formal contract management review processes and documentation. Steps have been taken to ensure the inter-authority agreement with MRWA is formally agreed and signed by both parties and the waste contract is amended to enable the Council to fulfil its statutory duties.